



INLAND REVENUE DEPARTMENT

Implementation of Changes to Value Added Tax (VAT) Act as amended by the Value Added Tax (Amendment) Act, No. 25 of 2018

Value Added Tax Act, No. 14 of 2002 is amended by the Amendment Act, No. 25 of 2018 as certified by the Speaker on 16th August 2018. The changes are effective from August 16, 2018 (unless a specific date is mentioned).

According to the Amendment Act, the significant changes are as follows.

1. Changing the Piece base for VAT on Certain Garments

The composite tax in lieu of VAT, NBT and other taxes imposed at the point of Customs collected under the VAT Act, will be Rs. 75/- for **six pieces** of panties, socks, briefs and boxer shorts.

2. Introduction of VAT Refund Scheme for Tourist.

The refund scheme is effective from the date determined by the Minister of Finance and Mass Media by order published in the Gazette.

3. Removal of Exemption

a. Exemption granted on **imports and supply** of following goods are terminated and made liable for VAT with effect August 16, 2018 (unless otherwise stated).

- i. Aircrafts or Helicopters;
- ii. Sunglasses;
- iii. Wood (sawn);
- iv. Fabric for domestic consumption subject to a cess at a specific rate in lieu of chargeability of any other tax payable on importation at the point of entry into the country, as specified in a *Gazette* Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979.

b. Exemption granted on the **supply of residential accommodation** other than lease or rent by any person is terminated and made **liable for VAT with effect from August 16, 2018.**

Note: As instructed by the Ministry of Finance and Mass Media, a policy decision has been taken to continue the exemption on the supply of residential accommodation until 31st March 2019.

- c. Exemption granted on the **imports** of following goods are terminated and made liable for VAT with effect from August 16, 2018 (unless otherwise stated).
 - i. Aircraft engines or aircraft spare parts identified under specified Harmonized Commodity Description and Coding System Numbers for Custom purposes;
 - ii. Cinematographic cameras and projector parts and accessories;
 - iii. Aircraft stimulators and parts;
 - iv. Green houses, poly tunnels and materials for the construction of green houses, by any grower of agricultural products or plants of any type;
 - v. Fabric, specified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes.

4. New Exemptions

- a. **Imports or supply** of following goods are exempt from VAT with effect from the date stated.
 - i. Exemption for infant milk is being **continued as prevailed prior to November 01, 2016;**
 - ii. Electrical goods identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from **November 1, 2016;**
 - iii. Magazines, journals or periodicals with effect from **November 11, 2016** as identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;
 - iv. Plants, machinery or accessories for renewable energy generation identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from **November 11, 2016;**
 - v. Medical machinery or medical equipment identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from **November 11, 2016;**
 - vi. Energy serving bulbs with effect from **January 01, 2017;**
 - vii. Hot air balloons identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from **January 1, 2017.**

- b. The **supply** of following goods or services are exempt from VAT with effect from the date stated.
 - i. Locally manufactured jewellery for any period from **November 22, 2016;**
 - ii. All healthcare services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges (exemption applicable for any period from **July 02, 2018;**
 - iii. Geriatric services or child care services from **August 16, 2018;**
 - iv. International telecommunication services provided by “External Gateway Operators” to local telecommunication operators from **August 16, 2018;**

- v. The supply of residential accommodation **on or after April 1, 2019**, other than any lease or rent by any person, and where such supply
- is not relating to a sale of any condominium housing unit; or
 - is a supply of a condominium housing unit of a condominium housing project and the maximum price or the market value (whichever is higher) of any single unit of that project does not exceed rupees fifteen million.

5. Exemption from VAT on Financial Services (FS)

Sri Lanka Deposit Insurance Scheme established by regulation made under the Monetary Law Act is exempt from VAT on FS with effect from **April 1, 2018**.

Commissioner General of Inland Revenue



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