



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**VALUE ADDED TAX (AMENDMENT)
ACT, No. 15 OF 2009**

[Certified on 31st March, 2009]

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L.D.—O. 52/2008.

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. 15 of 2009. Short title.

2. (1) 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.

(a) in sub-paragraph (iii) of subsection (1) of that section, by the substitution for the words and figures “any taxable period commencing on or after January 1, 2005” of the words and figures, “any taxable period commencing on or after January 1, 2005, but prior to January 1, 2009”;

(b) in subparagraph (v) of subsection (1) of that section by the repeal of all the words and figures from “(v) for any taxable period” upto the words “the Fourth Schedule of this Act” and the substitution therefor of the following:—

“(v) (i) for any taxable period commencing on or after January 1, 2005 but prior to January 1, 2009, at the rate of fifteen *per centum* (Standard rate) (of which the Tax Fraction is $\frac{3}{23}$) on the value of such goods or services supplied or goods imported other than in respect of the following:—

(a) goods or services chargeable with tax at zero *per centum*; and

manufacturer of goods for export who is registered with Export Development Board as an exporter, being a service provided by such suppliers approved by the Export Development Board established under the Sri Lanka Export Development Board Act, No. of 40 of 1979 as a supply of services identified for this purposes,

Until such time as the activities of such manufacturers or service providers are monitored by the Export Development Board with the approval of the Ministry of the Minister in charge of the subject of Finance and the Export Development Board, furnishes the reconciliation on the disposal of such goods on a quarterly basis as stipulated by the Commissioner-General to the satisfaction of the Commissioner-General, that such finished products are in fact exported by the recipient of the supplies.”.

3. 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, by the repeal of all the words and figure from “(10) (1) every person who”, upto the words “to exceed one million and eight hundred thousand rupees” and the substitution therefor of the following:—

“10. (1) Every person who—

- (i) on or after August 1, 2002, but prior to January 1, 2009, carries on or carries out any taxable activity in Sri Lanka shall be required to be registered under this Act, if—
- (a) at the end of any taxable period of one month or three months, as the case may be, the total value of his taxable

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supplies of goods or services or goods and services made in Sri Lanka in that taxable period of one month or three months, as the case may be, has exceeded five hundred thousand rupees; or

(b) in the twelve months period then ending, the total value of his taxable supplies of goods or services or goods and services made in Sri Lanka has exceeded one million and eight hundred thousand rupees; or

(c) at any time, there are reasonable grounds to believe that the total value of his taxable supplies in Sri Lanka of goods or services or goods and services in the succeeding one month or three months taxable period, as the case may be, is likely to exceed five hundred thousand rupees or in the succeeding twelve months period is likely to exceed one million and eight hundred thousand rupees.”.

(2) immediately after paragraph (c) of subsection (1) of that section, by the insertion of the following:—

“(ii) on or after January 1, 2009 carries on or carries out any taxable activity in Sri Lanka shall be required to be registered under this Act, if-

(a) at the end of any taxable period of one month or three months, as the case may be, the total value of his taxable supplies of goods or services or goods and services made in Sri Lanka in that taxable period of one month or three

months, as the case may be, has exceeded six hundred and fifty thousand rupees; or

(b) in the twelve months period then ending, the total value of his taxable supplies of goods or services or goods and services made in Sri Lanka has exceeded two million and five hundred thousand rupees; or

(c) at any time, there are reasonable grounds to believe that the total value of his taxable supplies in Sri Lanka of goods or services or goods and services in the succeeding one month or three months taxable period, as the case may be, is likely to exceed six hundred and fifty thousand rupees or in the succeeding twelve months period is likely to exceed two million and five hundred thousand rupees.”.

4. Section 22 of the principal enactment is hereby amended as follows:—

Amendment of section 22 of the principal enactment.

- (1) in the fourth proviso to subsection (3) of that section, by the substitution for the words “this Act shall be restricted to fifteen *per centum* other than” of the words “this Act shall be restricted to twelve *per centum* other than”;
- (2) in subparagraph (i) of paragraph (b) of the second proviso to subsection 5 by the substitution for the words “an insurance bond by a registered person” of the words “an insurance bond by a registered person to the value as determined by the Commissioner-General”;

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- (3) in subparagraph (iv) of subsection (6) of that section by the substitution for all the words and figures “(iv) if the input tax on any invoice” upto the words “the return for that taxable period” of the following:—

“(iv) if the input tax on—

- (a) any invoice referred to in paragraph (iii) has not been deducted as provided for in this Act, from the output tax for any taxable period ending on or before the expiry of twelve months from the date of such tax invoice, by furnishing within the said period of twelve months the return for that taxable period; or
- (b) any customs declaration referred to in paragraph (iii), has not been deducted as provided for in this Act, from the output tax for any taxable period ending on or before the expiry of twenty four months from the date of such customs declaration, by furnishing within the said period of twenty four months the return for that taxable period;”

Amendment of section 25A of the principal enactment.

5. Section 25A of the principal enactment is hereby amended as follows:—

- (1) in paragraph (ii) of subsection (1) of that section, by the substitution for the words and figures “prior to December 31, 2007; and” of the words and figures “prior to December 31, 2007;”;
- (2) in paragraph (iii) of that subsection, by the substitution for the words and figures “the Co-operative Societies Law, No. 5 of 1972 , on or after January 1, 2008 but prior to January 1, 2009; and

- (3) by the addition immediately after paragraph (iii) of that subsection, of the following new paragraph :—

“(iv) by any person other than a Co-operative Society registered under the Co-operative Society Law, No. 5 of 1972, or Lady Lochore Loan Fund established under the Act, No. 38 of 1951, commencing on or after January 1, 2009”.

6. Section 251 of the principal enactment is hereby amended as follows:—

Amendment of section 251 of the principal enactment.

- (1) paragraph (b) of subsection (1) of that section, by the substitution for the words “such person or partnership exceeds rupees two million five hundred thousand per year, which ever occurs first.” of the following:—

“(i) such person or partnership—

(a) exceeds rupees two million five hundred thousand per year for any period prior to January 1, 2009;

(b) exceeds rupees three million per year for any period commencing on or after January 1, 2009, whichever occurs first.”;

- (2) in paragraph (a) of subsection (2) of that section, by the repeal of subparagraph (i) thereof, and the substitution therefor of the following:—

“(i) whose aggregate turnover from every taxable activity carried on or carried out does not exceed—

(a) rupees two million and five hundred thousand per year or six hundred and twenty five thousand per quarter for any period prior to January 1, 2009; and

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- (b) rupees three million per year or seven hundred and fifty thousand per quarter for any period commencing on or after January 1, 2009; and”.

Amendment of section 35 of the principal enactment.

7. Section 35 of the principal enactment is hereby amended by the addition immediately after subsection (1) of that section of the following new subsection:—

“(1A) Notwithstanding the provisions of section 34 , the Commissioner-General may refer any valid appeal made to him, to the Board of Review and the Board of Review, shall hear and determine such appeal. The provisions of section 169 of the Inland Revenue Act, No. 10 of 2006 shall apply to the hearing and determination of any appeal so referred.”.

Amendment of the First Schedule to the principal enactment.

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

(1) in paragraph (a) of that Part—

(a) in item (xii), by the substitution for the words and figures “December 31, 2008,” of the words and figures “December 31, 2010”.

(b) by the addition immediately after item (xv) of the following new item:—

“(xvi) solar panel modules, accessories or solar home system for the generation of solar power energy identified under the specified Harmonized Commodity Description Nos. for custom purposes (effective from 01. 01. 2009);

(xvii) high tech medical equipment or any machinery used for the manufacture of ticket issuing machinery identified

under the specified Harmonized of
Commodity Description Numbers for
customs purposes.”.

- (2) in paragraph (b) of that Part—
- (a) in item (xxvi) by the substitution for the words and figures “(effective from 01. 01. 2008); and” of the words and figures “(effective from 01. 01. 2008);”
 - (b) in item (xxvii), by the substitution for the words and figures “(effective from 01. 01. 2008).” of the words and figures “(effective from 01. 10. 2008);”;
 - (c) by the addition immediately after item (xxvii) of the following new items:—
 - “(xxviii) locally manufactured machinery used for tea industry and identified by Sri Lanka Tea Board established by the Sri Lanka Tea Board Law No. 14 of 1975 as a tea machinery (effective from 01. 10. 2008);
 - (xxix) locally manufactured surgical gauze used for surgery (effective from 01. 01. 2009);
 - (xxx) locally manufactured Jewellery.”.
- (3) in paragraph (c) of that PART—
- (a) in item (xxiii), by the substitution for the words “or specified project” of the words “or specified project”;

(b) by the addition immediately after item (xxiii) of the following items:—

- “(xxiv) any bus with the approval of National Transport Commission or any Provincial Road Passenger Transport Authority by the owner of such bus to replace any bus destroyed due to terrorist activities (effective from 9. 7. 2008);
- (xxv) brass sheets, brass ingots, thread, dyes, paraffin wax or shellac for manufacture of brassware by the National Craft Council with the approval of Ministry of Rural Industries and Self Employment Promotion (effective from 01. 01. 2009);
- (xxvi) chemical naphtha by the Ceylon Petroleum Corporation to be supplied to Ceylon Electricity Board for the generation of electricity (effective from 01. 01. 2009);
- (xxvii) packing materials exclusively for the use of packing pharmaceuticals manufactured in Sri Lanka and which are imported by the manufacturer of such pharmaceuticals so far as such packing materials are not manufactured in Sri Lanka and approved by the Minister in charge of the subject of Finance on the recommendation of the secretary to the Ministry of Healthcare and Nutrition;
- (xxviii) Cine Films, cinematographic films exposed or developed, magnetic cine sound recorders, cinematographic

cameras and projector parts and accessories, apparatus and equipment for cinematographic laboratories, electric filament or discharge lamps and arc lamp carbon, identified under the Harmonized Commodity Description and Coding System Numbers, for customs purposes with the approval of the Chairman, National Film Corporation.”.

- (4) by the insertion immediately after paragraph (f) of that PART, the following new paragraph:—

“(g) the supply of services, being construction services for Gama Naguma, Maga Naguma, Samurdhi Projects or for community irrigation projects, carried out through the participation of the community and approved by Secretary to the Ministry of the Minister in charge of the subject of Nation Building and State Infrastructure Development (effective from 01. 01. 2009);”.

9. The Third Schedule to the principal enactment is hereby amended by the addition immediately after the heading “third schedule”, of the following:—

Amendment of the Third Schedule to the Principal enactment.

“For any taxable period ending prior to January 1, 2009”.

10. (a) The amendments made to paragraph (d) of subsection (2) of section 2 of the principal enactment by section 2 of this Act shall for the purposes be deemed to have come into force on June 1, 2008.

Retrospective effect.

(b) The amendments made of section 22 of the principal enactment, by section 4 (1), (2) and (3) of this Act shall for the purposes be deemed to have come into force on January 1, 2009.

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(c) The amendment made to section 35 of the principal enactment by section 7 of this Act shall for all purposes be deemed to have come into force on January 1, 2009.

Indemnity.

11. Any person who collects the value added tax as provided for in this Act during the period commencing from January 1, 2009 and ending on the date of the coming into operation of this Act, shall be deemed to have acted with due authority and such collection shall be deemed for all purposes 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.

Sinhala text to prevail in case of inconsistency

12. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

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