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உள்நாட்டு இறைவரித் திணைக்களம்
INLAND REVENUE DEPARTMENT

Value Added Tax (VAT)

Notice to all VAT Registered Persons

Implementation of the Policy Decision of the Ministry of Finance

As instructed by the Ministry of Finance, in consequent to the announcement of the Ministry on deferment of implementation of amendments proposed to VAT Act in the Budget 2016, all registered persons for VAT are required to:

1. Adjust the **Tax invoices** raised (between registered persons) from 01.01.2016 to 13.01.2016 on which VAT had been charged at the rate of 8% or 12.5%, as the case may be, by issuing tax debit or a tax credit note, as stated in section 25 of the Value Added Tax Act No. 14 of 2002, in order to restore the VAT rate at 11%.

Accordingly, a supplier has to issue a **tax debit note** to collect the VAT under-charged (to increase from 8% to 11%) and a **tax credit note** to refund the VAT over-charged (to reduce from 12.5% to 11%).

2. Adjust the value of supply on **Commercial (non-VAT) invoices** raised (to persons other than registered persons) from 01.01.2016 to 13.01.2016 on which VAT had been charged on inclusive basis (at the fraction of 2/27 or 1/9, as the case may be), by treating the collected VAT equal to 11%.

Accordingly, declare the actual amount of VAT collected (either at 8% or 12.5%) in the relevant column of the VAT return and adjust the value of supply accordingly.

Input tax credit for the period from 01.01.2016 to 13.01.2016 (on such tax invoices) claimable by any registered person is restricted to the amount of input VAT actually paid on the original tax invoices and on the subsequent adjustments made through debit/credit notes.

In case of importers, input VAT credit on imports is restricted to the amount of VAT actually paid to the Customs. Therefore, the importers are required to adjust the value of imports accordingly, and state the same in cage "H" of the VAT return as the value of imports.

Commissioner General of Inland Revenue



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