PARLIAMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

VALUE ADDED TAX (AMENDMENT) ACT, No. 15 OF 2008

[Certified on 29th February, 2008]

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Value Added Tax (Amendment) Act, No. 15 of 2008

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AN ACT TO AMEND THE VALUE ADDED TAX ACT, NO. 14 OF 2002

BE it therefore 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 2008.

2. Section 2 of the Value Added Tax Act, No. 14 of 2002 (hereinafter referred to as the "principal enactment") is hereby amended in the second proviso to subsection (3) of that section, by the repeal of paragraph (b) thereof and the substitution therefor of the following:—

"(b) any goods temporarily imported into Sri Lanka —

(i) being plant, machinery or equipment of high value to be used for any project; or

(ii) being goods to be used as exhibition material or as materials in any technical demonstration,

and which are re-exported after the completion of such project, exhibition or demonstration, as the case may be, with the approval of the Minister, up to the date of such competition, exhibition or demonstration.”.

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

(1) by the repeal of subparagraph (iv) of subsection (6) and all the words and figures up to the end of that subsection, and the substitution therefor of the following:

"(iv) if the input tax on any invoice or customs declaration referred to in paragraph (iii), as
the case may be, 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 or customs declaration by furnishing within the said period of twelve months the return for that taxable period:

Provided however, notwithstanding the provisions of subsection (2), and the exemptions specified in item (i) and item (ii) of sub-paragraph (f) of Part II of the First Schedule to this Act, any registered person who is engaged in supplying of goods or services to any strategic development project or any other special project as is referred to in the aforesaid items, where the payment is borne by the Government, may be allowed input tax on the purchase of goods or services connected to supply of goods or services to such projects.

(2) in subsection (10) of that section, by the addition at the end of the proviso to that subsection, of the following:—

“Provided further, that for the purpose of ascertainment of the input tax allowable in terms of this subsection, of any person supplying goods or services to any strategic development project or any other special project, specified in item (i) and item (ii) of sub-paragraph (f) of Part II of the First Schedule to this Act, the value of the supply of the suppliers for the relevant period of such project shall be deemed to be a taxable supply on which the output tax is computed.”.

4. Section 25A of the principal enactment is hereby amended in subsection (1) of that section, by the repeal of paragraph (ii) thereof and the substitution therefor of the following:—

"(ii) by any person on or after July 1, 2003 but prior to December 31, 2007; and"
(iii) by any person other than a Co-operative Society registered under the Co-operative Societies Law, No. 5 of 1972, on or after January 1, 2008.”.

5. Section 25c of the principal enactment is hereby amended in subsection (1) of that section, as follows:—

(1) by the substitution for the words "being an asset which forms part of the leasing stocks of such person" of the words "being an asset which is leased under the provisions of the aforesaid Act."; and

(2) by the addition, immediately at the end of that subsection of the following:—

"For the avoidance of doubts it is hereby declared that the value addition of such institution shall be computed, based on the net profit or loss before deducting the tax payable under this Chapter.”.

6. Section 25h of the principal enactment is hereby amended by the addition immediately after subsection (3) thereof, of the following new subsection:—

"(4) Every person or partnership registered under this Chapter shall furnish to the Commissioner-General of Inland Revenue not later than the twentieth day of the month immediately following the expiry of the relevant quarter, a return in such form and containing such particulars as may be specified by the Commissioner-General.”.

7. Section 26a of the principal enactment is hereby amended as follows:—

(1) in subsection (1) of that section, by the substitution for the words "deduct from such payment one-third of the tax included in such payment, and" of the words "deduct from such payment one-third of the tax included in such payment as the ‘VAT Advance Payment’, and"; and
(2) by the repeal of the marginal note to that section, and the substitution therefor of the following:—
"Deduction of VAT Advance Payments."

8. Section 48A of the principal enactment is hereby repealed and the following section substituted therefor:—

"Time Limit for the recovery of the tax in default."

8A. The Commissioner-General shall not, commence any action under sections 42, 43, 44 or 48 of this Act, for the recovery of tax in default where a period of five years has lapsed from the completion of three months from the end of any taxable period in which the assessment by which such tax was charged or levied becomes final and conclusive under section 37.".

9. 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 (iv), by the substitution for the words "gold coins and temporary import of any plant, machinery or equipment or any goods to be used as exhibition materials or as materials in any technical demonstration, and which are re-exported within twelve months from the date of import;" of the words "gold coins (effective from 17.07.2007);";

(b) in item (xii) by the substitution for the words "yarn and dyes used for handloom industry and" of the words "yarn used for the textile industry and dyes used for the handloom industry, as identified under the Harmonized Commodity Description and Coding System Numbers for Customs purposes, and (effective from 01.01.2008)";"
(2) in paragraph (b) of that Part—

(a) in item (i) (a) thereof, by the substitution for the words "education service by an education" of the words "education service by an education (effective from 01.01.2006)";

(b) by the repeal of item (xii) and the substitution therefor of the following:—

"(xii) all healthcare services provided by medical institutions or professionally qualified persons providing such care (effective from 01.07.2007);"

(c) by the addition immediately after item (xxi), the following:—

"(xxii) clay roof tiles (effective from 01.07.2007) or chemical naphtha (effective from 17.07.2007), to the extent that such clay roof tiles or chemical naphtha are manufactured in Sri Lanka;

(xxiii) unprocessed agricultural, horticultural or fishing products produced in Sri Lanka, including the local supply of unprocessed agricultural, horticultural or fishing products where value added tax has not been collected or paid to the Department of Inland Revenue on or after 01.07.2007;

(xxiv) unprocessed prawns produced in Sri Lanka, including the local supply of unprocessed prawns, where value added tax has not been collected or paid to the Department of Inland Revenue on or after January 1, 2004 (effective from 01.01.2008);"
(xxv) imported rattans (effective from 01.07.2007);

(xxvi) locally produced dairy products out of locally produced fresh milk in so far as such milk is produced in Sri Lanka and locally produced rice products containing rice produced in Sri Lanka (effective from 01.01.2008); and

(xxvii) locally manufactured sugar (effective from 01.01.2008)."

(3) in paragraph (c) of that Part, by the addition immediately after item (xviii) of the following:—

"(xix) \( (a) \) plant, machinery or equipment of high value to be used for any project; or

\( (b) \) goods to be used as exhibition material or as materials in any technical demonstration.

and which are re-exported after the completion of such project, exhibition or demonstration, as the case may be, and in respect of which tax is differed in terms of paragraph \( (b) \) of the second proviso to subsection (3) of section 2 (effective from 17.07.2007);

(xx) aircraft engines or aircraft spare parts identified under specified Harmonized Commodity Description and Coding System Numbers for Customs purposes (effective from 17.07.2007);
(xxi) rattans under HS Code No. 1401.20 (effective from 01.07.2007);

(xxii) plant and machinery by an undertaking qualified for a tax holiday under section 24c of the Inland Revenue Act, No. 10 of 2006, for use by such undertaking for the purpose of manufacturing or for the provision of services. (effective from 01.01.2008)"

(xxiii) goods for any strategic development project or specified project referred to in paragraph (f) with the approval of the Minister of Finance.”;

(4) by the insertion immediately after paragraph (e) of that Part, the following new paragraph :-

"(f) the supply of —

(i) goods or services to any project identified as a Strategic Development Project, in terms of section 3(4) of the Strategic Development Projects Act, No. 14 of 2008 (effective from 01.01.2008); or

(ii) goods or services to any specified project identified by the Minister in charge of the subject of Finance, taking into consideration the economic benefit to the country, on which project the tax is borne by the Government (effective from 01.01.2008); or

(iii) goods or services by any co-operative society registered under the Co-operative Societies Law, No. 5 of 1972 (effective from 01.01.2008).".
10. The Third Schedule to the principal enactment is hereby repealed and the following Schedule substituted therefor:—

"THIRD SCHEDULE

BASIC RATE

(a) the supply or import of—

(i) Sugar upto December 31, 2007;

(ii) Dhall;

(iii) Potatoes upto June 30, 2007;

(iv) Onions upto June 30, 2007;

(v) Dried fish;

(vi) Chillies;

(vii) Hi-tech medical equipment or any machinery used for the manufacture of ticket issuing machinery, identified by the Commissioner-General of Inland Revenue under the Harmonized Commodity Description and Coding System Numbers, for Customs purposes;

(viii) Jewellery;

[The import or supply of goods referred to in items (i) and (ii) of this Schedule shall be deemed for all purposes to have been exempt from Value Added Tax from October 1, 2004 to November 18, 2004.]

(b) the import of—

(i) 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 by the Commissioner-General of Inland Revenue under the Harmonized Commodity Description and Coding System Numbers, for Customs purposes with the approval of the Chairman, National Film Corporation;

(ii) Sugar (effective from 01.01.2008);

(iii) Canned Fish, Chick Peas, Green Gram (effective from 05.06.2007);

(iv) Potatoes (effective from 01.07.2007);

(v) Onions (effective from 01.07.2007)."

11. The amendments made to—

(1) subsection (3) of section 2 of the principal enactment by section 2 of this Act, shall be deemed for all purposes to have come into operation from July 17, 2007;

(2) subsection (6) and subsection (10) of section 22 of the principal enactment by section 3 of this Act, shall be deemed for all purposes to have come into operation from January 1, 2008;

(3) section 25t [addition of new subsection (4) of the principal enactment by section 6 of this Act, shall be deemed for all purposes to have come into operation from January 1, 2007;

(4) subsection (1) of section 26a of the principal enactment by section 7 of this Act, shall be deemed for all purposes to have come into operation from January 1, 2008;
(5) section 48A [replacement of section] of the principal enactment by section 8 of this Act, shall be deemed for all purposes to have come into operation from January 1, 2006.

12. Any person who collects the value added tax as provided for in this Act during the period commencing July 1, 2007 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 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.

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