

Value Added Tax on Financial Services (VAT on FS)

VAT on FS Return Submission – 2022/2023 (Calendar Year Taxpayers)

Taxable Period – 2022 /2023 (From 01.01.2022 to 31.12.2022)

Please read the following instructions before filing the VAT on FS Return.

- 01.** VAT on FS Return should be submitted to the Inland Revenue Department (IRD) **on or before June 30, 2023** as specified in paragraph (b) of Subsection 2 of Section 25B of Value Added Tax Act, No. 14 of 2002 (VAT Act) as amended {refer Section 11 of VAT (Amended) Act, No. 20 of 2016}. Please make arrangements to submit the return early as possible to avoid any difficulties confronted at the last date of submission.
- 02.** Facilities are available to submit the Return through e-service. Documents mentioned in items 3.3 to 3.5 bellow, can be uploaded to the system in soft copies together with electronic Return. If any person is unable to upload all the soft copies at the time of e-filing, such document can be submitted (either soft copy or hard copy) by post or walking to the head office of IRD (Central Document Management Unit) **within the specified time frame** mentioned in item 01.

To submit Return through e-service, make a request to TPSU (Tax Payer Service Unit in IRD) and obtain a **PIN and SSID** (for staff).

- 03.** To consider the VAT on FS Return as duly submitted Return, **following documents** (as specified in Extraordinary Gazette Notification No. 2316/13 dated 24.01.2023) should be submitted within the specified time frame mentioned in item 01 above.

3.1 Duly signed (by the authorized officer of the registered person) VAT on FS **Return** for the taxable period of 2223.

3.2 Three Schedules which are attached to the Return of VAT on FS. Schedule 01 – **Emoluments**, Schedule 02 – **Economic Depreciation**, Schedule 03 – **Classification of Turnover** (The above schedules should be submitted by using the relevant schedules issued by IRD along with the Return).

3.3 Audited Statements of Accounts for the year 2022/2023.

3.4 Detailed profit or loss account (**Income Statement**) for the year 2022/2023.

3.5 Breakup of value of supply declared in the **Value Added Tax return furnished** for the relevant periods as per section 21 of VAT Act.

Documents mentioned in 3.3 to 3.5, whether in hard copy or soft copy, should be certified by the Auditor or the Managing Director.

04. Refer the following additional **instructions to eliminate common errors** which have occurred in submission of previous VAT on FS Returns.

4.1. Any **code** mentioned in elements of emoluments in Schedule 01 or turnover elements in Schedule 03 **should not be repeated** and aggregate value of such category should be entered in the relevant Schedule.

4.2 When filling of **Schedule 02**, third column “*Year of purchased /constructed*” should be started **from the latest financial year (2022/2023)**. As per your calculation, if there is no sufficient space for balance financial years in each relevant category, fill the aggregate value for those financial years in the last row while uploading detailed calculation as “Other document” in e-filing or providing as separate document to the Return.

4.3 Please make sure to avoid errors in bringing **total values** of the Schedules to the relevant cages of the Return.

4.4 **As Social Security Contribution Levy on Financial Services (SSCL on FS) has been imposed with effect from 01.10.2022 by the Social Security Contribution Levy Act, No. 25 of 2022 (SSCL Act)**, SSCL on FS payable on the value addition relevant for the period from 01.10.2022 should be entered in cage 100.

4.5 **With the imposition of SSCL from 01.10.2022**, calculation of total Tax on supply of financial services (cage 120) should be done as follows.

(A). Values for cage 90 and 100 should be calculated separately for the period up to 30.09.2022 and for the period from 01.10.2022, by segregating the value addition attributed to financial services declared in cage 80.

(i) **Period 1 - From 01.01.2022 to 30.09.2022**

(a) Calculate Value Added Tax payable as per chapter III A of VAT Act (Cage 90) by applying of **18/118 on the relevant part of the value addition** referred to cage 80.

(b) No any value for cage 100 in respect of this period.

(ii) **Period 2 - From 01.10.2022 to 31.12.2022**

(a) Calculate Value Added Tax payable as per chapter III A of VAT Act (Cage 90) by applying of **18/120.5 on the relevant part of the value addition** referred to cage 80.

(b) Calculate Social Security Contribution Levy payable as per sub item (a) of item 3 of Second Schedule and section 3 of the SSCL Act (Cage 100) by applying of **2.5/120.5 on the relevant part of the value addition** referred to cage 80.

(B). Enter the sum of the values calculated under above (i) (a) and (ii) (a) in cage 90 of the Return.

(C). Enter the value calculated under above (ii) (b) in cage 100 of the Return (as no value for period 1).

(D) Tax calculation under 4.4 (A) should be submitted along with the Return. (In e-filing, that can be uploaded under “Other Documents”).

4.6 Value of the **Cage 130** of the Return should be the value of total tax paid for the period of 2022/2023 including any final payment made or **intends to pay along with the submission of VAT on FS Return**,

05. The duly completed Return and documents should be submitted to **Central Document Management Unit (CDMU) at IRD Head office** or any **IRD Regional Office**.

For any assistance in the submission of VAT on FS Return (including electronic submission), you may contact the respective IRD officer who has been allocated VAT on FS tax type of the TIN through 0112135135.