Value Added Tax Act No 14 of 2002
(Incorporating Amendments up to 01. 01. 2014)
TABLE OF SECTIONS

Section

1. Short title and date of operation

CHAPTER I

Impositions of Value Added Tax

2. Imposition of Value Added Tax

2A. Minister may vary the rates by order

3. Tax not be charged on wholesale or retain supply of goods

4. Time of supply

5. Value of supply of goods or services

6. Value of goods imported

7. Zero rating

8. Supplies and importation exempted from tax

9. Goods or services supplied in Sri Lanka

CHAPTER II

Registration

10. Persons making supplies in the course of a taxable activity to be registered

11. Importers of goods to notify Commissioner General

12. Voluntary registration

13. Commissioner General to call for information

14. Registered Person

15. Certificate of registration

16. Cancellation of Registration

17. Registered person to return certificate on cancellation

18. Liability not effected by Cancellation of registration

19. Registered person to notify certain changes

20. Tax invoice

CHAPTER III

RETURNS AND CALCULATION OF TAX

Return and information

21. Return and information to be furnished

22. Credit for input tax against output tax

23. Accounting Basis

24. Bad debt

25. Adjustment of tax by Credit or debit notes

CHAPTER III A

IMPOSITION OF VALUE ADDED TAX ON THE SUPPLY OF FINANCIAL SERVICES

25A. Charge of Value Added Tax on the supply of financial services by specified institution or

25B. Monthly taxable period

25C. Calculation of tax

25D. Tax Credit

25E. Chapter IV to XVI to be applicable to registered specified institutions under this Chapter

25F. Interpretations

25G. Provisions of this Chapter to apply to a person supplying financial services
CHAPTER III B
25H Imposition of Optional Value Added Tax 48
25I Registration 49
25J The value of supplies from any Islamic Financial Transactions to be chargeable to tax. 50

CHAPTER IV
PAYMENT OF TAX
26. Payment of tax 50
26A. Deduction of VAT Advance Payments 51
27. Penalty for default 53

CHAPTER V
ASSESSMENT OF TAX
28. Power of assessor to make assessment 54
29. Assessor to state reasons for not accepting a return 55
30. Power of Assessor to determine open market value 55
31. Additional assessment 55
32. Evidence of returns and assessments 56
33. Limitation of time for assessment or additional assessment 56

CHAPTER VI
APPEAL
34. Appeals to the Commissioner General 56
35. Appeals to the Board of Review 59
36. Appeal on a question of law to court of appeal 59

CHAPTER VII
FINALITY OF ASSESSMENT AND
37. Assessment or amended assessments to be final 60
38. Penalty for incorrect return 60

CHAPTER VIII
RECOVERY OF TAX
39. Recovery of tax 60
40. Tax to be a first charge 61
41. Notice to defaulter 61
42. Recovery of tax by seizure and sale 62
43. Proceeding for recovery before a Magistrate 63
44. Recovery of tax out of debts 64
45. Recovery of tax from persons leaving Sri Lanka 65
46. Use of more than one means of recovery 65
47. Power of Commissioner General to obtain information for the recovery of tax 66
48. Recovery of tax from the principal officer and others 66
48A. Time limit for the recovery of the tax in default 66
49. Commissioner General to delegate powers and functions 66

CHAPTER IX
SPECIAL CASES
50. Who may act for incapacitated person 66
51. Precedent partner to act on behalf of partnership 66
52. Principal Officer to act on behalf of a company or body of Person 67
53. Liability to pay tax in the case of cessation of taxable activity 67
54. Liability of executor to pay tax 67
55. Liability of certain persons to pay tax in respect of taxable activity not belonging to them 68
56. Joint trustees and executors the persons who act as trustees or executors 68
57. Persons liable to pay tax upon liquidation of a company or dissolution of a body of persons 68

CHAPTER X
Refund of Tax

58. Refund of excess tax 69
58A. Refund of tax to tourist 69
59. Interest on refunds 70

CHAPTER XI
MISCELLANEOUS

60. Signature and service of notice 71
61. Validity of assessments 71
62. Powers to search building or places 72
63. Power to search where taxable activity is carried on or carried out 72
64. Keeping records 73
64A Certain transactions and dispositions to be disregarded. 74

CHAPTER XII
OFFENCES AND PENALTIES

65. Penal provision relating to breech or secrecy & c. 74
66. Penal provision relating to fraud 74
67. Penal provisions relating to return & c. 75
68. Prosecution to be with the sanction of the Commissioner General 76
69. Compounding of offences 76

CHAPTER XIII
ADMINISTRATION

70. Officers 76
71. Value Added Tax Refund Fund 77
72. Commissioner General may pay rewards to informants 77
73. Official secrecy 78
74. Forms 82
75. Regulations 82
75A Secretary to issue guide lines 82

CHAPTER XIV
TRANSITIONAL AND SAVINGS

76. Transitional Provisions 82
77. Amendments to the Inland Revenue Act No.38 of 2000 83
78. National Security Levy paid under National Security Levy Act No.52 of 1991 to be deemed 83
79. Indemnity 84
80. Savings 84

CHAPTER XV
ABOLITION OF NATIONAL SECURITY LEVY AND GOODS AND SERVICES TAX

81. Abolition of the charging of the National Security Levy with effect from August 1 2002 85
82. Abolition of the charging of the Goods & Services Tax Act with effect from August 1 2002 85
CHAPTER XVI
INTERPRITATION

83. Interpretation 85
84. Sinhala text to prevail in case of inconsistency 91

FIRST SCHEDULE 91
PART I 91
PART II 96
SECOND SCHEDULE 111
THIRD SCHEDULE (Section 2) 113
(BASIC RATE) 114
FOURTH SCHEDULE (Section 2) 114
(Luxury Rate)
Value Added Tax Act No. 14 of 2002  
(Certified on 26th July, 2002)

L.D. – O. 25/2002

AN ACT TO PROVIDE FOR THE IMPOSITION AND COLLECTION OF A VALUE ADDED TAX ON GOODS AND SERVICES SUPPLIED IN SRI LANKA OR IMPORTED INTO SRI LANKA: TO PROVIDE FOR THE ABOLITION OF THE NATIONAL SECURITY LEVY AND THE GOODS AND SERVICES TAX: AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

Incorporating the following Amendment Acts

- Value Added Tax Act No 14 of 2002  - (Certified on July 26, 2002)
- Value Added Tax (Amendment) Act No. 7 of 2003  - (Certified on February 27, 2003)
- Value Added Tax (Amendment) Act No. 13 of 2004  - (Certified on November 18, 2004)
- Value Added Tax (Amendment) Act No. 6 of 2005  - (Certified on March 30, 2005)
- Value Added Tax (Amendment) Act No. 8 of 2006  - (Certified on March 31, 2006)
- Value Added Tax (Amendment) Act No. 49 of 2006  - (Certified on December 15, 2006)
- Value Added Tax (Amendment) Act No. 14 of 2007  - (Certified on April 12, 2007)
- Value Added Tax (Amendment) Act No. 15 of 2008  - (Certified on February 29, 2008)
- Value Added Tax (Amendment) Act No. 15 of 2009  - (Certified on March 31, 2009)
- Value Added Tax (Amendment) Act No. 9 of 2011  - (Certified on March 31, 2011)
- Value Added Tax (Amendment) Act No. 7 of 2012  - (Certified on March 30, 2012)
- Value Added Tax (Amendment) Act No. 17 of 2013  - (Certified on April 24, 2013)
- Value Added Tax (Amendment) Act No. 7 of 2014  - (Certified on April 24, 2014)

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 Act, No. 14 of 2002 and shall come into operation on August 1, 2002.

CHAPTER I

IMPOSITION OF VALUE ADDED TAX

2. (1) Subject to the provisions of this Act, a tax, to be known as the Value Added Tax (hereinafter referred to as “the tax”) shall be charged –

(a) at the time of supply, on every taxable supply of goods or services, made in a taxable period, by a registered person in the course of the carrying on, or carrying out, of a taxable activity by such person in Sri Lanka;

(b) on the importation of goods into Sri Lanka, by any person, and on the value of such goods or services supplied or the goods imported,
as the case may be subject to the provision of section 2A, at the following rates —

(i) for any taxable period commencing on or after August 1, 2002, but prior to January 1, 2004,

(A) at the rate of ten per centum (of which the Tax Fraction is 1/11) on the value of goods and services referred to in the Second Schedule, which are chargeable with the tax other than zero rated supplies;

(B) at the rate of twenty per centum (of which the Tax Fraction is 1/6) on the value of all other taxable goods and services which are chargeable with the tax other than zero rated supplies.

(ii) for any taxable period commencing on or after January 1, 2004 and ending on or before—

(a) November 18, 2004 in respect of goods specified in the Third Schedule; and

(b) December 31, 2004 in respect of goods for which the Third Schedule does not apply.

at the rate of fifteen per centum (of which the Tax Fraction is 3/23 on the value of such goods and services supplied or imported, as the case may be, other than such goods and services chargeable with tax at zero per centum;

(iii) for the period commencing on November 19, 2004 and ending on or before December 31, 2004 and for any taxable period commencing on or after January 1, 2005 but prior to January 1, 2009 at the rate of five per centum (Basic Rate) (of which tax fraction is 1/21) on the value of such goods supplied or imported as referred to in the Third Schedule other than such goods chargeable with tax at zero per centum;

(iv) (a) for any taxable period commencing on or after January 1, 2005 but prior to July 01, 2005 and for the period July 1, 2005 to August 1, 2005 at the rate of eighteen per centum (Luxury Rate) of which the Tax Fraction is 9/59; and

(b) (i) for the period commencing on August 2, 2005 and ending on September 30, 2005, at the rate of twenty per centum (Luxury Rate) of which the tax fraction is 1/6;

(ii) for any taxable period commencing on or after October 1, 2005 and ending on November 23, 2010, in respect of goods at the rate of twenty per centum (Luxury Rate) of which the tax fraction is 1/6;

(iii) for any taxable period commencing on or after October 1, 2005 and ending on December 31, 2010, in respect of
services at the rate of twenty per centum (Luxury Rate) which the tax fraction is 1/6;

on the value of such goods or services supplied as referred to in the Fourth Schedule, other than such goods chargeable with the tax at zero per centum;

(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 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 zero per centum; and
(b) goods or services specified in the Fourth Schedule of this Act;

(ii) for any taxable period commencing on or after January 1, 2009 and ending on December 31, 2010, at the rate of twelve per centum, (Standard rate) (of which the Tax Fraction is 3/28) on the value of such goods or services supplied or goods imported other than in respect of-

(a) goods or services chargeable with tax zero per centum; and
(b) goods or services specified in the Fourth Schedule of this Act;

(iii) for the period commencing on November 23, 2010 and ending on December 31, 2010, and for any taxable period commencing on or after January 1, 2011, at the rate of twelve per centum (of which the tax fraction is 3/28) on the value of such goods or services supplied, or goods imported, other than goods or services chargeable with tax at Zero per centum.

The Tax Fraction referred to above shall be applied to ascertain the amount of tax charged in the case of a tax inclusive consideration:

Provided, however the Commissioner-General shall not collect the tax under subsection (1) where the tax is –

(a) recovered in respect of any garments or fabric sold locally, which are referred to in the proviso to subsection (1) of section 22;

(b) deferred by the Director-General of Customs in respect of supplies referred to in sub-paragraph (iv) of paragraph (a) of the second proviso to subsection (3) of section 2:

Provided further the tax payable on any taxable supply made on or after January 1, 2004, being a supply under an agreement which is not subject to review, not being a hire purchase agreement, entered into on or before December 31, 2003, and where such supply has been specifically identified within such agreement, shall be computed at the tax rate prevailing at the time of entering into such agreement, notwithstanding the provisions of subsection (9) of section 5.
(2) Notwithstanding the provisions of subsection (1) the Commissioner-General shall defer the payment of tax due—

(a) on any tea supplied prior to January 1, 2005 by any manufacturer of tea, registered with the Sri Lanka Tea Board established by the Sri Lanka Tea Board Law, No. 14 of 1975, to any registered broker for sale at the Colombo Tea Auction and where such tea is purchased by any exporter of tea registered with the Sri Lanka Tea Board established by the Sri Lanka Tea Board Law, No. 14 of 1975, until such time such tea broker furnishes the reconciliation on the disposal of such tea, as stipulated by the Commissioner-General;

(b) on the supply of any taxable goods or services by a registered person to any other person who has entered into an agreement as a contractor to supply any goods or services to any Government department, utilizing funds provided by any foreign government or donor agency approved by the Minister, having regard to the interest of the national economy, where the value of such goods or services exceeds rupees twenty thousand, for a period of three months, from the end of the month in which such goods or services were purchased by such contractor.

The registered person to whom a deferment is granted under paragraph (b) shall not be required to account for the output tax on such supplies until he recovers the tax due on such supplies;

(c) (i) on the supply with the approval of the Textile Quota Board established by the Textile Quota Board Act, No. 33 of 1996, of any goods manufactured in Sri Lanka by such supplier to be utilized for the purpose of manufacture of garments for export either by manufacturers who are registered with the Textile Quota Board or through Export Trading Houses registered with the Board of Investment of Sri Lanka; or

(ii) on the supply of finished garments manufactured in Sri Lanka by such supplier with the approval of the Textile Quota Board established by the Textile Quota Board Act, No. 33 of 1996, to be exported through Export Trading Houses registered with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978;

(iii) on the supply of garments by a manufacturer approved by the Textile Quota Board established under the Textile Quota Board Act, No. 33 of 1996 being garments manufactured from fabric supplied by an exporter of garments registered with the Textile Quota Board who exports directly or through an Export Trading House which has entered into an agreement under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, with the Board of Investment of Sri Lanka established under the aforesaid Law; or
(iv) on the supply of any service which results in the improvement of the quality, character or value of any garment manufactured by any manufacturer of garments for export either directly or through any Export Trading House which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No.4 of 1978, being a supply made by any supplier approved by the Textile Quota Board established under the Textile Quota Board Act, No.33 of 1996,

until such time as the activities of such garment manufacture or service provider are carried out in the manner stipulated by the Commissioner-General in the guidelines issued for this purpose, on the submission of the reconciliation relating to –

(a) the disposal of such goods, stating that such finished goods have in fact been exported by the recipient of the supplies; or

(b) the supply of value added services, stating that such services have in fact been used for the manufacture of garments which have been exported:

Provided that, with effect from April 1, 2011, deferment of tax under this paragraph shall be administrated by the Commissioner-General as stipulated in paragraph (e) of this subsection;

(d) on the supply with the approval of Export Development Board established by the Sri Lanka Export Development Board Act No 40 of 1979 with the concurrence of the Ministry in charge of the subject of finance-

(i) of any goods manufactured in Sri Lanka by such suppliers and supply by such suppliers to any manufacturer to be utilized for the purpose of manufacture of goods other than the goods referred to in paragraph (c) of this subsection by such manufacturers who are registered with the Export Development Board as exporters; or

(ii) of any service by such suppliers provided to any manufacturer which results in the improvement of the quality, character or value of any goods manufactured by such 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 40 of 1979 as a supply of services identified for this purposes:

until such time as the activities of such manufacture of goods or service provider are carried out in the manner stipulated by the Commissioner-General of Inland Revenue in the guidelines issued for this purpose, on the submission of the reconciliation relating to –
(a) the disposal of such goods, stating that such finished goods have in fact been exported by the recipient of the supplies; or

(b) the supply of value added services, stating that such services have in fact been used for the manufacture of goods which have been exported:

Provided that, with effect from April 1, 2011, deferment of tax under this paragraph shall be administrated by the Commissioner-General as stipulated in paragraph (e) of this subsection;

(e) on the supply of goods or services by any registered person, who is registered in the Simplified Value Added Tax Scheme administrated by the Commissioner-General to –

(i) any exporter or provider of zero rated services specified in terms of section 7;

(ii) any registered person who supplies goods or services to any Strategic Development Project in terms of subsection (4) of section 3 of the Strategic Development Projects Act, No. 14 of 2008, as is referred to in sub-paragraph (i) of paragraph (f) of Part II of the First Schedule, during the project implementation period so far as such supplies are project related supplies;

(iii) any registered person engaged in any specific project referred to in subparagraph (ii) of paragraph (f) of PART II of the First Schedule (effective from April 1, 2011);

(iv) any manufacturer who supplies goods manufactured in Sri Lanka to any exporter;

(v) any supplier who provides value added services to an exporter which results in the improvement of the quality, character or value of any goods manufactured for export;

(vi) any person registered under the provisions of subsection (7) of section 22 of the Act, during the project implementation period so far as such supplies are project related supplies;

(vii) any registered person who supplies any goods or services, to any registered person referred to in subparagraph (i), (ii), (iii), (iv), (v) or (vi) above, provided that, the Commissioner-General is, on the information available, is satisfied that the value of such supplies exceeds fifty per-centum of the total supplies of such registered person who supplies such goods or services,
until such time as the activities of such registered person is carried out
to the satisfaction of the Commissioner-General in the manner
stipulated by the Commissioner-General in the guidelines issued for
such purpose and which are specified in the Order published in the
Gazette.

(3) The tax on the importation of goods, shall be charged, levied and
collected as if it is a customs duty and as if all goods imported into Sri
Lanka are dutiable and liable to customs duty:

Provided however, no tax shall be charged on –

(a) any goods which entered into a customs bonded area or a free port
referred to in PART IV of the Finance Act No. 12 of 2012;

(b) any fabric imported by any person for the purpose of manufacture
of garments for export, who has entered into an agreement with the
Board of Investment of Sri Lanka under section 17 of the Board of
Investment of Sri Lanka Law No. 4 of 1978 for the manufacture of
garments for export under such agreement, and the transfer of such
fabric with or without value addition with the approval of the
Director-General of Customs or the Board of Investment of Sri
Lanka, to any other person for the purposes of such manufacture of
garments for export;

(c) any fabric imported by any person, who has registered with the
Board of Investment of Sri Lanka as a Trading House for the
purpose of manufacture of garments for export through other
garment manufacturers as approved by the Board of Investment of
Sri Lanka and transfer of such fabric with the approval of the
Director – General of Customs or the Board of Investment of Sri
Lanka to such garment manufacture for the purposes of
manufacture of garments for export;

(d) any fibre, yarn, grey cloth, finished cloth, chemicals and dyes used
for the manufacture of fabric imported by any Fabric manufacturer
who has entered into an agreement with the Board of Investment of
Sri Lanka under section 17 of the Board of Investment of Sri
Lanka Law, No. 4 of 1978 for the purpose of such manufacture;

(e) any ship imported on or before December 31, 2002:

(f) any fabric or accessories imported by any person for the purpose of
manufacture of garments for export, who has registered with the
Simplified Value Added Scheme administered by the
Commissioner-General with the approval of Commissioner
General.

Provided further, the Director-General of Customs may, defer the
payment of the tax due on-

(a) (i) any goods imported, including any goods received from a
customs bonded area, by a registered person who imports or receives such goods to be used by such person for the purpose of manufacture and export of the goods so manufactured;

(ii) any goods imported by any registered person referred to in subsection (7) of section 22 which are project related goods during such project implementation period;

(iii) any goods being any plant, or machinery imported for any infrastructure project funded mainly by a foreign government or any regional or multilateral agency including the United Nations Organization and its affiliates, during the implementation period;

(iv) any purchase of fabric, manufactured by a person who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law for the manufacture of fabric by another person who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978 for the manufacture of garments for export under such agreement and utilizes such fabric for the manufacture of garments for export;

(v) any plant or machinery imported, including any plant or machinery received from a customs bonded area, by a registered person who imports or receives such plant or machinery for the usage by such person for the manufacture of goods to be exported by such person;

(vi) any goods imported, including any goods received from customs bonded area by a person registered with the Simplified Value Added Scheme administered by the Commissioner-General who imports or receives such goods for the manufacture of goods or the provision of services to a manufacturer of goods for export referred to in item (i) of paragraph (e) of subsection (2) of section 2;

(vii) any plant or machinery imported, including any plant or machinery received from a customs bonded area by a person registered with the Simplified Value Added Tax Scheme administered by the Commissioner-General who imports or receives such plant or machinery for the usage by such person for the manufacture of goods or provision of services referred to in item (i) of paragraph (e) of subsection (2) of section 2, for the manufacture of goods to be exported;
for a period of sixty days or such other period not exceeding ninety
days from the date of importation, receipt or purchase of such goods, as
may be determined by the Minister by notification published in the
Gazette;

(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 completion, exhibition or
demonstration.

(c) any ship imported on or after January 1, 2003 but prior to
November 16, 2005 , for a period up to thirty six months, from the date
of such import and such deferred amount shall be settled in quarterly
instalments before the expiration of such period of thirty six months.

(d) plant, machinery or equipment imported by any enterprise qualified
for a tax exemption under section16 D and 17 A of the Inland Revenue
Act, No. 10 of 2006, for the use by such enterprise for the purposes
specified in any agreement entered into with the Board of Investment
of Sri Lanka established under the Board of Investment of Sri Lanka
Law, No. 4 of 1978, where any such agreement provides that tax is
exempted under item (xxxiv) of paragraph (c) of PART II of the First
Schedule, during the project implementation period, subject to the
fulfillment of the conditions specified in the agreement.

The deferment of the payment of tax shall be subject to a furnishing of
:

(a) a bank guarantee in a case where the tax deferred is less than
rupees ten thousand; or

(b) a Treasury Bill as a guarantee in a case where the tax deferred
is not less than rupees ten thousand ; or

(c) a corporate guarantee which covers the amount of tax due
subject to the conditions specified in the agreement in which
the deferment is considered,

on the goods imported, received or purchased:

Provided that, in the case of such deferment under paragraph (b)
no guarantee shall be required where such goods have been imported
by a Government institution to be re-exported within one month from
the date of importation.
2A (1) The Minister may by Order vary the rates specified in section 2 as far as the same relates to the increasing or reducing of the rates previously specified, and to such extent as it relates to the imposition of Value Added Tax specified under the aforesaid section.

(2) The Order made by the Minister under subsection (1) shall be in operation immediately upon the Minister affixing his signature thereto.

(3) Every such Order shall as soon as convenient be published in the Gazette.

(4) Every such Order shall as soon as convenient thereafter be approved by a Resolution of Parliament.

(5) Where any such Order is not approved by Parliament it shall be deemed to be rescinded with effect from the date of such Resolution.

3. (1) Notwithstanding the provisions of section 2, the tax shall not be charged on the wholesale or retail supply of goods, other than on the wholesale or retail supply of goods, by-

(a) a manufacturer of such goods; or

(b) an importer of such goods; or

(c) a supplier who is unable to satisfy the Commissioner-General, as to the source from which the goods supplied by him, were acquired; or

(d) any person, where such goods consists of tea purchased on or after August 1, 2002, but prior to January 1, 2005, at an auction as is referred to in paragraph (a) of subsection (2) of section 2 for sale within Sri Lanka;

(e) any person, who supplies such goods under any tender agreement;

(f) any person or a partnership having total supplies for any consecutive period of three months in any calendar year of not less than rupees two hundred and fifty million, including the supplies under the preceding paragraphs of this section and any supplies exempted under Part II of the First Schedule,

Provided that, such tax shall be charged on such wholesale or retail supply of goods made prior to January 1, 2013, if –

(i) any registered person makes an application to that effect to the Commissioner-General;

(ii) any other person makes an appeal to that effect to the Commissioner-General

and obtains a registration as provided for in sections 10 or 12.
Provided further, the chargeability to tax referring to any registered person specified in paragraph (f) shall be subject to the exemption granted under section 8, subject to the conditions specified therein:

(2) For the purposes of paragraph (f), the total supplies means, the aggregate value of supplies of-

   (i) any person or partnership engaged in the wholesale or retail business while carrying on other business of similar nature in one place or different places under one or more registrations for the purposes of this Act; and

   (ii) with regard to any subsidiary or associated company of a group of companies, engaged in the wholesale or retail business, the aggregate value of supplies of each company of the group, other than any company not engaged in the wholesale or retail business.

4. (1) The supply of goods shall be deemed to have taken place at the time of the occurrence of any one of the following whichever, occurs earlier:

   (a) the issue of an invoice by the supplier in respect of the goods; or

   (b) a payment for the goods including any advance payment received by the supplier; or

   (c) a payment for the goods is due to the supplier in respect of such supply; or

   (d) the delivery of the goods have been effected.

(2) Notwithstanding the provisions of paragraph (d) of subsection (1), where an invoice is issued in respect of goods delivered, within ten days from the date of delivery of such goods, the time of supply of such goods, shall be deemed to be the time at which the invoice was issued.

(3) The supply of services shall be deemed to have taken place, at the time, of the occurrence of any of the following whichever, occurs earlier:

   (a) the service was performed; or

   (b) a payment is received for the services rendered or for future services; or

   (c) a payment is due for the services rendered or for future services; or

   (d) an invoice is issued in respect of the services rendered.
(4) Notwithstanding the provisions of paragraph (a) of subsection (3), where an invoice is issued in respect of services supplied, within ten days from the date of performance of such service, the time of supply of such service shall be deemed to be the time at which the invoice was issued.

(5) Notwithstanding the provisions of subsections (1) and (3), a supply shall be deemed to take place –

(a) where a supply is made under an agreement entered into, on or after April 1, 1998, other than a hire purchase agreement, which provides for periodical payments, when the payment is due or when the payment is received, whichever is earlier; and

(b) where goods are supplied under a hire purchase agreement, at the time the agreement is entered into.

(6) Where the Commissioner-General directs any registered person to account for the tax on a payment basis under section 23, the time of supply of goods and services supplied by such person shall be the time at which the payment in respect of such supply is received.

(7) Where the time of supply falls within any taxable period or portion of a taxable period ending on or before July 31, 2002, under the Goods and Services Tax Act, No. 34 of 1996 and any event referred to in this section takes place under this Act in relation to the same supply, such event shall not be considered as a time of supply.

5. (1) The value of a taxable supply of goods or services, shall be such amount where the supply is-

(a) for a consideration in money, be such consideration less any tax chargeable under this Act which amount shall not be less than the open market value;

(b) not for a consideration in money or not wholly in consideration of money, be the open market value of such supply.

(2) Subject to the provisions of subsection (3), where a supply of goods or services is made by a registered person for an amount which is less than the open market value to a person not being a registered person the value of such supply, shall be the open market value of the supply.

(3) Where a supply of goods or services is made by an employer, to his employee as a benefit from employment, the consideration in money for the supply shall be the open market value of such supply or where the open market value of such supply cannot be ascertained, the consideration in money of such supply shall be the cost of a similar benefit enjoyed by any other employee, as may be determined by the Assessor.
(4) Where a supply of services is made under any lottery, or any taxable activity of entering into or negotiating a wagering contract or any business of like nature, the value of such supply shall be the total amount of money receivable in respect of such supply less the consideration of the prizes or winnings awarded in such lottery, wagering contract, or any business of like nature as the case may be.

Provided however, in the case of a supply of services made under any lottery, any commission including the Value Added Tax charged on such commission, paid to any agent on the sale of a lottery, if any, shall be deducted in addition to the deductions referred to in this subsection.

(5) Where a supply of goods or services –

(i) is made by a person at the time of cancellation of the registration under section 16; or

(ii) is made to any person who makes a supply which is exempted under section 8; or

(iii) made by any person, not being a registered person or being a registered person who had not opted to charge tax under the proviso to section 3, who carries on or carries out any wholesale or retail trade; or

(iv) is appropriated by the supplier for his personal use or any other purpose other than the making of a taxable supply,

the value of such supply shall be not less than the open market value.

(6) The value of the supply of goods under a hire purchase agreement shall be the cash price determined in accordance with the provisions of the Consumer Credit Act, No. 29 of 1982, and shall not be less than the open market value:

Provided however in the case of a hire purchase agreement–

(a) where the cash price of any goods supplied under a hire purchase agreement includes the tax charged, by the supplier on the seller of such goods to be supplied under such agreement for which the seller cannot claim input tax credit being a person who is not registered under this Act, the cash price and the market value of such goods shall be adjusted for the purposes of charging the tax by deducting the tax so charged on the seller;

(b) under which second hand goods, which have been in circulation for a period over one year, are supplied, the cash price and the market value of such goods for the purposes of charging the tax shall be the value specified in the hire purchase agreement less any charge made for such hire purchase facility included in such agreement.
(7) The value of supply of land and improvements thereon, shall be the value of such supply less the value of land at the time of supply and the value of any improvements on the land as at March 31, 1998 which shall not be less than the open market value of such supply excluding the value of such land at the time of supply and the value of any improvements on such land as at March 31, 1998.

(8) Where goods or services are supplied either on the issue of a ticket or by the deposit of money the value of such supply shall be the amount paid for such ticket less the tax payable under this Act or the amount deposited less the tax payable under this Act, not being any amount which is refundable as the case may be.

(9) The value of a supply, under any non-reviewable agreement not being a hire purchase agreement entered into prior to April 1, 1998, shall be the total amount payable or paid under such agreement for any taxable period and shall be considered as a tax inclusive consideration.

(10) Where any goods supplied under a lease agreement is subsequently transferred to the lessee at the termination of such agreement for a consideration not exceeding ten per centum of the total consideration of the lease agreement, such consideration shall be deemed to be a lease rental recovered under such agreement.

Further, where such consideration is more than ten per centum of the total consideration of the lease agreement such supply shall be deemed to be a separate supply.

(11) Where the consideration in respect of a supply of goods or services relates to a taxable supply and a supply which is not taxable, the consideration for such taxable supply shall be deemed to be such part of the consideration as is attributed to such taxable supply and shall not be less than the open market value of such taxable supply.

(12) Where goods are manufactured or produced or a service is provided, by using other goods, whether provided by the supplier or any other person, such other goods shall be deemed to be used in the manufacture or production or the provision of service as the case may be, and the value of the supply of the goods so manufactured or produced and the supply of services in connection with such manufacture or production or the supply of the service shall be the open market value or the sum received as consideration for such supply, whichever is higher:

Provided however, where it is proved to the satisfaction of an Assessor that the supply of goods, and the supply of services are two separate supplies, each such supply shall be treated as a separate supply by such Assessor;
(13) Notwithstanding the provisions of Consumer Affairs Authority Act, No.9 of 2003, the maximum retail price quoted for the goods to be sold in a wholesale or retail business may be adjusted where necessary for the chargeability to tax where liability to tax is specified in paragraph (f) of section 3 of this Act:

6. The value of goods imported, shall be the aggregate of–

(a) the value of the goods determined for the purpose of custom duty increased by ten per centum; and

(b) the amount of any custom duty payable in respect of such goods with the addition of any surcharge, cess, any Port and Airport Development Levy payable under the Finance Act, No. 11 of 2002, and any excise duty payable under the Excise (Special Provisions) Act, No. 13 of 1989 on such goods.

7. (1) A supply of–

(a) goods shall be zero rated where the supplier of such goods has exported such goods; and

(b) services shall be zero rated where the supply of such services are directly connected with–

(i) any movable or immovable property outside Sri Lanka;

(ii) the repair of any foreign ship, aircraft or any merchant ship registered in Sri Lanka, or the refurbishment of marine cargo containers

(iiia) any goods imported into Sri Lanka for the purpose of re-export under entre-port trade

(iii) a copyright, patent, licence, trade mark or similar intellectual property right, to the extent that such right is for use outside Sri Lanka;

(iv) the international transportation (including trans-shipment) of goods or passengers as are specified by the Commissioner-General by Notification published in the Gazette;

(v) computer software development, in respect of software developed by the developer for use wholly outside Sri Lanka, and for which payment is received in foreign currency through a bank if, and only if, documentary evidence is produced to the satisfaction of the Commissioner – General of the supply of such services;

(vi) client support services provided, on or after April 1, 2001 over the internet or the telephone by an enterprise set up exclusively for the provision of such services to one or
more identified clients outside Sri Lanka, for which payment is received in foreign currency, through a bank;

(vii) the provision of services to overseas buyers by a garment buying office registered with the Textile Quota Board established under the Textile Quota Board Act, No. 33 of 1996, where payment for such service is received in foreign currency, through a Bank in Sri Lanka insofar as such services are identified by the Commissioner-General as being services essential for facilitating the export of garments to such overseas buyers.

(c) any other service, being a service not referred to in paragraph (b), provided by any person in Sri Lanka to another person outside Sri Lanka to be consumed or utilized outside Sri Lanka shall be zero rated provided that payment for such service in full has been received in foreign currency from outside Sri Lanka through a bank in Sri Lanka.

(2) Where a registered person supplies any goods or services which is zero rated –

(a) no tax shall be charged in respect of such supply;

(b) the supply shall in all other respects be treated as a taxable supply and accordingly the rate at which tax is charged on the supply shall be zero.

8. No tax shall be charged on the supply of goods or services and the importation of goods specified in the First Schedule to this Act as such supplies and imports are not taxable unless zero rated under section 7:

Provided that, in the case of a registered person referred to in paragraph (j) of section 3 of this Act, the value of the supply of goods exempted under this Act made by such registered person directly or on behalf of any other person, which is in excess of twenty five per centum of the total supply of such registered person other than zero rated supplies and where the supply is made by the importer himself, the value of such supply of goods subject to Special Commodity Levy, shall notwithstanding the provisions contained in the Special Commodity Levy Act, No. 48 of 2007 be deemed to be treated as liable supplies of such registered person and chargeable to tax at the rate specified in section 2 of this Act using the fraction on the tax inclusive consideration:

Provided further, in the case of a registered person –

(a) who supplies pharmaceuticals, specified as exempted in PART II of the First Schedule to this Act; or

(b) who supplies software dedicated products including computers and computer accessories,
exceeding seventy five per centum of the total value of supplies respectively of such registered person under paragraph (a) or paragraph (b) of this proviso, as the case may be, such registered person shall not be liable to tax on any deemed liable supplies referred to in this section.

9. For the purposes of this Act goods or services shall be deemed to be supplied in Sri Lanka where the supplier carries on or carries out a taxable activity in Sri Lanka and the goods are in Sri Lanka at the time of supply or the services are performed in Sri Lanka by the supplier or his agent.

CHAPTER II
REGISTRATION

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 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;

(ii) on or after January 1, 2009, but prior to January 1, 2013 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 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:

(iii) on or after January 1, 2013 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 the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka in that taxable period of one month or three months, as the case may be, has three million rupees; or

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

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

Provided however, where the Commissioner-General is of opinion that the supply of goods relate to a single isolated transaction, the value of such supply may be excluded in calculating the total value of taxable supplies for the purposes of this section.

(2) Every person who is required to be registered under subsection (1), shall make an application for registration in the specified form to the Commissioner-General not later than fifteen days from the date on which is so liable to be registered.

For the purpose of this section the total value of taxable supplies shall not include the value of supply of goods purchased locally without any process in a wholesale or retail trading activity unless the value of total supplies for a period of three months in one calendar year including the supplies excluded under section 2 or exempted under PART II of the First Schedule to the Act, is not less than rupees two hundred and fifty million.
11. (1) Every person who is an importer of goods into Sri Lanka shall notify the Commissioner-General not later than fourteen days prior to the clearing of such goods that he has imported such goods and obtain from the Commissioner-General an identification number for the clearing of such goods:

Provided however, any importer who imports into Sri Lanka goods under the Passenger Baggage (Exemptions) Regulations made under section 107 of the Customs Ordinance or a person who is registered under section 10 or section 12, or paragraph (c) of section 14, or be deemed to be registered under subsection (2) of section 80 or is deemed to be a registered person under subsection (1) of section 75 of the Goods and Services Tax Act, No. 34 of 1996 shall not be liable to notify the Commissioner-General:

Provided further, with effect from January 1, 2013, any person registered under section 12, subsection (2) of section 80 or subsection (1) of section 75, as the case may be, of the Goods and Services Tax Act, No. 34 of 1996 shall be deemed to have obtained an identification number for the clearing of goods where such registered person fulfils the criteria specified in item (iii) of subsection (1) of section 10 or a registered person during the project implementation period as specified in subsection (7) of section 22 of this Act.

(2) Every importer referred to in subsection (1) shall make an application in the specified form to the Commissioner-General.

12. Notwithstanding the provisions of sections 3 and 10, any person who supplies goods or services and carries on or carries out a taxable activity or imports any taxable goods may make an application for any taxable period prior to January 1, 2013, in the specified form to the Commissioner-General for registration under this Act:

Provided however, the Commissioner-General may after affording the applicant an opportunity of being heard, and having regard to the nature of the business carried on or carried out by such applicant, the value of the taxable supplies made by such applicant in the two proceeding taxable periods and the probability that the value of his taxable supplies will not exceed the value referred to in section 10, refuse to register such applicant.

13. For the purpose of registering a person under section 14, the Commissioner-General may call for any information from such person at any time relating to any taxable activity carried on or carried out by such person.

14. (1) The Commissioner-General shall –

(a) where an application has been made by any person for registration under section 10;

(b) where an application for registration under section 12 has been
made and such application has not been refused by the Commissioner-General; or

(c) where an application for registration, has not been made but the Commissioner-General is of opinion having regard to the nature of the activities carried on or carried out by such person, that such person is required to be registered under this Act, and after affording such person an opportunity of being heard, register such person with effect from such date as may be determined by him.

(2) Any person –

(a) registered under subsection (1) of this section; or

(b) deemed to be registered under section 75 or subsection (2) of section 80 of the Goods and Services Tax Act, No.34 of 1996 on August 1, 2002 and carrying on or carrying out a taxable activity subject to the conditions specified in section 3 for the registration of wholesale and retail trade or fulfilling the requirements specified in item (iii) of subsection (1) of section 10 of this Act,

shall be a registered person for the purposes of this Act.

15. (1) The Commissioner-General shall, issue to a person registered under this Act upon such registration under section 14 –

(a) a tax registration number; and

(b) a Certificate of registration.

(2) The Certificate of registration shall set out the name and other relevant details of the registered person, the date on which registration comes into effect, and the tax registration number of such person.

(3) The person to whom a certificate of registration is issued under subsection (1) shall, display such certificate at a conspicuous place in the place where he carries on or carries out the taxable activity. Copies of such certificate may be displayed in the event of there being more than one place of business.

(4) Every registered person who makes an exempt supply specified in the First Schedule shall display the categories of such goods and services supplied by him as given in the First Schedule at each such place of supply.

(5) Where any person fails to comply with the provisions of subsection (3) or (4) the Commissioner-General may –

(a) impose on such person a penalty of a sum not exceeding fifty thousand rupees and give notice in writing to such person of the imposition of such penalty;

(b) by notice in writing require such person –

(i) to pay such penalty; and
(ii) to comply with the provisions of subsections (3) or (4) as the case may be,

within such period as may be specified in such notice.

(6) The Commissioner-General may reduce, or annul any penalty imposed on any person under paragraph (a) of subsection (5) if such person proves to the satisfaction of the Commissioner-General that his failure to comply with the provisions of subsection (3) or (4) was due to circumstances beyond his control and that he has subsequently complied with such provisions.

16. (1) A registered person may make an application to have his registration cancelled at any time after the lapse of a period of twelve months following the date of registration, either under this Act or under the Goods and Services Tax Act, No. 34 of 1996 where such registered person has ceased to carry on or carry out a taxable activity or the total value of his supplies during any taxable period within such period does not exceed the value set out in section 10:

Provided that, any registered person who had had a total value of taxable supplies not exceeding rupees three million for a period of three months and rupees twelve million for a period of twelve months in the year ending as at December 31, 2012, shall request for the cancellation of his registration with effect from January 1, 2013, unless such registered person has reasons to believe that the taxable supplies of such registered person is likely to exceed the value of supplies specified in sub-paragraph (iii) of paragraph (c) of subsection (1) of section 10.

(2) The Commissioner-General-

(a) shall, on receipt of an application under subsection (1);

(b) may at any time,

and upon being satisfied that the applicant or any registered person as the case may be, has ceased to carry on or carry out a taxable activity or that the total value of his taxable supplies does not exceed the value referred to in section 10, or the facilities under the Customs Ordinance in respect of him have been suspended by the Director-General of Customs or that the continuation of such registration may impede the protection of revenue, cancel his registration.

(2A) Where the Commissioner-General cancels any registration under subsection (2), he shall cause a list of names and the registration numbers of such registered persons to be published in three daily newspapers in the Sinhala, Tamil and English languages, having a wide circulation.

(3) The Commissioner-General may refuse to cancel the registration of any person, where he is of the opinion that such person has not ceased
to carry on or carry out a taxable activity or that it is necessary and expedient to continue with his registration for the protection of revenue.

(4) Where the Commissioner-General cancels the registration of a registered person he shall inform such person of the date of cancellation of the registration by registered post.

(5) With effect from the date of cancellation of the registration, any goods or services then forming part of the assets of a taxable activity carried on or carried out by that person shall be deemed to be supplied by that person in the course of carrying on or carrying out a taxable activity at a time immediately prior to the date of cancellation, unless the taxable activity (inclusive of all such assets) is carried on or carried out by another person who is a registered person:

Provided that, in the case of a registered person whose registration is cancelled as specified in the proviso to subsection (1) –

(a) where the assets (other than stock in trade) are not transferred to another registered person at the time immediately prior to the date of cancellation, the Commissioner-General shall taking into consideration the value of the acquisition of the assets and the period of use of such assets based on the rates of depreciation applied for income tax purposes on such assets and other matters as may be relevant, determine the value of assets which are not so transferred.

(b) the liability to stock in trade shall not exceed the unabsorbed input tax as at December 31, 2012.

17. (1) Where the registration of a registered person has been cancelled by the Commissioner-General, such person shall –

(a) return to the Commissioner-General the certificate of registration issued to him not later than fourteen days from the last day of the last taxable period during which the registration was valid;

(b) not, display in any place where such taxable activity is carried on or carried out, the certificate of registration or a copy thereof;

(c) not, issue any tax invoice, tax debit note or tax credit note as the case may be.

(2) Where any person fails to comply with the provisions of subsection (1), the Commissioner-General may –

(b) impose on such person a penalty of a sum not exceeding fifty thousand rupees, and give notice in writing to such person of the imposition of such penalty;

(b) by notice in writing require such person –
(i) to pay such penalty; and
(ii) comply with the provisions of subsection (1) within such period as may be specified in such notice.

(3) The Commissioner-General may reduce, or annul any penalty imposed on any person under paragraph (a) of subsection (2) if such person proves to the satisfaction of the Commissioner-General that his failure to comply with the provisions of subsection (1) was due to circumstances beyond his control and that he has subsequently complied with such provisions.

18. Notwithstanding the cancellation of registration under section 16, a registered person, shall be liable for any act done or omitted to be done while he remained a registered person in respect of the taxable supplies made by such person under this Act or under the Goods and Services Tax Act, No. 34 of 1996.

19. Every registered person shall notify the Commissioner-General in writing of any change –

(a) in the name, address and place at which any taxable activity carried on or carried out by such person;

(b) in the nature of the taxable activity carried on or carried out by such person;

(c) in the person authorized to sign returns and other documents; and

(d) in ownership of the taxable activity,

not later than fourteen days after the occurrence of the change.

20. (1) A registered person who makes a taxable supply shall issue to the person to whom such supply is made, if he has made a written request within fourteen days from the time of supply or has made a request stating that he is a registered person under this Act or is deemed to be a registered person under this Act, and requires that a tax invoice be issued, a tax invoice shall be issued not later than twenty eight days after the time of such supply:

Provided however, where a request has been made by a person registered or deemed to be registered under this Act after the receipt of the first supply such person shall not be required to make any further request in respect of any subsequent supply.

Provided further, any tax invoice shall not be issued on the supplies considered as deemed liable supplies referred to in section 8 of this Act.

(2) The tax invoice shall set out –

(a) the name, address and the registration number of the supplier;
(b) the name and address of the person to whom the supply was made;

(c) the date on which the tax invoice was issued and its serial number;

(d) the date of supply and description of the goods or services;

(e) the quantity or volume of the supply;

(f) the value of the supply, the tax charged and the consideration for the supply; and

(g) the words “TAX INVOICE” at a conspicuous place in such invoice.

Any tax invoice not issued within the period specified in subsection (1) and which does not conform to the provisions of subsection (2) shall not be a valid tax invoice. Any valid tax invoice issued under the Goods and Services Tax Act, No. 34 of 1996 prior to August 1, 2002 or thereafter shall be deemed to be a tax invoice issued under this Act. 

(3) Where goods have been imported into Sri Lanka the customs goods declaration or any other document authenticated by the Director General of Customs shall be treated as a tax invoice under this Act.

Any customs goods declaration or any other document authenticated by the Director General of Customs and issued under the Goods and Services Tax Act, No. 34 of 1996 prior to August 1, 2002 shall also be treated as a tax invoice.

(4) The original of the tax invoice shall be issued to the person to whom the supply was made and the duplicate of such invoice shall be retained by the person who makes such supply for a period of five years after the expiry of the taxable period in which such invoice was issued.

(5) It shall not be lawful to issue more than one tax invoice for each supply. If a registered person claims to have lost the original tax invoice, the person who makes the supply may issue to such registered person a copy clearly marked “copy only”.

(6) (a) Notwithstanding the provisions of subsection (2), where a registered person makes a taxable supply and the recipient of such supply is not a registered person such supplier shall issue an invoice giving the total consideration of such supply including the tax charged. Where the supplier has not kept adequate records on such supplies covered by such invoices all such supplies shall be considered as supplies made under the appropriate rate specified in section 2 of the Act Standard rate of tax. An invoice issued under this subsection shall not be considered as a tax invoice for the purposes of this Act.
Provided however a tax invoice shall be issued by such registered person who makes such taxable supply to any Government institution, Provincial Council, Local Government institution, or any public corporation, for any taxable supply made to such institution, Council or such corporation, as the case may be, whether or not such institution, Council or corporation is registered under this Act.

Notwithstanding the provisions of subsection (2), though Value Added Tax is deferred, there shall be issued by every registered person, on supplies made under paragraphs (a), (c), (d) or (e) of subsection (2) of section 2, a tax invoice along with the Value Added Tax component shown as ‘Suspended Value Added Tax’. An invoice issued under this paragraph shall not be considered as a tax invoice for the purposes of this Act.

(7) Any person who contravenes the provisions of subsection (1) shall be guilty of an offence and shall be liable on conviction after summary trial before a Magistrate, to a fine not less than rupees twenty-five thousand and not exceeding rupees two hundred and fifty thousand and thereafter in the event of the offence being continued to be committed, after conviction to a fine of rupees five hundred for each day on which the offence is so continued to be committed.

(8) Where any person convicted of an offence under subsection (7) continues to commit such offence beyond a period of fourteen days from the date of his conviction, the court may upon an application for closure of the business being made by the Commissioner-General or any officer authorized in that behalf by the Commissioner-General order the closure of such business.

(9) In any case where such person fails to comply with the closure order issued under subsection (8), the Magistrate shall forthwith order the fiscal of the court requiring and authorizing such fiscal before a date specified in such order not being a date earlier than three or later than seven clear days from the date of issue of such order to close such business. Such order shall be sufficient authority for the said fiscal or any police officer authorized by him in that behalf to enter the premises in which the business is carried on or carried out with such assistants as the fiscal or such police officer shall deem necessary to close such business.

CHAPTER III

RETURNS AND CALCULATION OF TAX

21. (1) Every registered person shall furnish to the Commissioner-General—

(a) for any taxable period ending prior to January 1, 2013, not later than the twentieth day of the month after the expiry of each taxable period;
(b) for any taxable period commencing on or after January 1, 2013 not later than the last day of the month after the expiry of each taxable period.

a return either in writing or by electronic means of his supplies during that taxable period. Every such return shall be in the specified form and shall contain all such particulars as may be required to be set out in such form.

Provided however, a return for the period of two months commencing from August 1, 2002, shall be furnished not later than the last day of October, 2002 by any person who has been allocated with a taxable period of three months.

(2) An Assessor may, by notice in writing, require any person who is not a registered person but, in his judgement is a person chargeable with tax, to furnish, a return in the specified form within the time specified in such notice.

(3) Any return due under subsection (1) or (3) of section 21 of Goods and Services Tax Act, No. 34 of 1996 for any taxable period commencing prior to August 1, 2002 shall be deemed to be a return due under this Act.

(4) For the purposes of obtaining full information in respect of the supply of goods or services made by any person, an Assessor may give notice in writing to such person requiring him –

(a) to produce for examination or transmit to the Assessor, within the period specified in such notice any books of accounts whether contained in a manual, mechanical or electronic format or combination thereof, trade lists, stock lists, registers, invoices, cheques, bank statements, paying-in-slips, accounts, auditors’ reports or other documents in his possession as may be specified in order to verify the entries in such books, documents and accounts;

(b) to attend in person or by an authorized representative at such place and on such date and at such time as may be specified in the notice for the purpose of being examined regarding the taxable activity carried on or carried out by that person.

(5) For the purposes of this Act, a Deputy Commissioner may give notice in writing to any person requiring him –

(a) to produce or transmit to such Deputy Commissioner within the period specified in such notice any books of accounts whether contained in a manual, mechanical or electronic format or combination thereof, trade lists, stock lists, registers, invoices, cheques, bank statements, paying-in-slips, accounts, auditors’ reports or other documents in his possession as may be specified in such notice;
(b) to attend in person or by an authorized representative, at such place and on such date and at such time as may be specified in such notice so that he may be examined on any such matter as may be specified in such notice.

(6) A person who attends in compliance with a notice given under subsection (5) may be allowed by the Commissioner-General any reasonable expenses necessarily incurred by him in so attending.

(7) A Deputy Commissioner or an Assessor with the approval of a Deputy Commissioner, may retain in his custody as long as such retention is necessary for the purpose of this Act any books of accounts whether contained in a manual, mechanical or electronic format or combination thereof, trade lists, stock lists, registers, invoices, cheques, bank statements, paying-in-slips, accounts, auditors’ reports or other documents in his possession as may be specified in order to verify the entries in such books, documents and accounts.

(8) An Assessor may give notice in writing to any person where he thinks, it is necessary, requiring him to furnish within the time specified in such notice –

(a) fuller or further returns; or

(b) fuller or further information relating to any matter which in the opinion of the Assessor be necessary or relevant for the assessment to tax payable by such person.

(9) A return, statement or form purporting to be furnished under this Act by or on behalf of any person shall for all purposes be deemed to have been furnished by that person or by his authority, as the case may be, unless the contrary is proved, and any person signing such return, statement or form shall be deemed to be cognizant of all matters contained therein.

(10) Where any person fails to comply with the provisions of subsection (1), or fails to comply with the requirements of a notice given to such person by an Assessor under subsection (2) directing him to furnish within the time specified in such notice, a return containing such particulars as the Assessor may require, the Commissioner-General may –

(a) imposes on such person a penalty of a sum not exceeding fifty thousand rupees, and give notice in writing to such person of the imposition of such penalty;

(b) by notice in writing require such person –

(i) to pay such penalty; and

(ii) to furnish the return he is required to furnish under subsection (1) if such return has not been furnished or to
comply with the requirements of the notice given to him under subsection (2) if such requirements have not been complied with, as the case may be, within such period as may be specified in such notice.

(11) The Commissioner-General may reduce or annul any penalty imposed on any person under paragraph (a) of subsection (10) if such person proves to the satisfaction of the Commissioner-General that his failure to comply with the provisions of subsection (1) or the direction under subsection (2), as the case may be, was due to circumstances beyond his control and that he has subsequently complied with such provisions or direction.

(12) Except where the Commissioner-General, imposes a penalty under subsection (10), every person who contravenes the provisions of subsection (1) or subsection (2), shall be guilty of an offence under this Act and shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding fifty thousand rupees or to an imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.

22. (1) A registered person shall, in respect of any taxable supply made by him, account for and pay the tax by reference to such taxable period at such time and in such manner as may be specified in this Act. Provided that, the amount of tax due on the supply of—

(a) garments within such percentage as is permitted to sell locally by the Board of Investment of Sri Lanka, established by the Board of Investments of Sri Lanka Law, No. 4 of 1978 under any agreement entered into by the manufacturer of garments for export under section 17 of the aforesaid law as approved by the Board of Investment of Sri Lanka or the Director-General of Customs, shall be rupees twenty five for each such garment so supplied within Sri Lanka;

(b) fabric including any product as specified in the following sub-paragraphs made out of fabric within such percentage as is permitted to sell locally by the Board of Investment of Sri Lanka, established by the Board of Investment of Sri Lanka Law, No. 4 of 1978, under any agreement entered into by the manufacturer of fabric for export under section 17 of the aforesaid law, as approved by the Board of Investment of Sri Lanka or the Director-General of Customs shall be at the following rates:—

(i) linen or curtains at rupees forty per kilogram;

(ii) towels at rupees twenty five per item;

(iii) bags made out of fabric at rupees forty per item;
(iv) excess fabric as cut pieces not more than two metres in length of each piece at rupees twenty five per kilogram;

(v) any other fabric at rupees forty per kilogram.”.

Provided further that no other tax or levy payable at the point of entry into the country including any duty under the Customs Ordinance (Chapter 235) or Cess under subsection (1) of section 14 of Sri Lanka Export Development Act, No. 40 of 1979, shall be charged or collected on such sale of garments or fabric, where the amount specified in the preceding proviso has been paid on such sale.

(2) Subject to the provisions of this Act, a registered person shall be entitled at end of each such period to credit for so much of his input tax as is allowable under this Act, and then to deduct such amount from any output tax that is due to from him:

Provided however, any person adopting a payment basis of accounting, shall be entitled to claim credit on so much of his input tax as is allowable under this Act, only in respect of a supply for which the payment of the tax has been made by such person.

(3) Where a supply of goods or services received by a registered person or goods imported by such person are used or are to be used partly for the purposes of a taxable activity carried on or carried out by such person on which tax can be levied and partly for other purposes, the tax on such supplies and importation shall be apportioned so however that only so much of the tax on such supplies or importation as is referable to his taxable activity on which tax can be levied other than any tax levied under Chapter III A of the Act shall be counted as his input tax.

Provided however, in the case of a person providing leasing facilities under the Finance Leasing Act, No. 56 of 2000, the input tax on goods supplied under a finance leasing agreement entered into on or after July 1, 2003 but prior to January 1, 2004 shall be counted at the rate of ten per centum or less, even if the tax charged on such goods is more than ten per centum:

Provided further, that any person who accounts for the output tax on all or part of his taxable supplies at the rate of ten per centum shall be entitled to deduct as input tax in relation to such supplies as is allowable under this Act only at the rate of ten per centum even where such person has paid the input tax at a higher rate than the rate of ten per centum on the value of such supplies received by him, other than in the case of a lorry, motor coach or wagon.

For the purpose of this subsection —

“lorry” and “motor coach” shall have the respective meanings as assigned to them in the Motor Traffic Act (Chapter 203); and
“wagon” shall have the same meaning as assigned to it in the Finance Act, No.16 of 1995.”.

Provided further, that any person who accounts for the output tax at the rate of five per centum shall not be entitled to deduct any input tax in relation to such supply other than in the case of a motor vehicle used for purposes of transportation of machinery for production:

Provided further, any input tax paid on the purchase of goods or importation of goods or the purchase of services specified in the Fourth Schedule (Luxury Rate) which is allowable by any person under this Act shall be restricted to twelve per centum other than in relation to the input tax paid on any goods imported including any goods received from a bonded area, by a registered person who imports or receives such goods, being raw-material to be used by such person for the purpose of manufacture and export of goods so manufactured.

(4) Where an unregistered person leases out his land and buildings in terms of a tenancy agreement to a registered person, such registered person shall, notwithstanding that the unregistered person is not entitled to claim any input tax in respect of any expenses incurred in connection with the services provided on such land and buildings by another registered person, be entitled to claim such amount of input tax as determined by the Commissioner-General for the expenses incurred by him on such services provided on such land and buildings for the duration of such tenancy agreement if such registered person provides sufficient evidence to the satisfaction of the Commissioner-General to enable him to determine the amount of such input tax which such registered person is entitled to claim.

(5) Where any return is furnished under subsection (1) or (2) of section 21 and if at the end of the taxable period to which such return relates the amount of subject to subsection (10) the input tax allowable under this Act exceeds the amount of the output tax, the excess of the input tax shall not be refunded but shall be set off against the output tax of the succeeding taxable period and so on. Any residue of such excess as has not been so set off in the period of six months from the end of the taxable period in which such excess first arose, shall, subject to the provisions of subsection (3) of section 58, be refunded; and where it is not so refunded the Commissioner-General shall pay interest, at such rate prescribed under section 59 on such amount for the period commencing on the expiration of one month from the end of the taxable period in which such refund became due and ending on the date of the refund subject to the provisions of the proviso to section 59:

Provided that where any residue of any excess input tax refundable on or after August 1, 2002 under the Goods and Services Tax Act, No. 34 of 1996 is outstanding on August 1, 2002, such excess shall not be deducted from any output tax due for any taxable period under this
Act, but shall accordingly be refunded under the Goods and Services Tax Act, No. 34 of 1996

Provided however, that where in a taxable period –

(a) there is an excess of input tax in any taxable period, in the case of a registered person who has entered into an agreement with the Board of Investment of Sri Lanka, and that taxable period, falls within the period referred to in item (xxvii) of the Schedule to the Goods and Services Tax Act, No. 34 of 1996 or item (xx) of the First Schedule to this Act or, within the project implementation period as stipulated in any agreement referred to in item (xxvii) of the Schedule to the Goods and Services Tax Act No. 34 of 1996 or item (xx) of the First Schedule to this Act or up to the commencement of commercial activities whichever is earlier;

(b) there is an excess of input tax and that taxable period falls before the taxable period, in which the making of taxable supplies, commenced as undertaken by such person in the case of a person referred to in subsection (7);

(c) there is an excess of input tax including the tax differed under section 2, in the case of a registered person the value of whose zero rated supplies for the taxable period was more than fifty per centum, of his total taxable supplies for that taxable period, the excess of the input tax inclusive of an excess input tax brought forward from a preceding taxable period;

(d) any registered person who has obtained a deferment tax under section 2 in any taxable period and not made any zero rated supplies or made zero rated supplies of fifty per centum, or less of the total taxable supplies for such taxable period, the excess of input tax not exceeding the amount of such deferred tax under section 2;

(e) there is an excess of input tax including tax deferred under section 2, of any registered person who is registered with the Simplified Value Added Tax Scheme administrated by the Commissioner - General referred to in paragraph (e) of subsection (2) of section 2 with effect from April 1, 2011, being a supplier of goods to exporters of goods, referred to in that paragraph for the taxable period was more than fifty per centum.

such part of the excess or such excess as the case may be, including any excess brought forward from any taxable period under this Act or under the Goods and Services Tax Act, No.34 of 1996 for any taxable period ending on or before July 31, 2002, shall be refunded, subject to the provisions of section 58 in the following manner-

(a) if the excess is in respect of the taxable period commencing on or after August 1, 2002 but ending prior to January 01, 2006, such
excess shall be refunded not later than one month after the end of
the taxable period or from the date of receipt of the return for such
taxable period whichever is later;

(b) if the excess is in respect of the taxable period commencing on or
after January 1, 2006 and ending on March 31, 2011

(i) the excess shall be refunded to a registered person referred to
in paragraphs (c), (d) or (e), not later than fifteen days after the
return for the taxable period whichever is later, provided such
refund is subject to the furnishing of a bank guarantee or an
insurance bond by a registered person to the value as determined by the Commissioner General, which is valid for
a period of three months; and

(ii) the excess shall in all other cases be refunded not later than
forty-five days after the end of taxable period or from the date
of receipt of the return for the relevant taxable period
whichever is later:

(c) if the excess is in respect of any taxable period commencing on or
after April 1, 2011, such excess shall be refunded no later than
forty-five days after the end of that taxable period or from the date
of receipt of the return for the relevant taxable period whichever is later.

Provided further, in case of a registered person who imports goods for
re-sale without processing, the excess input tax representing the tax
paid under subsection (3) of section 2 shall not be refunded, but such
input tax including any excess input tax as at July 31, 2002, under the
Goods and Services Tax Act, No. 34 of 1996 shall be carried forward
except in a case where such supplies are made to any registered person
referred to in items (i), (ii), (iii), (iv), (v) or (vi) of paragraph (e) of
subsection (2) of section 2 of this Act, subject to the conditions and
the limitations specified in the guidelines published for the purposes
of applying the deferment for the specified period.

In the event of a failure to pay such refund within such period, interest
on such refund shall be payable from the date on which the refund
becomes due to date of payment thereof at such rate as may be
prescribed under section 59 subject to the provisions of the proviso to
that section.

(6) Any input tax attributable to the supply of goods or services received
shall not be deducted under subsection (2) in respect of the following:

(i) if the supply is in respect of motor vehicles other than motor
cycles, bicycles, motor coaches provided by an employer for
the transportation of his employees, motor vehicles used for
excursion tours, or for the transportation of tourists, or
transportation of goods or hiring cars, or motor vehicle
forming part of any stock in trade of any taxable activity;
(ii) if the supply of goods or services received is not connected with the taxable activity or not included in the value of taxable supply;

(iii) if the supply of goods or services received is not supported by

(a) a valid tax invoice; or
(b) a customs goods declaration or other authenticated document issued by the Director-General of Customs under this Act or under the Goods and Services Tax Act, No. 34 of 1996,

and received within twelve months from the end of the relevant taxable period in respect of which such tax invoice was issued or from the date of importation of goods, as the case may be; w.e.f. 1/1/2009

(iv) (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; and

(b) any custom 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 custom declaration, by furnishing within the said period of twenty four months the return for that taxable period.

(v) on any tax invoice issued prior to the commencement of the liability to tax unless such tax invoice is connected to any business approved under subsection (7) of this section

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 purchased of goods or services connected to supply of goods or services to such projects:

Provided further, notwithstanding the provisions of subsection (2), the tax paid by the employer as a registered person, on the payments borne by him on the outsourcing of the supply of meals and transport, in respect of a benefit referred to in the exemption specified in item (iv) of paragraph (b) of Part II of the First Schedule, may be allowed as the input credit of a registered person.

(7) Where any person has proved to the satisfaction of the Commissioner-General, that such person has commenced any business or any project in Sri Lanka, and undertakes to make taxable supplies in respect of such business or project within a period of thirty months from
commencement of such operation, then (w.e.f. 1/4/2004), he may register such person subject to such conditions as may be specified by him, notwithstanding the provisions of section 14 and allow credit for input tax in respect of such business or project subject to the provisions of sub-paragraph (iii) of subsection (6). Further, where the Commissioner-General is satisfied that in consideration of the nature of the project that the period of thirty months is not sufficient to commence the making of taxable supplies, he may extend the period on the basis of an application made by such registered person to that effect (w.e.f. 1/4/2004)

Provided that any person, who is already registered for an existing business or project shall inform the Commissioner-General of such fact and request that such registration be extended to include any new business or project. The provisions of this subsection shall thereupon apply to such new business or project.

(8) Notwithstanding the provisions of section 33, any refund in excess of the amount due, or any excess amount of input tax claimed under this Act or the Goods and Services Tax Act, No. 34 of 1996 shall be assessed by an Assessor on the registered person to whom the refund has been made or making such claim, as the case may be, and such amount shall be deemed to be a tax in default on the first day of the taxable period in which the excess of input tax first arose resulting in such refund or claim in excess as the case may be.

For the purposes of this subsection, input tax claimed in a return by any person-

(a) who has not commenced any commercial operation within or on completion of the project implementation period referred to in item (xxvii) or item (xxviii) of the Schedule to the Goods and Services Tax Act, No. 34 of 1996 or item (xix) or (xx) of the First Schedule to this Act, as the case may be;

(b) who has obtained approval under subsection (7) or subsection (6) of section 22 of the Goods and Services Tax Act, No. 34 of 1996 and has not commenced business of making taxable supplies as stated in the undertaking given, by such person prior to the obtaining of such approval,

shall be deemed to be an excess amount of input tax claimed by such person.

(9) Notwithstanding the provisions of the first proviso and second proviso to subsection (3), any registered person who, for any taxable period commencing from January 1, 2004, makes a taxable supply, other than any zero rated supply or a supply which has continuously been taxed at the rate of ten per centum, shall be entitled to deduct as input tax seventy five per centum of such input tax paid at the rate of twenty per centum on the value of such supplies received by him:
Provided that where the input tax is related to a taxable period prior to January 1, 2004, any registered person who has made any taxable supply which was liable to tax at the rate of twenty per centum, shall not be subject to the above limitation.

(10) The amount of any input tax allowable for any taxable period, shall be subject to the following further restrictions:

(a) for any taxable period commencing on or after January 1, 2007 but prior to December 31, 2010, including in the case of a registered person who imports goods for re-sale without processing referred to in the third proviso to subsection (5) of this section, the excess input tax as at December 31, 2006 to the lesser amount of eighty-five per centum of the output tax declared for that taxable period or the input tax allowable under the provisions of this Act. The residue, if any, shall be deemed to be a part of the input tax allowable in the subsequent taxable period or periods, subject however to the same restriction up to the taxable period ended as at December 31, 2010.

The unabsorbed residue, if any, as at December 31, 2010 shall be carried forward and may be claimed by a registered person for any taxable period –

(A) commencing on or after January 1, 2011 but prior to January 1, 2012, not exceeding a sum equivalent to ten per centum of the unabsorbed amount for each month, but not exceeding five per centum of the net tax payable after deducting allowable input credit from the output tax payable by such person;

(B) commencing on or after January 1, 2012, not exceeding a sum equivalent to ten per centum of the unabsorbed amount for each month but not exceeding the net tax payable after deducting allowable input credit from the output tax by such person;

(b) for any taxable period commencing on or after January 1, 2011, excluding the input tax referred to in sub-paragraph (a) above claimed up to December 31, 2010, to the lesser amount of hundred per centum of the output tax declared for that taxable period or the input tax allowable under the provisions of this Act. The residue, if any, shall be deemed to be a part of the input tax allowable in the subsequent taxable period or periods, subject however to the same restriction:

Provided that, in the case of a registered person –

(A) who as at December 31, 2010, has an unabsorbed input credit, but from and after January 1, 2011, such person has no taxable supplies liable to tax under the provisions of this Act; or

(B) where in respect of each month with effect from January 1, 2012, the actual set off of the unabsorbed input credit of such person, not exceeding ten per centum of the unabsorbed input
credit as at December 31, 2010, the excess over the amount set off, as is referred to in sub-paragraph (B) of paragraph (a) of subsection (10),

may be set off after ascertaining the amount of the unabsorbed input credit in the following manner:–

(i) for any taxable period commencing on or after January 1, 2011 but prior to January 1, 2012, in the manner provided for in either paragraph (a), paragraph (b), paragraph (c) or (d), as the case may be-

(a) in the case of a registered person who is an operator of a telecommunication services licensed under section 17 of the Sri Lanka Telecommunication Act, No. 25 of 1991, the set off may be made as against the sum payable by him as Telecommunication Levy payable under the Telecommunication Levy Act, No. 21 of 2011;

(b) in the case of a registered person who is liable to pay income tax, the set off may be made as against the sum payable by such person as income tax after January 1, 2011;

(c) in the case of a person to whom the provisions of either paragraph (a) or (b) above does not apply, the set off shall be made against the sum payable after January 1, 2011, by such person as tax under any written law for the time being in force, administered by the Commissioner - General;

(d) in the case of a person to whom the provisions of either paragraph (a), (b), or (c) above does not apply, the set off may be considered against the tax payable at the point of entry into the country, by the Director-General of Customs after July 13, 2011 with the approval of the Commissioner- General after considering the facts of the case;

(ii) for any taxable period commencing on or after January 1, 2012, against the tax payable in the manner provided for in either paragraph (a), paragraph (b) or paragraph (c) below, as the case may be:-

(a) in the case of a registered person who is an operator of a telecommunication services licensed under section 17 of the Sri Lanka Telecommunication Act, No. 25 of 1991, the set off may be made as against the sum payable by him as Telecommunication Levy payable under the Telecommunication Levy Act, No. 21 of 2011; or
(b) in the case of a registered person who is liable to pay any tax administered by the Commissioner - General of Inland Revenue, the set off may be made against the sum payable after January 1, 2012, by such person as tax under any written law for the time being in force, administered by the Commissioner– General; and

(c) in the case of a registered person to whom the provisions under paragraph (a) and (b) above do not apply, the set off may be considered against the tax payable at the point of entry into the country, by the Director-General of Customs after January 1, 2012 with the approval of the Commissioner- General after considering the facts of the case.

The set off for each month, against the tax payable in terms of this subsection–

(i) where such set off is applicable to any taxable period from January 1, 2011 but prior to January 1, 2012 shall not exceed ten per centum of the unabsorbed input credit as at December 31, 2010 or five per centum of the relevant tax liability, whichever is less;

(ii) where such set off is applicable to any taxable period commencing on or after January 1, 2011 shall not exceed ten per centum of the unabsorbed input credit as at December 31, 2010 or the net unabsorbed balance as at December 31, 2011 after setting off the tax payable during the period of twelve months from the total unabsorbed balance as at December 31, 2010, whichever is less.

Provided however, the above restriction shall not apply in relation to input tax attributable to—

(i) supplies which are zero rated;

(ii) supplies on which the tax is differed under this Act, being supplies made to exporters by a supplier so far as both are registered persons with the Simplified Value Added Tax Scheme administrated by the Commissioner-General referred to in paragraph (e) of subsection (2) of section 2 subject to the conditions specified in the guidelines specified by the Commissioner-General; and

(iii) project related goods or services during the project implementation period, incurred by a person who is registered under subsection (7) of section 22.

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.

(11) Subject to the provisions of subsection (5) of section 16, any unabsorbed balance of the allowable input tax, calculated in terms of the provisions of this section, as at December 31, 2012, not claimable after January 1, 2013, due to the cancelation of the registration of any registered person whose total supplies does not exceed rupees three million for a period of three months and rupees twelve million per year in the year commencing from January 1, 2012 and ending on December 31, 2012, may be set off against the taxes administrated by the Commissioner-General on a request made in writing to the Commissioner-General for such purpose:

Provided that, the tax under this subsection shall be set off after the finalization of the liability on the cancellation of the registration with the approval of the Commissioner-General.

(12) In the case of a person engaged in the insurance business and carrying on both long term insurance business and general insurance business, and who segregates such long term insurance business and the general insurance business into two separate companies, as required by section 53 of the Regulation of Insurance Industry (Amendment) Act, No. 3 of 2011, the balance, if any, of the amount unabsorbed input credit relating to the business of general insurance as at the date of such segregation, shall notwithstanding anything to the contrary in any other provision of this Act, but subject to the preceding provisions of this section, be treated as an unabsorbed input credit by the company carrying on the general insurance business after such segregation.

(13) Any unabsorbed input credit of any bank established under the Banking Act, No.30 of 1988 or Finance Company licensed under the Finance Business Act, No.42 of 2011, relating to the liable business of such bank or finance company as at the date of acquisition or merger of such bank or finance company, as the case may be, shall be allowed to be claimed subject to the provisions of this Act, and in accordance with the guidelines issued by the Central Bank for this purpose.

23. Every registered person shall account for tax on an invoice basis:

Accounting basis.

Provided however that, the Commissioner-General may direct such person to account for tax on a payment basis on such conditions as may be specified by him on an application made in that behalf by a registered person.

24. In ascertaining the amount of tax payable in any taxable period, there shall be deducted an amount of tax corresponding to any bad debt incurred in the taxable activity of a registered person on a debt created on or after April 1, 1998 and which has become bad during such taxable period. The amount of tax deductible shall not exceed the amount paid as tax in a previous taxable period in respect of the debt which is to be written off:

Bad Debts.
Provided that, any amount written off as bad debt before or after the commencement of this Act is received in any taxable period by that person on account of the bad debt so written off, notwithstanding the provisions of section 33, the amount received shall be treated as a taxable supply during the taxable period under this Act or the Goods and Services Tax Act, No. 34 of 1996 in which it was received and shall be liable to tax:

Provided further, that where any amount of tax corresponding to a bad debt has been deducted by any person, the amount so deducted shall be an output tax for the corresponding period of the person in respect of whom the bad debt was incurred if he is a registered person.

25. (1) Where a registered person, has issued a tax invoice and accounted for an incorrect amount of tax by undercharging or overcharging tax on a supply made to another person, he shall be entitled to issue to such other person a tax debit note or a tax credit note, as the case may be, for the purpose of adjusting the amount of tax so undercharged or overcharged.

Provided however, the adjustment in respect of input tax under claimed on an original tax invoice shall be made in respect of a tax debit note or a tax credit note issued not later than six months after the issue of the original tax invoice, to which the tax debit note or the tax credit note relates.

(2) Upon the issue of the tax debit note or tax credit note, as the case may be, in respect of a supply and in relation to the period in which such note was issued –

(a) the supplier shall pay as output tax such amount of the tax that was chargeable in respect of the supply as is in excess of the amount that was accounted for or deduct as input tax such amount as was accounted for as output tax as exceeds the amount of tax chargeable; and

(b) the person to whom the supply was made shall if such person is a registered person pay as output tax such amount of the tax that was deducted by him as input tax as exceeds the proper amount that should have been deducted or deduct as input tax such amount as was deductible as exceeds the actual amount deducted by him, as the case may be.

(3) The tax debit note or tax credit note referred to in subsection (1) shall be in the specified form.
CHAPTER III A
IMPOSITION OF VALUE ADDED TAX ON THE SUPPLY OF FINANCIAL SERVICES BY SPECIFIED INSTITUTIONS OR BY ANY PERSON

25A (1) Notwithstanding the provisions of Chapter I, II, III and item (xi) of the First Schedule to this Act, a Value Added Tax (hereinafter in this Chapter referred to as “the tax”) shall be charged in accordance with the provisions of this Chapter with

on the supply of financial services in Sri Lanka —

(i) by any specified institution during the period commencing January 1, 2003 and ending on June 30, 2003; and

(ii) by any person on or after July 1, 2003 but prior to December 31, 2007;

(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; and

(iv) by any person other than a Co-operative Society registered under the Co-operative Societies 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, or the Central Bank of Sri Lanka established by the Monetary Law Act, (Chapter 422) (with effect from July 1, 2003:

Provided however, the supply of financial services by a Unit Trust or a Mutual Fund shall not be treated as a financial service for the purpose of this section.

(2) Every specified Institution or other person, carrying on the business of supplying of any financial services in Sri Lanka, shall be required to be registered:

(a) where the value of such supply for a period of three months exceeds five hundred thousand rupees or for a period of twelve months one million eight hundred thousand rupees, as the case may be, if such registration has taken place for any period prior to January 1, 2013;

(b) where the value of such supply for a period of three months exceeds three million rupees or for a period of twelve months exceeds twelve million rupees, as the case may be, if such registration has taken place for any period on or after January 1, 2013.

(3) Every specified institution or other person required to be registered under subsection (2), shall make an application for registration in the specified form to the Commissioner-General not later than thirty days from the date of completion of the requirements specified in subsection (2):
Provided that, any institution registered under this Act and which is also a specified institution within the meaning of this Chapter, shall be deemed for all purposes to be a specified institution registered under this Chapter:

Provided further, the Commissioner-General shall register any person who has not made an application for registration under this Chapter if the Commissioner-General having regard to the nature of the activities carried on or carried out by such person, is of opinion that such person is required to be registered under this Chapter. In the circumstances such person shall be afforded an opportunity of being heard prior to being registered under this Chapter and register such person accordingly with effect from such date as may be determined by the Commissioner-General.

(4) The Commissioner-General shall upon such registration issue, to such registered specified institution —

(a) a tax registration number; and

(b) a certificate of registration:
Provided however any institution deemed to be registered under this Chapter, shall not be issued with a tax registration number and a certificate of registration, under this Chapter.

(5) Every registered person shall notify the Commissioner-General in writing of any change—

(a) in the name, address and place at which any taxable activity is carried on or carried out by such person;
(b) in the nature of the taxable activity carried on or carried out by such person;
(c) in the person authorized to sign returns and other documents; and
(d) in ownership of the taxable activity,
not later than fourteen days after the occurrence of such change.

25B (1) The taxable period of every registered specified institution or other person shall be:-

(a) one month for any taxable period prior to January 1, 2011; and

(b) six months for any taxable period commencing on or after January 1, 2011:

Provided that, in the case of a specified institution or any other person whose accounts are made up for a twelve months period ending on the 31st day of March the six months period may be commenced on the 1st day of April and the 1st day of September for that period of twelve months. In such event a separate return for the period commencing from the 1st day of January to the 31st day of March shall be submitted at the time of such change with the approval of the Commissioner-General.
(2) Every registered specified institution or other person shall furnish a return in the Form specified, in respect of each taxable period before the end of the following month of the taxable period.

(3) (a) Notwithstanding the provisions of subsection (1) of section 26, tax payable for any taxable period by every registered specified institution or other person shall be paid on a monthly basis on or before the twentieth day of the succeeding month subject to the making of the final adjustment, if any, with the submission of the return as specified in this section.

(b) Any tax which is not so paid as set out in paragraph (a) shall be deemed to be in default and any registered specified institution or other person to whom this subsection applies shall be deemed to be a defaulter within the meaning of this Act.

25C (1) Every registered specified institution under this Chapter shall be liable to tax for each taxable period on its total value addition of such institution which includes the net profits or loss, as the case may be, before payment of income tax on such profit computed in accordance with accepted accounting standards, subject to an adjustment for economic depreciation determined by the Minister having regard to the interest of economy by order published in the Gazette, and the emoluments payable to all the employees of such institution:

Provided however where the amount of profits for each taxable period cannot be accurately ascertained, such amount may be estimated on the basis of available information. The estimated amounts shall be adjusted to reflect the actual amounts with the audited statement of accounts on yearly basis and such adjustment shall be submitted within six months after the closing date of the relevant accounting period.

Emoluments paid to all the employees shall include—

(a) in the case of specified employees under Chapter XIV of the Inland Revenue Act, No. 10 of 2006, the gross remuneration payable to such employees and reflected in the pay sheet maintained under section 119 of the Inland Revenue Act, No.10 of 2006;” and

(b) in the case of an employee other than a “specified employee” the gross remuneration paid to such employee reflected in the pay sheet maintained under subsection (2).

for the purpose of this Chapter the value addition of such specified institution shall be computed:

(i) for any taxable period commencing prior to January 1, 2011, based on the net profit or loss prior to the deduction of the tax payable under this Chapter; and

(ii) for any taxable period commencing on or after January 1,
2011, based on the net profit or loss after the deduction of the tax payable under this Chapter.

For the avoidance of doubt it is hereby declared that “economic depreciation” referred to in this subsection, shall not apply in relation to any assets of any person registered under the Finance Leasing Act, No. 56 of 2000, being an asset which forms part of the leasing stocks of such person;

for the purpose of this Chapter the value addition of such specified institution shall be computed :-

(i) for any taxable period commencing prior to January 1, 2011, based on the net profit or loss prior to the deduction of the tax payable under this Chapter; and

(ii) for any taxable period commencing on or after January 1, 2011, based on the net profit or loss after the deduction of the tax payable under this Chapter.

(2) Every registered specified institution shall maintain a pay sheet in respect every employee, other than a specified employee, in the manner set out by the Commissioner-General under section 119 of the Inland Revenue Act, No. 10 of 2006.

(3) The amount of tax payable for any taxable period :-

(a) commencing from January 1, 2003 but prior to January 1, 2004 shall be ten percentum;

(b) commencing from January 1, 2004, but prior to January 1, 2005, shall be fifteen per centum;

(c) commencing from January 1, 2005, but prior to January 1, 2011, shall be twenty per centum; and

(d) commencing from January 1, 2011 shall be twelve per centum;

of the value addition specified in subsection (i)

(4) Notwithstanding anything contained in subsection (1), any person to whom this Chapter applies-

(a) may in writing communicate to the Commissioner-General, his intention to calculate subject to the provisions of subsection (5), the tax to which he is liable in respect of any month commencing on or after July 1, 2003 but for the period prior to January 1, 2014. The provisions of subsection (5) shall however be applicable for the period subsequent to the communication in writing to the Commissioner-General which communication shall not be revocable.

(b) shall for any month commencing from January 1, 2014, be subject to the provisions of subsection (5).
For the purpose of calculating the tax, the value addition attributable to—

(a) exempt supplies, other than the exempt supplies under item (x) of paragraph (b) of PART II of the First Schedule but taxable under this Chapter;

(b) zero rated supplies;

(c) taxable supplies on which tax has been paid or is payable in terms of this Act, other than the value addition in relation to supplies taxable under this Chapter;

(d) the profit or income (not being profit from a business) on interest arising or accrued from inter-company transactions of a group of companies relating to any loan, advance or credit, other than any profit or income arising to a company in that group which is a “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to the services provided by a finance company;

(e) the profit or income on interest arising or accrued to any approved provident fund including the Employees Trust Fund or a Pension Fund or any thrift, savings or building society or welfare fund to which contributions are made by employees only or any approved gratuity fund, or the interest income (not being profits from a business) arising or accruing to any person other than a “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to the services provided by a finance company;

(f) the dividend income (not being profit from a business) arising to any person, other than such income arising to any “specified institution” within the meaning of this Chapter or to a person not registered with the Central Bank of Sri Lanka, but providing services similar to the services provided by a finance company;

(g) (i) during any taxable period commencing on or after July 1, 2002 and ending prior to January 1, 2004, the profit or income arising to any person from the sale of company shares owned by such person or to any person who is instrumental in the purchase and sale of such shares by other persons, other than such profits and income arising to any “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to such services provided by a finance company;

(ii) for any taxable period commencing on or after January 1, 2004 ending prior to January 1, 2005 the profits or income arising to any person from the sale of shares in any company owned by such person or to any person who is instrumental in the purchase and sale of such shares by persons other than
stockbrokers, other than profits and income arising to any “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to such services provided by a finance company;

(gg) for the taxable period commencing on or after January 1, 2005, the profits or income arising to any person from the sale of company shares owned by such person or to any person who is instrumental in the purchase and sale of such shares by other persons, other than such profits and income arising to any “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to such services provided by a finance company;

(h) the profits or income (not being profits from a business) from the exchange of currency other than such profits or income arising or accruing to any person primarily engaged in the business or exchange of currency or any “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to such services provided by a finance company,

included in the profit calculated as specified in subsection (1) of this section shall be treated as zero.

(6) Notwithstanding the provisions of subsection (2) of Section 25A, no tax shall be charged from any person liable to such tax, if the value addition calculated in accordance with the provisions of this section does not in respect of any calendar month exceed seventy five thousand rupees.

(7) For the purposes of this section “group of companies” means a parent company and all its subsidiaries where the parent company which has one or more subsidiaries, and such subsidiaries are controlled by the parent company either by controlling the composition of the board of directors of such subsidiary or by holding more than half in nominal value of the equity share capital of such subsidiary.

(8) Every specified institution or any other person shall for the purpose of the calculation of tax, submission of returns and information to be furnished relating to such return, payments of tax, issue of assessments, imposition of penalty for non-submission of the returns or the information required for the purpose of this Chapter, follow –

(a) the guidelines specified by the Commissioner-General; and

(b) the relevant guidelines specified in the Order published in the Gazette,
having considered the uniform application of the calculation of the liability and any other matter specified in the guideline provisions of this Chapter.

(9) eight per centum of the value addition specified in subsection (1) of section 25C shall be invested in the fund established in the Central Bank of Sri Lanka as specified in the guidelines issued for this purposes with the concurrence of the Commissioner - General for the period of three years commencing from January 1, 2011 and the investment shall be made on a monthly basis on or before the twentieth day of the subsequent month.

25D Where any registered specified institution or other person has paid any tax under any other provision of this Act, other than this Chapter, a tax credit shall be allowed for any taxable period prior to January 1, 2014 on an amount equal to such tax paid against the tax payable under this Chapter, where in the opinion of the Commissioner-General there is no material difference in the recognition of receipts of such institution for the calculation of profits for the purposes of this Chapter and for the purposes of the calculation of taxable supplies under any other provisions of this Act :

Provided however —

(i) for any taxable period commencing on or after January 1, 2003 and ending prior to January 1, 2004,—

(a) fifty per centum of any such tax calculated at the standard rate and paid to the Commissioner-General after deducting credit for input tax by any person ; and

(b) twenty five per centum of any such tax paid, in respect of the supply of leasing facilities by any person registered under the Finance Leasing Act, No. 56 of 2000, under any other provision of this Act, other than this Chapter, in relation to tax calculated as provided in section 22, shall be deducted against the tax payable under this Chapter; and

(ii) for any taxable period commencing on or after January 1, 2004, the tax calculated and paid to the Commissioner-General after deducting credit for input tax by any person subject to a limitation of twenty five per centum of any such tax, in respect of the supply of leasing facilities by any person registered under the Finance Leasing Act, No. 56 of 2000, under any other provision of this Act, other than this Chapter, in relation to tax calculated as provided in section 22, shall be deducted against the tax payable under this Chapter.

Provided further, the preceding provisions of this section shall not apply to a registered person where the tax payable by such person under this Chapter, is calculated subject to the provisions of subsection (5) of section 25C.
For the avoidance of doubt it is hereby declared that any reference in this section to “tax paid” means the tax calculated and paid to the Commissioner-General after deducting credit for input tax.

25E

The provisions of Chapters IV to XVI shall, mutatis mutandis, be applicable in respect of the tax charged under this Chapter.

25F

For the purposes of this Chapter —

supply of financial services means —

(a) the operation of any current, deposit or savings account;

(b) the exchange of currency;

(c) the issue, payment, collection or transfer of ownership of any note, order for payment, cheque or letter of credit;

(d) the issue, allotment, transfer of ownership, drawing, acceptance or endorsement of any debt security, being any interest in or right to be paid money owing by any person other than the transfer of nonperforming loans of a licensed Commercial Bank to any other person in terms of a re-structuring scheme of such bank as approved by the Central Bank of Sri Lanka with the concurrence of the Minister;

(e) the issue, allotment, transfer of ownership of any equity security or a participatory security;

(f) issue, underwriting, sub-underwriting or subscribing of any equity security, debt security or participatory security;

(g) the provision of any loan, advance or credit;

(h) the provision —

(a) of the facility of instalment credit finance in a hire purchase conditional sale or credit sale agreement for which facility a separate charge is made and disclosed to the person to whom the supply is made;

(b) goods under any hire purchase agreement or conditional sale or hire purchase agreement while have been used in Sri Lanka for a period not less than twelve months as at the date of such agreement;

specified institution means —

(a) a licenced commercial bank within the meaning of the Banking Act, No. 30 of 1988;
(b) a finance company registered under the Finance Companies Act, No. 78 of 1988;

(c) a licenced specialized bank within the meaning of the Banking Act, No. 30 of 1988.

25G Where any person carries on the business of supplying financial services, the preceding provisions of this Chapter, shall mutatis mutandis apply, to and in relation to the supply of such services made by such person on or after July 1, 2003.

CHAPTER III B

25H (1) A tax (hereinafter referred to as “optional value added tax”) shall be charged on the aggregate turnover from each taxable activity carried on, or carried out, in Sri Lanka by a person or a partnership, if such person or partnership is registered under this Chapter in accordance with the provisions of this Chapter:

(a) for every quarter commencing on January 1, 2007 and ending on December 31, 2010, and for every quarter commencing from the quarter in which the registration falls due, at the rate of five per centum; and

(b) every quarter commencing on January 1, 2011 and ending on December 31, 2012, in the following manner:

(i) at the rate of two per centum, for every quarter falling within the three years commencing from the beginning of the quarter in which registration falls due, but after the December 31, 2010;

(ii) at the rate of four per centum, for every quarter falling within the three years commencing immediately after the end of the three years referred to in item (i);

(iii) at the rate of eight per centum, for every quarter falling within the three years commencing immediately after the end of three years referred to in item (ii); and

(iv) at the rate of twelve per centum, for every quarter falling within the three years commencing immediately after the end of three years referred to in item (iii);

(2) For the purposes of this Chapter “turnover” in relation to any taxable activity means the total amount received or receivable from transactions entered into in respect of the taxable activities carried on, or carried out, in Sri Lanka, other than any supply specified in the First Schedule, or zero rated supplies referred to under section 7, or
supplies referred to in section 3 of the Act or to the sale of any capital assets.

(3) In this subsection —

“capital assets” shall have the same meaning as is given to it in section 25 of the Inland Revenue Act, No. 10 of 2006.

“quarter” means the period of three months commencing on the first day of January, the first day of April, the first day of July and the first day of October of each year.

(4) Every person of 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.

25 I (1) A person or a partnership referred to in subsection (2), may prior to December 31, 2012, apply for registration under this Chapter and—

(a) the Commissioner General shall, if he is satisfied that the conditions specified in subparagraphs (i) and (ii) of paragraph (a) of subsection (2) are complied with, register such person or partnership on a request made for registration and shall forthwith assign a registration number to such person or partnership;

(b) such registration shall be valid for any quarter ending prior to January 1, 2013 from the date of commencement of the quarter in which the registration is obtained by such person or partnership.

(c) Any registration obtained under this Chapter shall be treated as cancelled with effect from the period commencing from January 1, 2013:

Provided that, any person or partnership registered under this Chapter whose turnover exceeds rupees twelve million per year and fulfils the criteria for registration under section 10 shall obtain a registration accordingly.

(2) (a) the provisions of subsection (1) shall apply to any person or partnership—

(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

(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
(ii) who or which is not registered under Chapter II.

(b) Any person or partnership registered under this Chapter may apply to the Commissioner-General to cancel such registration and further request the Commissioner-General to register him under Chapter II, at any time during the period in which registration under this Chapter subsists.

(c) The provisions of Chapters I, II, III or IIIA shall not apply to a person or partnership whose registration during the period is subsisting under this Chapter.

25J. (1) The values of supplies from any Islamic Financial Transaction shall be chargeable to tax in terms of the provisions of this Act.

(2) The Commissioner-General of Inland Revenue shall in order to determine the extent of liability to tax of any particular Islamic Financial Transaction, issue, from time to time, such rules and guidelines as may be required for the purpose of—

(a) identifying the circumstances which would amount to an Islamic Financial Transaction; and

(b) ascertaining the value of supplies arising out of any Islamic Financial Transaction

CHAPTER IV
PAYMENT OF TAX

26. (1) The tax in respect of any taxable period shall be paid not later than the twentieth day of the month following the end of the taxable period:

Provided that, in a case of a person whose taxable period falls in the definition referred to in paragraph (b) of the definition of the expression taxable period referred to in section 83, the tax in respect of any quarter commencing on or after January 1, 2006 shall be paid, subject to the making of any final adjustments, if any, with the submission of the return, in the following manner:

(a) the tax payable for the first month of the taxable period, shall be paid not later than the twentieth day of the second month of the taxable period;

(b) the tax payable for the second month of the taxable period shall be paid not late than the twentieth day of the third month of the taxable period;

(c) the tax payable for the taxable period after deducting there from the amount under paragraphs (a) and (b) shall be paid not later than the twentieth day of the month following the end of that taxable period.

[s 6 of 14 of 2007] w.e.f. 1/1/2007

[s 10 of 9 of 2011]
Any tax not paid as set out above shall be deemed to be in default and the person by whom such tax is payable or where any tax is payable by more than one person, each such person shall be deemed to be a defaulter for the purposes of this Act.

(1A) Notwithstanding the provisions of subsection (1) of this section, in the case of a registered person whose taxable supplies consist of any supplies other than the supply of goods manufactured in Sri Lanka by such manufacturer, the tax in respect of any taxable period on or after January 1, 2013 shall be paid:

(i) for the period from the 1st day to the 15th day of any month on or before the end of that month; and

(ii) for the period from the 16th day to the end of the month on or before the 15th day of the subsequent month subject to the making of any final adjustments, if any, with the submission of the return.

Any tax not paid as set out above shall be deemed to be in default and the person by whom such tax is payable or where any tax is payable by more than one person, each such person shall be deemed to be a defaulter for the purposes of this Act.

(2) The Commissioner-General may, defer the due date for the payment of any tax assessed under paragraph (a) or (b) of subsection (1) of section 28 or subsection (1) of section 31, under an appeal against such assessment where:

(a) a request in writing has been made to the Commissioner-General for a deferral; and

(b) it has been proved to the satisfaction of the Commissioner-General that the tax due on the alleged supplies on which the assessment has been made has not been charged by such person:

Provided however, such deferred tax or part thereof shall become payable on the settlement of the appeal or withdrawal of the deferral by the Commissioner-General, and shall be deemed to be tax in default from the original due date of such tax.

26A (1) Every Government Agency which makes payments prior to January 1, 2011, in pursuance of a contract to which such Agency is a party or on behalf of any other person who is a party to a contract shall, deduct from such payment one-third of the tax included in such payment as VAT Advance Payment, and the amount of tax so deducted shall be a debt due from such Government Agency to the Republic and shall be recoverable forthwith or may be assessed and charged upon such Government Agency in addition to any tax, if any, otherwise payable by such Government Agency under this Act.
Provided that no such deduction shall be made —

(i) where the total consideration for the performance of such contract does not exceed five hundred thousand rupees excluding the Value Added Tax; or

(ii) where the payment made is an immediate settlement for the goods supplied on contract; or

(iii) where the Commissioner-General is of the opinion that deduction is impracticable or inexpedient having regard to all the circumstances of the case.

(2) Any Government Agency who deducts tax in accordance with the provisions of subsection (1) shall —

(a) issue to the person from whose payment the deduction is made, a Certificate showing —
   (i) the gross amount of payment;
   (ii) the total tax and the amount of one-third of the tax so deducted; and
   (iii) the net amount actually paid; and

(b) remit the tax so deducted in any calendar month on or before the end of the first week of the subsequent month to the Commissioner-General together with the statement showing—
   (i) the name and address of the person to whom the payment was made and the registration number of such person;
   (ii) the gross amount of such payment;
   (iii) the total tax, one-third of the tax deducted and the amount actually paid;
   (iv) the name and address of the Government Agency who made the payment and the registration number, if any; and
   (v) details of remittances, the cheque numbers and the date of payment.

(3) Where the taxable supplies of a person includes a sum from which tax has been deducted and remitted in accordance with subsection (1) and (2), he shall be entitled on production of the Certificate relating to such sum issued in accordance with subsection (2), to set off against the tax payable by him the amount shown in the Certificate as the amount of tax deducted.

(4) For the purposes of this section “contract” means —

(i) any contract in respect of construction work or services of whatever nature not being a contract of employment;
(ii) any contract for the supply of goods or services in respect of any contract specified in sub-paragraph (i) ;

(iii) any sub contract in respect of any contract specified in sub-paragraphs (i) or (ii) ; or

(iv) any contract for the provision of services including a contract for the provision of services as an entertainer or artist other than a contract of employment.

(5) For the purposes of this section “Government Agency” means any Ministry, Department, Government Owned Business Undertaking, public corporation, Provincial Council, local authority, University, State bank, project funded by any Government institution for which funds are provided from the Consolidated Fund and the Board of Investment.

(6) Where any person fails to deduct tax in terms of subsection (1) or fails to remit under sub section (2) any tax payable to the Commissioner General, such tax shall be deemed to be in default and the provision of this Act relating to the recovery of tax shall accordingly apply on any such default tax.

(7) Any person who has made any deduction under subsection (1) or any remittance in pursuance of subsection (2) shall be deemed to have acted under the authority of the per persons concerned, and is hereby indemnified in respect of such deduction or remittances as the case may be, against all proceedings, civil or criminal, notwithstanding the provision of any written law, contract or agreement.

27. (1) Where any tax is in default; the defaulter shall, in addition to such tax in default pay as penalty –

(a) a sum equivalent to ten per centum of the amount in default; and

(b) where the amount in default is not paid before the last day of the month succeeding the month in which such tax has begun to be in default, a further sum, equivalent to two per centum of the amount in default in respect of each period ending on the last day of each succeeding month or part of such period during which it is in default:

Provided however, that the total amount payable as penalty under this subsection shall in no case exceed one hundred per centum of the tax in default and any such amount may be waived or reduced if the Commissioner-General is satisfied that by reason of any special circumstances in which the default occurred waiver or reduction of such amount would be just and equitable.

(2) Where upon the final determination of an appeal under Chapter VI any tax in default to which any sum or sums under subsection (1) has or have been added is reduced, then such sum or sums shall be calculated on the tax so reduced.
(3) Where any penalty payable under this section is outstanding on November 6, 2002—

(a) such penalty shall be waived in full where the tax payable in default has been fully paid on or before November 6, 2002;

(b) where a portion of the tax in default has been paid on or before November 6, 2002, such penalty referable to the amount of the tax in default paid shall be waived.

CHAPTER V
ASSESSMENT OF TAX

28. (1) Where—

(a) any registered person who in the opinion of the Assessor is chargeable with tax, fails to furnish a return for any taxable period; or

(b) any registered person, who is chargeable with tax, furnishes a return in respect of any taxable period but fails to pay the tax for that taxable period; or

(c) any person requests the Commissioner-General in writing to make any alteration or addition to any return furnished by such person for any taxable period,

the Assessor shall assess the amount of the tax, which such person, in the judgement of the Assessor, ought to have paid for that taxable period and shall, by notice in writing, require such person to pay such amount forthwith. The amount so assessed in respect of any person for a taxable period shall, be deemed to be the amount of the tax payable by him for that taxable period.

(2) An assessment made under subsection (1) in respect of any person for any taxable period shall not affect the liability of such person to a penalty under section 27 as though the amount assessed was the amount of tax due from him for that taxable period.

(3) Where, in the opinion of the Assessor, the amount paid as tax for any taxable period by any person who has failed to furnish a return in respect of a taxable period is less than the actual amount payable by such person for that taxable period, the Assessor shall assess the amount which, in the judgement of such Assessor, ought to have been paid by such person and shall, by notice in writing, require that person to pay on or before a date specified in that notice, the difference between the amount so assessed and the amount paid by such person.

(4) Where an assessment is made under subsection (3) in respect of any person for any taxable period the difference between the amount so assessed and the amount paid by that person as tax for the taxable period shall be deemed to be tax in default for that taxable period and accordingly such person shall, from the date on which such person
ought to have paid the tax for such taxable period, be liable in respect of that amount to the penalty.

(5) Where any person whose turnover from every trade or business carried on by such person for any period of twelve months ending prior to April 1, 2011, does not exceed three hundred million and who has not complied with any law relating to tax as administered by the Commissioner-General, requests that he be registered under section 10 of this Act, notwithstanding the provisions of subsection (1) of this section and subsection (2) of section 33 of this Act, the turnover of that person for the above period shall not be assessed if such person undertakes to-

(a) invest his past earnings from that trade or business in any business prior to March 31, 2014; and

(b) comply with the requirements of this Act for any subsequent period.

29. Where the Assessor does not accept a return furnished by any person under section 21 for any taxable period and makes an assessment or an additional assessment on such person for such taxable period under section 28 or under section 31, as the case may be, the Assessor shall communicate to such person by registered letter sent through the post why he is not accepting the return.

30. Where the Assessor is of opinion-

(a) that a registered person has made a taxable supply for a value less than the open market value of such supply or for no value; or

(b) the transaction in respect of which taxable supply has been made, is between two associated persons, in order to avoid the payment of tax, he shall determine the open market value of such supply on which tax shall be charged, having regard to the circumstances of the transaction and the time of supply.

31. (1) Where it appears to an Assessor that a person chargeable with tax has for any taxable period paid as tax an amount less than the proper amount of the tax payable by him for that taxable period, or chargeable from him for that taxable period, the Assessor may, at any time, assess such person at the additional amount at which, according to the judgement of such Assessor, tax ought to have been paid by such person. The Assessor shall give such person notice of the assessment.

(2) Where an assessment is made under subsection (1) in respect of any person for any taxable period, the amount so assessed shall be deemed to be the tax in default for that taxable period and accordingly such person shall, from the date on which such person ought to have paid the tax for that taxable period be liable to the penalty in respect to such amount.
32. The production of any document under the hand of the Commissioner-General purporting to be a copy of or extract from any return or assessment made under this Act shall be admissible in all courts and shall be sufficient evidence of the original.

33. (1) Where any registered person has furnished a return under sub section (1) of section 21 in respect of a taxable period or has been assessed for tax in respect of any period, it shall not be lawful for the Assessor where an assessment –

(a) has not been made, to make an assessment; or

(b) has been made, to make an additional assessment; after the expiration of three years from the end of the taxable period in respect of which the return is furnished or the assessment was made as the case may be.

(2) Notwithstanding the provisions of subsection (1) where the Assessor is of opinion that a person has wilfully or fraudulently failed to make a full and true disclosure of all the material facts necessary to determine the amount of tax payable by him for any taxable period, it shall be lawful for the Assessor where an assessment –

(a) has not been made, to make an assessment; or

(b) has been made, to make an additional assessment,

at any time

For the purposes of this Chapter any notice of assessment may refer to one or more taxable periods.

CHAPTER VI
Appeal

34. (1) Any registered person may, if he is dissatisfied with any assessment or additional assessment made in respect of him by an Assessor, or a penalty imposed under this Act, appeal against such assessment, additional assessment or penalty, as the case may be, to the Commissioner-General within thirty days after the service of notice of such assessment, additional assessment or imposition of penalty as the case may be. Such person shall, notwithstanding the appeal, but subject to subsection (2) of section 26 pay the tax charged by such assessment or additional assessment together with any penalty imposed on him by this Act:

Provided that, the Commissioner-General, upon being satisfied that, owing to absence from Sri Lanka, sickness or other reasonable cause, the appellant was prevented from appealing within such period, shall grant an extension of time for preferring the appeal.

(2) Every appeal shall be preferred by a petition in writing addressed to the Commissioner-General and shall state precisely the grounds of such appeal.
(3) Where the assessment or additional assessment appealed against has been made in the absence of a return, the petition of appeal shall be accompanied by a return with proof of payment of the tax and penalty due on such return.

(4) Every person preferring an appeal under subsection (1) against an assessment for any taxable period shall (unless such person has done so already), pay to the Commissioner-General the amount of the tax payable by such person on the basis of the return furnished by him for such period together with any penalty thereon accrued up to the date of such notice of assessment, and shall attach, to the petition of appeal a receipt in proof of such payment:

Provided that the Commissioner-General, upon being satisfied that owing to serious financial hardship suffered by the appellant at or about the time of such notice of assessment or, owing to other reasonable cause, the appellant was prevented from paying such tax and such penalty, may grant an extension of time for the payment of such tax and penalty thereon accrued up to the date of payment, and the receipt furnished within such extended time shall, for the purposes of this subsection, be deemed to have been attached to the petition of appeal.

(5) Every petition of appeal which was not made within the period specified under subsection (1) or does not conform to the provisions of subsections (2), (3) and (4) shall not be valid.

(6) On receipt of a valid petition of appeal, the Commissioner-General may cause further inquiry to be made by an Assessor, and if in the course of such inquiry an agreement is reached as to the matters specified in the petition of appeal, the necessary adjustment of the assessment shall be made.

(6) On receipt of a valid petition of appeal, the Commissioner-General may cause further inquiry to be made by an Assessor, other than the Assessor who made such assessment against which the appeal is preferred and if in the course of such inquiry an agreement is reached as to the matters specified in the petition of appeal, the necessary adjustment of the assessment shall be made.

(7) Where no agreement is reached between the appellant and the Assessor in the manner provided in subsection (6), the Commissioner-General shall fix a time and place for the hearing of the appeal.

(8) Every appellant shall attend before the Commissioner-General at the time and place fixed for the hearing of the appeal. The appellant may attend the hearing of the appeal in person or by an authorized representative. The Commissioner-General may, if he thinks fit, from time to time, adjourn the hearing of an appeal for such time and place as he shall fix for the purpose. In any case in which an authorized representative attends on behalf of the appellant, the Commissioner-General may adjourn the hearing of the appeal and may, if he
considers that the personal attendance of the appellant is necessary for the determination of the appeal, require that the appellant shall attend in person at the time and place fixed for adjourned hearing of the appeal. If the appellant or his authorized representative fails to attend at the time and place fixed for hearing or any adjourned hearing of the appeal, or if the appellant fails to attend in person when required so to attend by the Commissioner-General, the Commissioner-General shall dismiss the appeal:

Provided that, if the appellant shall within a reasonable time after the dismissal of an appeal satisfy the Commissioner-General that he or his authorised representative was prevented from due attendance at the hearing or at any adjourned hearing of such appeal by reason of absence from Sri Lanka, sickness, or other reasonable cause, the Commissioner-General may vacate the order of dismissal and fix a time and place for the hearing of the appeal:

Provided further, that every petition of appeal under this Chapter shall be agreed to or determined by the Commissioner-General within two years from the date on which such petition of appeal is received by the Commissioner-General, unless the agreement or determination of such appeal depends on the furnishing of any document or the taking of any action by any person other than the appellant or the Commissioner-General or an Assessor. Where such appeal is not agreed to or determined within such period the appeal shall be deemed to have been allowed and the tax charged accordingly. The receipt of every appeal shall be acknowledged (within thirty days of its receipt and where so acknowledged, the date of the letter of acknowledgement shall for the purposes of this section be deemed to be the date of receipt of such appeal). Where however the receipt of any appeal is not so acknowledged, such appeal shall be deemed to have been received by the Commissioner-General on the day on which it is delivered to the Commissioner-General.

For the purposes of this proviso where an extension of time has been granted to an appellant for the payment of tax under subsection (4) the date of the receipt in proof of the payment of tax shall be deemed to be the date of receipt of such Appeal.

(9) The Commissioner-General shall have power to summon any person whom he may consider desirable to give evidence in respect of the appeal, to attend before him and examine such person on oath or otherwise. Any person so attending may be allowed by the Commissioner-General any reasonable expenses necessarily incurred by such person in so attending.

(10) Before making his determination on any appeal, the Commissioner-General may, if he considers it necessary so to do, by notice given in writing to any person require that person to produce for examination, or to transmit to the Commissioner-General within the period specified in such notice, any such deeds, plans, instruments, books of accounts, trade lists, stock lists, registers, cheques, paying in slips,
auditors reports or other documents in his possession as may be specified in such notice. Further, the Commissioner-General may obtain the assistance of any other Commissioner, Deputy Commissioner or an Assessor who is familiar with the issues involved in such hearing of an appeal.

(11) Where the Commissioner-General hears the evidence of the appellant or of any other person in respect of the appeal, he shall maintain or cause to be maintained a record of such evidence.

(12) In determining an appeal under this section the Commissioner-General may confirm, reduce, increase or annul the assessment appealed against and shall give notice in writing to the appellant of his determination on the appeal.

(13) The Commissioner-General, may at any time prior to the determination of an appeal cancel the deferment of the due date for payment under the subsection (2) of section 26, if he is satisfied that the appellant has not taken adequate steps to settle the appeal and inform the appellant in writing of such cancellation.

35. (1) Any person aggrieved by the determination of the Commissioner-General upon an appeal made to him under subsection (1) of section 34 may appeal from such determination to the Board of Review or any Commission which may be constituted by any written law for the purpose of hearing appeals in terms of this Act and provisions of that Act relating to appeals to such Board shall, mutatis mutandis, apply to an appeal under this section.

(1A) Notwithstanding the provisions of section 34, the Commissioner General may refer any valid appeal made to him, to the Board of Review or any Commission which may be constituted by any written law for the purpose of hearing appeals in terms of this Act, and the Board of Review or any Commission which may be constituted by any written law for the purpose of hearing appeals in terms of this Act, 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.

(2) Notwithstanding anything to the contrary in any other law, an appeal to the Board of Review or any Commission which may be constituted by any written law for the purpose of hearing appeals in terms of this Act under subsection (1) shall be determined by the Board within a period of two years from the date of commencement of the hearing of such appeal by the Board.

36. (1) The decision of the Board of Review or any Commission which may be constituted by any written law for the purpose of hearing appeals in terms of this Act shall be final:

Provided that either the appellant or the Commissioner-General may make an application requiring the Board of Review or any

Appeals to the Board of Review.

[s 14 of 7 of 2003] w.e.f. 1/1/2003
[s 13 of 9 of 2011] w.e.f. 01/01/2011

Appeal on a question of law to Court of Appeal.

[s 13 of 9 of 2011] w.e.f. 01/01/2011
Commission which may be constituted by any written law for the purpose of hearing appeals in terms of this Act to state a case on a question of law for the opinion of the Court of Appeal.

(2) The provisions of, the Inland Revenue Act, No. 38 of 2000 relating to appeals to the Court of Appeal and to the Supreme Court shall, mutatis mutandis, apply to an application and reference under this section.

CHAPTER VII

FINALITY OF ASSESSMENT AND PENALTY FOR INCORRECT RETURNS

37. Where no valid appeal has been preferred within the time specified in this Act against an assessment in respect of tax or where the amount of tax has been determined on appeal, the assessment as made or reduced or increased or confirmed on appeal, as the case may be, shall be final and conclusive for all purposes of this Act as regards the amount of such tax:

Provided that, nothing in this section shall prevent an Assessor from making an assessment or additional assessment for any taxable period if it does not involve reopening any matter which has been determined on appeal for that taxable period.

38. Where in an assessment made on any person, the tax exceeds, the tax paid by him as the amount due from him in respect of the taxable supplies specified in his return and the assessment is final and conclusive under section 37, the Commissioner-General may unless that person proves to the satisfaction of the Commissioner-General that there was no fraud or wilful neglect involved in the disclosure of the taxable supplies made or input tax claimed by that person in such return, in writing, order that person to pay, on or before a specified date, as penalty for making an incorrect return, a sum not exceeding twenty five thousand rupees and a sum equal to twice the amount of the difference between the total tax claimed in the assessment and the tax paid on the return:

Provided however, any such person on whom a penalty is imposed under this section shall not be liable to prosecution for an offence relating to that taxable period under section 66.

CHAPTER VIII

RECOVERY OF TAX

39. (1) For the purposes of this Chapter “tax” includes penalty imposed or incurred under this Act.
(2) Whenever the Commissioner-General issues a certificate under section 42 or section 43 or a notice under section 44, he shall at the same time issue to the defaulter a notification thereof by personal service or by registered letter sent through the post or by telegraph, but the non-receipt of such notification by the defaulter shall not invalidate proceedings under this section.

40. Any tax in default shall be a first charge on all the assets of the defaulter:

Provided that –

(i) such charge shall not extend to or affect any assets sold by such person to a *bona fide* purchaser for value prior to the seizure of the same in accordance with the provisions of section 42;

(ii) as regards immovable property the tax shall not rank in priority to any lease or encumbrance created *bona fide* for value and registered prior to the date of the seizure;

(iii) as regards movable property –

(a) for any taxable period ending prior to January 1, 2014, where tax for more than four taxable periods is in default, the tax for four taxable periods only to be selected by the Commissioner-General shall rank in priority to any lien or encumbrance created *bona fide* for value prior to the date of default of such tax; and

(b) for any taxable period commencing on or after January 1, 2014, where the tax for taxable periods within five years is in default, the tax for taxable periods within five years only to be selected by the Commissioner-General shall rank in priority to any lien or encumbrance created *bona fide* for value prior to the date of default of such tax.

41. (1) Where any tax is in default, the Commissioner-General shall, before proceeding to recover such tax, issue a notice in writing to the defaulter stating –

(a) the particulars of such tax; and

(b) that action is being contemplated to recover such tax.

(2) Where an assessment has been made and the defaulter has not appealed within the specified time against the assessment in respect of which such tax is charged, he may within thirty days of date of such notice make any objection to the tax so charged to the Commissioner-General and the Commissioner-General shall notwithstanding the provisions of section 37 consider such objections and give his decision thereon which shall be final.
42. (1) The Commissioner-General may appoint persons to be tax collectors for the purposes of this Act.

(2) Where any tax is in default, the Commissioner-General may issue a certificate to a Divisional Secretary, Assistant Divisional Secretary, Fiscal, Deputy Fiscal or Tax Collector containing particulars of such tax and the name and address of the defaulter, and the officer to whom such certificates is issued shall be empowered and is hereby required to cause the tax to be recovered from the defaulter named in the certificate by seizure and sale of his movable property.

(3) The seizure referred to in subsection (2) shall be effected in such manner as the said officer shall deem most expedient in that behalf and any property so seized shall be kept for seven days at the costs and charges of the defaulter. If the defaulter fails to pay the said tax in default together with the costs and charges within the said seven days the Divisional Secretary, Assistant Divisional Secretary, Fiscal, Deputy Fiscal or Tax Collector as the case may be shall cause such property to be sold by public auction.

(4) The sum realized by the sale shall be applied –

(i) firstly in payment of the costs and charges of seizing keeping and selling the property; and

(ii) secondly in satisfaction of the tax in default,

and any balance shall be paid to the owner of the property seized.

(5) It shall be lawful for a tax collector to recover from the defaulter reasonable expenses incurred by him in proceeding against the defaulter under this section notwithstanding that the seizure was not effected. Where cash is seized such reasonable expenses shall be set off first from the amount so seized. Any amount so recovered or set off shall be informed to the defaulter in writing.

(6) Where any tax is in default, and the Commissioner-General is of opinion that recovery by the means provided in subsection (2) is impracticable or in expedient, he may issue a certificate to a District Court having jurisdiction in any district where the defaulter resides or in which any property movable or immovable owned by the defaulter is situate containing such particulars of tax and the name and address of the person or person by whom, the tax is payable, and the Court shall there upon direct a writ of execution to issue to the Fiscal authorizing and requiring him to seize and sell all or any of the property movable and immovable of the defaulter or such part thereof as he may deem necessary for recovery of the tax, and the provisions of sections 226 to 297 of the Civil Procedure Code shall, mutatis mutandis, apply to such seizure and sale.

For the purposes of this section “movable property” shall include plant and machinery whether fixed to a building or not.
43. (1) Where the Commissioner-General is of opinion in any case that recovery of tax in default by seizure and sale is impracticable, or inexpedient or where the full amount of the tax in default has not been recovered, he may issue a certificate containing particulars of such tax and the name and last known place of business or residence of the defaulter, to a Magistrate having jurisdiction in the division in which such place of business or residence of the defaulter is situate. The Magistrate shall thereupon summon such defaulter before him to show cause why further proceedings for the recovery of the tax should not be taken against him, and in default of sufficient cause being shown, the tax in default shall be deemed to be a fine imposed by a sentence of the Magistrate on such defaulter for an offence punishable with fine only or not punishable with imprisonment and the provisions of subsection (1) of section 291 (except paragraphs (a), (d) and (i) thereof), of the Code of Criminal Procedure Act, No. 15 of 1979, relating to default of payment of a fine imposed for such an offence shall thereupon apply, and the Magistrate may make any direction which, by the provisions of that subsection, he could have made at the time of imposing such sentence:

Provided that nothing in this section shall authorize or require the Magistrate in any proceeding thereunder to consider, examine or decide the correctness of any statement in the certificate of the Commissioner-General or to postpone or defer such proceeding for a period exceeding thirty days, by reason only of the fact that an appeal is pending against the assessment in respect of which the tax in default is charged.

(2) Nothing in subsections (2) to (5) of section 291 of the Code of Criminal Procedure Act, No. 15 of 1979, shall apply in any case referred to in subsection (1).

(3) In any case referred to in subsection (1) in which the defaulter is sentenced to imprisonment in default of payment of the fine deemed by that section to have been imposed on him, the Magistrate may allow time for the payment of the amount of the said fine or direct payment of that amount to be made in instalments.

(4) The Court may be required bail to be given as a condition precedent to allowing time under subsection (1) for the showing cause as therein provided or under subsection (3) for the payment of the fine; and the provisions of Chapter XXXIV of the Code of Criminal Procedure Act, No 15 of 1979, shall apply where the defaulter is so required to be given bail.

(5) Where payment in installments is directed under subsection (3) and default is made in the payment of any one installment, the same proceedings may be taken as if default had been made in payment of all the installments then remaining unpaid.
Where the tax payable by any person is in default and it appears to the Commissioner-General to be probable that any person—

(a) owes or is about to pay money to the defaulter or his agent; or

(b) holds money for or on account of the defaulter or his agent; or

(c) holds money for or on account of some other person for payment to the defaulter or his agent; or

(d) has authority from some other person to pay money to the defaulter or his agent,

the Commissioner-General may give to such person notice in writing (a copy of which shall be sent by post to the defaulter) requiring him to pay any such moneys not exceeding the amount of the tax in default to the officer named in such notice. The notice shall apply to all such moneys which are in his hands or due from him at the date of receipt of such notice, or come into his hands or become due from him or are about to be paid by him at any time within a period of three months after the date of such notice.

Any person who has made any payment in pursuance of this section shall be deemed to have acted under the authority of the defaulter and of all other persons concerned, and is hereby indemnified in respect of such payment against all proceedings, civil or criminal, notwithstanding the provisions of any written law, contract or agreement.

Where any person to whom a notice has been given under subsection (1) is unable to comply therewith owing to the fact that moneys in question do not come into his hands or custody or become due from him during the period referred to in subsection (1), he shall within fourteen days of the expiration thereof give notice in writing to the Commissioner-General appraising him of the facts.

Where any person to whom a notice has been given under subsection (1) is unable to comply therewith and has failed to give notice to the Commissioner-General as provided in subsection (3) or where such person has deducted or could have deducted the tax to which the notice relates or any part thereof and has not paid over as required by the Commissioner-General the amount of such tax or part thereof within fourteen days after the expiration of the period referred to in subsection (1), such person shall, if he is an individual, be liable or where such person is a company or body of persons, whether corporate or unincorporate the secretary, manager, or the principal officer of such company or body be personally liable, for the whole of the tax which such person has been required to deduct, and such tax may be recovered from such individual, secretary, manager or other principal officer, as the case may be, by all means provided in this Act.
(5) For the purposes of this section the expression “defaulter” shall be deemed to include the agent of a person who is in default and the provisions of this section shall apply in any case where the tax which would have been payable by any person if he were alive is in default, and for the purpose of the application of these provisions in any such case, the expression “defaulter” in subsection (1) means –

(a) the executor or administrator of such deceased person; or

(b) any person who takes possession of, or intermeddles with, the property of such deceased person; or

(c) any person who has applied or is entitled to apply to a District Court for the grant or resealing of probate or letters of administration in respect of the estate of such deceased person.

45. (1) Where the Commissioner-General is of opinion that any person is about to or likely to leave Sri Lanka without paying the tax due from him, the Commissioner-General may issue a certificate containing particulars of such tax and the name of such person to a Magistrate, who shall on receipt thereof issue a direction to the Inspector-General of Police to take such measures as may be necessary to prevent such person from leaving Sri Lanka without paying the tax or furnishing security to the satisfaction of the Commissioner-General for payment thereof.

(2) At the time of issue of the certificate to the Magistrate the Commissioner-General shall issue to such person a notification thereof by personal service, or registered letter sent through the post or telegraph; but the non-receipt of any such notification by such person shall not invalidate proceedings under this section.

(3) The production of a certificate signed by the Commissioner-General stating that the tax has been paid or that security has been furnished for the payment of the tax or payment of the tax to a police officer in charge of a police station shall be sufficient authority for allowing such person to leave Sri Lanka.

(4) Any police officer to whom the amount of any tax specified in such certificate has been paid shall forthwith pay such amount to the Commissioner-General.

46. Where the Commissioner-General is of opinion that application of any one of the means of recovery provided in this Act has failed or is likely to fail to secure payment of the full amount of tax due from any person it shall be lawful for the Commissioner-General to proceed to recover any sum remaining unpaid, by any means of recovery provided in this Act, notwithstanding that an order has been made by a Magistrate under Section 43 and carried in to effect.
47. The Commissioner-General may, by notice given in writing to any person, require that person within the period specified in such notice to furnish any information which the Commissioner-General may require for the purpose of recovering any tax due from such person or any other person.

48. (1) Where a body corporate has not paid any tax on or before the due date, as provide in Chapter IV it shall be lawful to proceed under all or any of the provisions of this Chapter against a manager, director, secretary or any other principal officer of such body corporate, as if such officer is responsible for such default unless he proves the contrary to the satisfaction of Commissioner-General notwithstanding anything in any other written law relating to such body corporate.

(2) Where an unincorporate body of persons has not paid any tax on or before the due date, as provided in chapter IV, it shall be lawful to proceed under all or any of the provisions of this Chapter against any partner or office-bearer of such unincorporate body of persons as it he is responsible for such default unless he proves the contrary to the satisfaction of the Commissioner-General, notwithstanding anything in any other written law.

48A 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.

49. (1) The Commissioner-General may, by writing under his hand, delegate to any Assessor any of the powers and functions conferred on or assigned to the Commissioner-General by this Chapter.

(2) Every Assessor to whom any power or function has been delegated under subsection (1) shall exercise or discharge such power or function subject to the general or special directions of the Commissioner-General.

CHAPTER IX

SPECIAL CASES

50. Any act or thing required by or under this Act to be done by any person shall, if such person is an incapacitated person, be deemed to be required to be done by the trustee of such incapacitated person.

51. Any act or thing required by or under this Act to be done by any person shall, in the case of two or more persons in partnership, be deemed to be required to be done by the precedent partner of such partnership.
Provided that any person to whom a notice has been given under the provisions of this Act as a precedent partner of a partnership shall be deemed to be the precedent partner thereof unless he proves that he is not a partner of such partnership or that some other person in Sri Lanka is the precedent partner thereof.

52. (1) The secretary, manager, director or other principal officer of every company or body of persons, shall be liable to do all such acts, matters or things as are required to be done under the provisions of this Act by such company or body of persons:

Provided that any person to whom a notice has been given under the provisions of this Act on behalf of a company or body of persons shall be deemed to be the principal officer thereof unless he proves that he has no connection with such company or body of persons or that some other person resident in Sri Lanka is the principal officer thereof.

(2) Where an offence under this Act is committed by a company or body of persons, every person who at the time of the commission of the offence was the secretary, manager, director or other principal officer of the company or body of persons shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge and that he exercised all such diligence to prevent the commission of that offence as he ought to have exercised having regard to the nature of his functions in such capacity.

53. (1) Subject as hereinafter provided, where during the course of a taxable period a person chargeable with tax ceases to carry on or carry out any taxable activity in respect of which he is chargeable with such tax, he shall, notwithstanding that he had ceased to carry on or carry out such taxable activity, be liable to pay such tax for the period during which he carried on or carried out that taxable activity in that taxable period.

(2) Where any person carrying on or carrying out a taxable activity transfers the assets of such taxable activity to another person, as a going concern, resulting in a change of ownership of any trade or business, tax payable in respect of such taxable activity for any period prior to the transfer may, if it cannot be recovered from the transferor, be recovered from the transferee notwithstanding that an assessment may not have been made on the transferee and the provisions of this Act as to collection and recovery of tax shall apply accordingly.

54. (1) Where any person chargeable with the tax dies, the executor of such deceased person shall, in respect of all taxable periods prior to the date of death of such person, be chargeable with tax which such person would be chargeable if he were alive, and shall be liable to do all acts, matters and things which such person if he were alive, would be liable to do under this Act:

Provided that –

(a) no proceedings shall be instituted against the executor in respect of any act or default of action of the deceased person;
(b) no assessment or additional assessment in respect of a period prior to the date of such person’s death shall be made after three years from the end of the taxable period in which the death occurred; and

(c) the liability of the executor under this section shall be limited to the sum of -

(i) the deceased person’s estate in his possession or control at the date when notice is given to him that liability to tax will arise under this section; and

(ii) any part of the estate which may have passed to a beneficiary.

(2) Where an executor on behalf of the estate of a deceased person carries on any taxable activity which is a part of such estate, such executor shall, in respect of such taxable activity, be chargeable with the tax with which such person would be chargeable if he were alive.

55. (1) Where any taxable activity in respect of which tax is payable is carried on or carried out by any person on behalf of any other person as the agent of such other person, the first mentioned person shall be chargeable with the tax in respect of that taxable activity in like manner and to the like amount as the second mentioned person would be chargeable under this Act.

(2) All the taxable supplies of a non-resident person shall be assessable either directly or in the name of his agent, in or derived from Sri Lanka, whether such agent has the receipt of such supplies or not, and the tax in terms of this Act so assessed whether directly or in the name of the agent shall be recoverable in the manner provided for in this Act, out of the assets of the non-resident person or from the agent. Where there are more agents than one, they may be assessed jointly or severally in respect of the taxable supplies of the non-resident person and shall be jointly and severally liable for tax thereon, in terms of this Act.

56. Where two or more persons act in the capacity as trustees of a trust or executors of a deceased person’s estate, they may be charged jointly and severally with the tax with which they are chargeable in the capacity under this Act and shall be jointly and severally liable for the payment of such tax.

57. (1) Notwithstanding anything in the Companies Act, No. 17 of 1982, where a company is wound up and where any tax to which that company is liable cannot be recovered, then, every person who was a director of the company at any time during the period in respect of which such tax is payable shall be jointly and severally liable for the payment of such tax unless he proves that the default in payment of tax cannot be attributed to any gross neglect, malfeasance or breach of duty on his part in relation to the affairs of the company, and the
provisions of this Act as to collection and recovery of tax shall apply accordingly.

(2) Where a body of persons is dissolved and such body of persons is liable, cannot be recovered then every person who was a partner or office-bearer of such body of persons at any time during the period in respect of which such tax is payable shall be jointly and severally liable for the payment of such tax unless he proves that the default in payment of the tax cannot be attributed to any gross neglect, malfeasance or breach of duty on his part in relation to the affairs of such unincorporated body and the provisions of this Act relating to collection and recovery of tax shall apply accordingly.

CHAPTER X
REFUND OF TAX

58. (1) Where a registered person makes an application for a refund of any tax or any penalty paid by him in excess during a taxable period, within three years from the end of such taxable period and satisfies the Commissioner-General that such person has paid any tax or any penalty in excess, of any amount which he was liable to pay for that period, such person shall be entitled to a refund of the amount paid in excess, subject to the provisions of subsection (3):

Provided however, that any such amount paid in excess by a registered person referred to in paragraphs (a), (b), (c), (d) or (e) of subsection (5) of section 22, shall be refunded to such person within forty-five days from the end of the taxable period or from the date of the receipt of the return for the taxable period in which the excess arose, whichever is later:

Provided further, that any such amount prior to any taxable period commencing on April 1, 2011, paid in excess by a registered person referred to in paragraphs (c), (d) or (e) of subsection (5) of section 22 shall be refunded to such person within fifteen days if such amount of the refund is bond which is valid for a period of three months from the end of the taxable period, or from the date of the receipt of the return for the taxable period in which the excess arose, whichever is later.

58A Repealed.

(2) Where through death, incapacity, bankruptcy, liquidation or other cause a registered person who would but for such cause have been entitled to make a claim under subsection (1) is unable to do so, his executor, trustee or receiver as the case may be, shall entitled to a refund of any tax or penalty paid in excess within the meaning of subsection (1) by such person for the benefit of such person or his estate.

(3) Notwithstanding anything in subsection (1) where any registered person—
(a) has failed to pay the Commissioner-General in whole or in part, any tax in respect of any taxable period, any amount of tax payable before the due date may be set off after due notice to such person against that unpaid tax, any amount or any part of any amount otherwise refundable to that person or any amount or part of any amount of interest payable to that person under section 59, and shall treat any amount so set off as a payment received from such registered person;

(b) has not furnished a return, in respect of, any taxable period the Commissioner-General may withhold payment of any amount otherwise refundable or any amount of interest payable under section 59 of this Act, until the registered person had furnished such return.

(c) (i) fails to furnish the fuller and further information relating to any claim of refunds within the period specified in the letter issued to such person,

(ii) fails to attend in person or make representation by an authorized representative at such place and on such date and at such time as may be specified in the letter issued to such person,

by any Assessor, the Commissioner-General may disregard the claim of refund made by such person:

Provided however, if the registered person within a reasonable period after the claim of refund being disregarded by the Commissioner-General prove to the satisfaction of the Commissioner-General that he or his authorized representative was prevented from submitting the required information as specified in the letter or due attendance at the interview, as the case may be, by reason of absence from Sri Lanka, or sickness or other unavoidable cause, the Commissioner-General may re-open the inquiry of the refund claim subject to any conditions specified by him.

(4) The Commissioner-General shall credit, the amount refundable under this section only to the bank account assigned to a registered person for such purpose.

59. (1) Where any amount refundable under this Act to a registered person has not been refunded within a period of thirty days from the due date of such refund there shall be paid by the Commissioner-General to such person interest on such amount for the period commencing on the thirtieth day from the due date up to the date of refund of the amount as is required to be refunded by the Commissioner-General to such person under this Act, at the rate prescribed by the Minister from time to time:

Provided however, no such interest shall be payable where there was a delay on the part of the registered person in complying with any requirement made by the Assessor in respect of any records of the registered person.
(2) For the purposes of this section “due date” means the period ending ninety days –

(i) from the date of agreement with an Assessor or from the date of determination of an appeal in respect of the assessment appealed against; or

(ii) from the date on which a claim, other than a claim for a refund made in writing under subsection (5) of section 22 was received from such person by the Commissioner-General.

CHAPTER XI
MISCELLANEOUS

60. (1) Every notice to be given by the Commissioner-General, a Deputy Commissioner or an Assessor under this Act shall bear the name of the Commissioner-General or Deputy Commissioner or Assessor, as the case may be, and every such notice shall be valid if the name of the Commissioner-General, Deputy Commissioner or Assessor is duly printed or signed thereon.

(2) Every notice given by virtue of this Act may be served on a person either personally or by being delivered at, or sent by post to, his last known place of abode or any place at which he is, or during the period to which the notice relates, was carrying on or carrying out a taxable activity.

(3) Any notice sent by post shall be deemed to have been served on the day on which it could have been received in the ordinary course of post.

(4) In proving service by post it shall be sufficient to prove that the letter containing the notice was duly addressed and posted.

(5) Every name printed or signed on any notice or signed on any certificate given or issued for the purposes of this Act, which purports to be the name the person authorized to give or issue the same shall, be judicially noticed.

61. (1) No notice, assessment, certificate or other proceeding purporting to be in accordance with the provisions of this Act shall be quashed, or deemed to be void or voidable, for want of form, or be affected by reason of a mistake, defect or omission therein, if the same is in substance and effect in conformity with, or according to, the intent and meaning of this Act, and if the person assessed or intended to be assessed or affected thereby is designated therein according to common intent and understanding.

(2) Without prejudice to the generality of subsection (1) an assessment shall not be affected or impugned by reason of –

(a) a mistake therein as to the name or surname of person chargeable, the amount of the value of taxable supplies or the amount of the tax charged; or
(b) any variance between the assessment and the notice therefor,

if notice of such assessment is duly served on the person intended to be charged and contains in substance and effect the particulars set out in paragraph (a) of this subsection.

62. (1) Any officer of the Department of Inland Revenue who is specially authorised by the Commissioner-General in that behalf may, accompanied by a peace officer, to do all or any of the following acts:

(a) enter and search any building or place where he has reason to believe that any books of accounts, registers, records or other documents which in his opinion will be useful for or relevant to, any proceeding under this Act may be found, and examine them if found;

(b) seize any such books of accounts, registers, records or other documents or place marks of identification thereon or make extracts or copies therefrom;

(c) make a note or an inventory of any other thing found in the course of any search under this section which in his opinion will be useful for, or relevant to, any proceedings under this Act, and the provisions of the Code of Criminal Procedure Act, No. 15 of 1979, relating to searches shall apply so far as may be to searches under this section.

In this subsection “peace officer” shall have the same meaning as in the Code of Criminal Procedure Act, No. 15 of 1979.

(2) Before authorising any officer to exercise the powers under subsection (1), the Commissioner-General shall record the circumstances which necessitate the exercise of such powers by such officer.

(3) Where any officer authorised by the Commissioner-General under subsection (1) take into his possession any book of account, register, record or other document from any person, such officer shall issue to such person a memorandum specifying the book, register, record or other document he has taken into this possession.

(4) Any book of account, register, record or other document taken into his possession under subsection (1) by any officer may be retained in the possession of such officer as long as may be necessary for a scrutiny of such book, register, record or other document or for the institution of legal proceedings against the person to whom such book, register, record or other document belongs.

63. (1) The Commissioner-General or any other officer of the Department of Inland Revenue who is specially authorised in that behalf by the Commissioner-General in writing may do all or any of the following acts:
(a) enter and inspect any place or building where any taxable activity is carried on by any person for the purpose of ascertaining whether the provisions of this Act are being complied with;

(b) open and examine any book of account, register, record or any other document which may be found therein and make an inventory of any of the articles found therein;

(c) examine and take copies of, or make extracts from, any book of account, register, record or other document found in such place or building;

(d) take possession of any book of account, register, record or other document or place marks of identification thereon;

(e) count and make a record immediately of the cash found in such place or building;

(f) require any person whom he finds in such place or building to give such information within his knowledge with respect to matters under this Act;

(g) examine, either alone or in the presence of any other person, as he thinks fit, with respect to matters under this Act, every person whom he finds in such place or building.

(2) Where an officer authorised by the Commissioner-General under subsection (1), takes into his possession any book of account, register, record or other document from any person, such officer shall issue to that person a memorandum specifying the book, register, record or document he has taken into his possession.

(3) Any book of account, register, record or other document taken into his possession under subsection (1), by any officer may be retained in the possession of such officer for a period not exceeding three years from the date of taking such possession for the purposes of scrutinising such book, register, record or document or for the institution of legal proceedings against the person to whom such book, registers, record or other documents belongs.

Provided, however where the Commissioner General has instituted action in the case of wilful evation under sections 66 or 67 as the case may be, such book, register, record or document may be retained as long as it is required for the purposes of such prosecution.

64. (1) Every registered person shall keep and maintain records in respect of the taxable activity carried on or carried out by him to enable the Commissioner-General or any other officer authorised by the Commissioner-General or that behalf to ascertain the liability for the payment of the tax.
(2) The form of the records, to be maintained under subsection (1) and the particulars to be set forth therein shall be as prescribed.

(3) For the purpose of this section “records” includes –

(a) books of account, (whether contained in a manual, mechanical or electronic format or combination thereof) recording receipts or payments or income or expenditure and also includes vouchers, bank statements, invoice tax invoices, tax credit notes, tax debit notes, receipts and such other documents as are necessary to verify the entries in any such books of account;

(b) details of any warehouse, go-down or any other place where stock of goods are kept and the stock of goods kept in such warehouses, go-down, or any other place, as the case may be;

(c) any list or record required to be maintained or kept in accordance with the provisions of this Act or under any regulations made thereunder.

64A Where the assessor is of the opinion that any transaction which reduces or would have the effect of reducing the amount of tax payable by any person is artificial or fictitious or that any disposition is not in fact given effect to, he may disregard any such transaction or disposition and the parties to the transaction or disposition shall be assessable accordingly.

CHAPTER XII
OFFENCES AND PENALTIES

65. (1) Every person who –

(a) being a person required to take an oath fails to take an oath of secrecy when so required under section 73; or

(b) acts in contravention of the provisions of section 73; or

(c) aids, abets or incites any other person to act in contravention of any of the provisions of this Act,

shall be guilty of an offence under this Act and shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding ten thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.

66. Any person who –

(a) gives any false answer whether orally or in writing to any question or when requested to furnish information in accordance with the provisions of this Act or under the Goods and Services Tax Act, No. 34 of 1996;
(b) omits from a return made under this Act, any particulars which he should have included in such return; or

(c) makes any false return or false entry in any return made under this Act,

and thereby evades or attempts to evade tax or assists any other person to evade or to attempt to evade tax shall be guilty of an offence under this Act, and shall be liable, after summary trial before a Magistrate, to a fine consisting of—

(i) a sum equal to twice the amount of tax so evaded or attempted to be evaded for which he is liable under this Act for the taxable period in respect of which the offence was committed; and

(ii) a sum not exceeding twenty five thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.

67. Every person who—

(a) fails to apply for registration as required under section 10 or section 25A; or

(b) fails to notify the Commissioner-General of any matters required to be notified under section 19 or subsection (5) of section 25A; or

(c) fails to issue a tax invoices as required under subsection (1) of section 20 or an invoice under subsection (6) of section 20; or

(d) issues more than one tax invoice for each taxable supply; or

(e) issues a tax invoice where such person is not, entitled to issue such tax invoice under section 20; or

(f) fails to furnish a return under section 21, section 25B or subsection (4) of section 25H or comply with a notice issued under section 21 or 25B; or

(g) having appeared before an officer of the Department of Inland Revenue in compliance with a notice issued to him under section 21 or section 25B or section 34 fails, without sufficient cause, to answer any question lawfully put to him by an officer acting under this Act; or

(h) gives any incorrect information relating to any matter or thing affecting his own liability to tax or the liability of any other person; or

(i) permits the payment to any other person, other than the Commissioner-General of any amount to be paid under section 44; or

Penal provisions relating to returns &c. [s 21 (1) of 17 of 2013]

[s 17 of 7 of 2003] w.e.f. 1/1/2003

[s 21 (1) of 17 of 2013]

[s 18 of 9 of 2011] w.e.f. 1/1/2013

[s 21 (5) of 17 of 2013]
(j) wilfully obstructs or delays the Commissioner-General or any other officer in the exercise of his power under section 62 or 63; or

(k) fails to maintain records as required under section 64;

(l) not being a person registered under this Act, issues a tax invoice; or

(m) fails to comply with the requirements specified by order published in the Gazette or the guidelines issued by the Commissioner-General under sections 2 or 25C, as the case may be; or

(n) fails to furnish an annual adjustment under subsection (1) of section 25C,

shall be guilty of an offence under this Act, and shall be liable, on conviction after summary trail before a Magistrate, to a fine not exceeding twenty five thousand rupees, or to imprisonment of either description for a term not exceeding six months or both such fine and imprisonment.

68. No prosecution in respect of an offence under this Chapter shall be commenced except at the instance, or with the sanction of the Commissioner-General.

69. The Commissioner-General may with the consent of the parties, having regard to the circumstances in which any offence under this Act was committed compound, such offence for a sum not exceeding one third the maximum fine imposed for that offence under this Act. Any sum received by the Commissioner-General in compounding an offence under this section shall be credited to the Consolidated Fund.

CHAPTER XIII
ADMINISTRATION

70. (1) The Commissioner-General shall, be in charge of the administration of this Act, assisted by such number of Commissioners of Inland Revenue, Deputy Commissioners of Inland Revenue, Senior Assessors of Inland Revenue, Assessors of Inland Revenue and Tax Officers of Inland Revenue as may be necessary for the purpose of giving effect to the provisions of this Act.

(2) (a) The Commissioner-General may authorise any Commissioner of Inland Revenue or Deputy Commissioner of Inland Revenue to exercise, perform or discharge any power, duty or function which is conferred or imposed on, or assigned to, the Commissioner-General by this Act.

Prosecution to be commenced except at the instance, or with the sanction of the Commissioner-General.

Compounding of offence.

Officers.
(b) A Commissioner of Inland Revenue or Deputy Commissioner of Inland Revenue exercising, performing or discharging any power, duty or function conferred or imposed on, or assigned to, the Commissioner-General by any provision of this Act shall be deemed for all purposes to be authorised to exercise, perform or discharge that power, duty or function, until the contrary is proved.

(3) A Commissioner of Inland Revenue or a Deputy Commissioner of Inland Revenue or Senior Assessor of Inland Revenue may exercise, perform or discharge any power, duty or function conferred or imposed on, or assigned to, an Assessor by any provision of this Act.

71. (1) There shall be established a Fund called the Value Added Tax Refund Fund. (hereinafter referred to as “the Fund”)

(2) There shall be credited to the Fund –

(i) twenty five per centum of the tax collected in every month starting from the period commencing from August 1, 2002, on or before the fifteenth day of the month immediately succeeding that month and each month thereafter; and

(ii) ten per centum for the period prior to January 1, 2014;

(b) Six per centum for any period from or after January 1, 2014

of the tax collected by the Director-General of Customs on importation of goods referred to in subsection (3) of section 2 on or before the fifteenth day of the month immediately succeeding that month and each month thereafter.

(3) There shall be paid out of the Fund all refunds required to be paid in accordance with the provision of this Act or the Goods and Services Tax Act, No. 34 of 1996.

(4) (a) The Commissioner-General or any other officer of the Department of Inland Revenue authorised by him in that behalf in writing shall administer the Fund.

(b) Regulations may be made as regards the manner and mode in which the refunds may be made.

72. The Commissioner-General may pay, from sums appropriated for that purpose by Parliament, such sums of money as he considers reasonable in the circumstances of the case, to any individual who provides information which results in the assessment of the tax payable by any other person and the collection of tax from such other person.
73. (1) Every person who has been appointed or is deemed to be appointed under this Act or who has been employed in carrying out or in assisting any person in carrying out the provisions of this Act, shall preserve, and assist in preserving secrecy with regard to all matters that may come to his knowledge in the performance of his duties under this Act, and shall not communicate any such matter to any person other than the person to whom such matter relates or his authorized representative or to the Minister or the Secretary to the Ministry of the Minister in charge of the subject of Finance neither suffer nor permit any person to have access to any records in the possession, custody or control of the Commissioner—General.

(2) Every person appointed or deemed to be employed under or employed in carrying out the provisions of this Act shall, before acting under this Act, and the Minister and the Secretary to the Ministry of the Minister in charge of the subject of Finance shall before acting under this Act, take and subscribe before a Justice of the Peace an oath of secrecy in the prescribed form;

Provided however, such oath taken under the Goods and Services Tax Act, No. 34 of 1996 shall be deemed for all purposes to have taken under this Act.

(3) No person appointed or deemed to be appointed under this Act or employed in carrying out or in assisting any person in carrying out the provisions of this Act shall be required to produce in any court any return, document or assessment to divulge or communicate to any Court any matter or thing coming to his notice in the performance of his duties under this Act, except as may be necessary for the purpose of carrying into effect the provisions of this Act or any other written law administered by the Commissioner-General.

(4) Notwithstanding anything contained in this section, any officer of contained in this section any officer of the Department of Inland Revenue may communicate any matter which comes to his knowledge in the performance of his duties under this Act or under any other written law administered by the Commissioner-General to any other officer of that Department, if the communication of such matter is necessary for the performance of any duty under this Act or such other written law and the Commissioner-General may produce or cause to be produced in any court in any proceedings under this Act a copy of any particulars contained in any return or document furnished to him under this Act or under any other written law administered by him or which is otherwise in his possession, certified by him or on his behalf to be a correct copy of such particulars and such copy shall, notwithstanding anything in the Evidence Ordinance relating to the proof of documents, be admissible in evidence.
Provided that the Commissioner-General may produce or cause to be produced the original of any such return or document in any case where it is necessary to prove the handwriting or the signature of the person who wrote, made, signed or furnished such return or document, but only for the purpose of such proof:

Provided, further that the Commissioner-General shall not in any case be compelled to produce in any court either the original of such document or return or copy of any particulars contained in such document or return.

(5) Notwithstanding anything contained in the preceding provisions of this section the Commissioner-General shall-

(a) when required by a Commission established under the Special Presidential Commissions of Inquiry Law, No.7 of 1978, furnish as specified in a notice issued by such Commission, all information available to him relating to the affairs of any person, whose conduct is being inquired into by the Commission or of the spouse or a son or daughter of such person, or of any other person specified by the Commission and to produce or furnish as so specified in the notice any document relating to such person, spouse, son or daughter or other person as the case may be, which is in the possession or under the control of the Commissioner-General;

(b) when required by the Attorney-General, in the course of an investigation of an allegation of bribery against any person or after the commencement of prosecution or an arraignment of any person for bribery, furnish as specified in the notice issued to him, all information available to him relating to the affairs of such person or of the spouse or a son or daughter of such person, and produce or furnish, as specified in the notice, any document or a certified copy of any document relating to such person, spouse, son or daughter which is in the possession or under the control of the Commissioner-General;

(c) where required by a Commission appointed under the Commissions of Inquiry Act, furnish as specified in a notice issued to him, all information available to him relating to the affairs of any person whose conduct is being inquired into by the commission or of the spouse or a son or daughter of such person and produce or furnish as specified in such notice, any document or a certified copy of any document relating to such person, spouse, son or daughter which is in the possession or under the control of the Commissioner-General;

(d) report to the Attorney-General for investigation any case where he suspects from information available to him that any person is guilty of bribery.
(6) Notwithstanding anything contained in the preceding provisions of this section, any officer of the Department of Inland Revenue shall at the request of the Land Reform Commission established under the Land Reform Law, No.1 of 1972, disclose to such Commission such particulars relating to the affairs of any person that may come to his knowledge in the performance of his duties under this Act, as may be required by such Commission for the exercise of its powers and the discharge of its functions under that Law.

(7) Notwithstanding anything contained in this section the Commissioner-General may permit the Auditor-General or any officer of the Department of the Auditor-General duly authorized by him in that behalf to have access to any books, records, returns or other documents as may be necessary for the performance of his official duties.

The Auditor-General or any officer authorised by him under this subsection shall for the purpose of subsection (2), be deemed to be a person employed in carrying out the provisions of this Act.

(8) Notwithstanding anything in the preceding provisions of this section the Commissioner-General or any person authorized in that behalf by the Commissioner-General may, from time to time, cause to be published in such manner as the Commissioner-General may consider expedient,-

(a) a list containing the names and addresses of all the tax payers and the total income declared in the returns of such tax payers in respect of any year of assessment and, where the Commissioner-General considers it necessary, their principal sources of income; and

(b) particulars relating to any person who has been convicted in any court of law for any offence under this Act or on whom a penalty has been imposed by the Commissioner-General under section 67 or under section 38.

(9) Where for the purposes of prosecuting any director, manager, or other officer or employee of an insurance business who has acted in a manner prejudicial to the interests of the holders of policies issued in respect of that business, the Attorney-General by written notice requires the Commissioner-General to furnish such information relating to the assets of such director, manager, other officer or employee as is in the possession of the Commissioner-General, the Commissioner-General shall, notwithstanding anything in the preceding provisions of this section, furnish such information to the Attorney-General.
(10) Notwithstanding anything contained in the preceding provisions of this section, where it appears to the Commissioner-General from any matter which comes to his knowledge in the performance of his duties under this Act, that any person has committed an offence under the Exchange Control Act, or the Customs Ordinance, he may communicate or deliver to the Controller of Exchange or the Director-General of Customs, as the case may be, any information relating to the commission of the offence or any articles, books of account or the documents necessary or useful for the purpose of proving the commission of such offence.

(11) Where the Commissioner-General has under subsection (10) communicated or delivered to the Controller of Exchange or the Director-General of Customs any information relating to the Commission, or any articles, books of account or other documents necessary or useful for the purpose of proving the commission, by any person of an offence under the Exchange Control Act, or the Customs Ordinance, as the case may be, the Commissioner-General or any other officer of the Department of Inland Revenue may, notwithstanding anything to the contrary in the preceding provisions of this section, in any proceedings against such person for that offence give evidence relating to such information, articles, books of account or other documents and produce or cause to be produced any returns, books of account, other documents or articles he may be required to produce in such proceedings. The Commissioner-General or such other officer may produce or cause to be produced, in court for the purpose of such proceedings, a copy of any particulars contained in any return, books of account or other document, and such copy shall, notwithstanding anything in the Evidence Ordinance relating to the proof of documents, be admissible in evidence:

Provided that the Commissioner-General or other officer –

(a) may produce or cause to be produced the original of such return, books of account or other document in any case where it is necessary to prove the handwriting, or the signature of the person who wrote, made, signed or furnished such return, books of account or other document, but only for the purpose of such proof;

(b) shall not in any case be compelled to produce in court either the original of such return, books of account or other document or a copy of the particulars contained in such return, books of account or other document.

(12) Nothing in the preceding provisions of this section shall be read or construed as empowering the Minister or the Secretary to the Ministry of the Minister to have access to or to examine, any records or documents relating to the affairs of any person, in the possession, custody or control of the Commissioner-General.
74. The Commissioner-General may from time to time specify the forms to be used for all or any of the purposes of this Act, and any form so specified may from time to time be amended or varied by the Commissioner-General or some other form may be substituted by the Commissioner-General in place of any form so specified.

75. (1) The Minister may make regulations in respect of matters required by this Act to be prescribed or in respect of matters authorised by this Act to be made.

(2) Every regulation made by the Minister shall come into operation on the date of its publication in the Gazette or on such date as may be specified in the regulation.

(3) Every regulation shall within two months after its publication in the Gazette, be brought before Parliament for approval. Any such regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval but without prejudice to anything previously done thereunder. A notification of the date on which a regulation is deemed to be rescinded shall be published in the Gazette.

75A Repealed. [s 16 of 13 of 2004] w.e.f. 1/1/2004

CHAPTER XIV
TRANSITIONAL AND SAVINGS

76. (1) Where the Commissioner – General is satisfied that a registered person or any other person, as the case may be, on or after August 1, 2002, has paid tax on the acquisition of goods for the purpose of making an exempt supply, the tax so paid by such person shall be deemed to be input tax at the point, if any, such supply subsequently becomes a taxable supply and the goods so acquired in the first instance are used in making such taxable supply:

Provided however that where the goods so acquired are used only partly for the purpose of making a taxable supply, the Commissioner-General shall determine the portion of such input tax which may be allowed, taking into consideration the value of acquisition of the person making the taxable supplies, the period of use and any other matter as may be relevant:

Provided further, that where any goods or services that are acquired have been used wholly and exhaustively in making exempt supplies, then any input tax relating to such goods or services shall not be allowed as input tax on the supply of taxable supplies, owing to a change in status of such goods or services from that of exempt supplies to taxable supplies.

[transitional provisions. [s 17 of 13 of 2004] w.e.f. 1/1/2004]

Value Added Tax Act - Consolidation 2014
Provided further that where any goods or services that are acquired have been used in making a taxable supply and any input tax has been claimed and allowed, then any portion of such input tax allowed, which is attributable to an exempt supply at the point if any, if such supply subsequently becomes an exempt supply on or before December 31, 2006, except in the case of providing leasing facilities for three wheelers, then notwithstanding the provisions of section 22, be disallowed within the taxable period in which such taxable supply becomes an exempt supply.

(2) Any person, other than a specified institution to whom the provisions of Chapter IIIA of this Act applies, liable to pay any sum to the Commissioner-General for the period commencing on July 1, 2003 and ending on the last date of the month in which this Act is certified as an Act of Parliament, shall be deemed to have paid such sum liable to be paid on or before the due date, if he pays such sum to the Commissioner-General on or before the last day of the month in which this Act is certified. Where such sum is not paid on or before such date such sum shall be deemed to be in default from the due date of such sum and such person shall be deemed to be a defaulter with effect from that date.

77. All references to Goods and Services Tax and Goods and Services Tax Act, No. 34 of 1996 in the Inland Revenue Act, No. 38 of 2000, shall on or after August 1, 2002 be read and construed to include a reference to the Value Added Tax and the Value Added Tax Act, No. 14 of 2002, for any year of assessment or part of a year of assessment.

78. (1) Where it is proved to the satisfaction of the Commissioner-General on a claim made in writing on or before December 31st, 2002, that any registered person has paid the National Security Levy under section 5A of the National Security Levy Act, No. 52 of 1991 on the importation into Sri Lanka of any article, for sale without using such article in the manufacture of any other goods by such person prior to August 1, 2002 and the supply of such articles is taxable at the rate of twelve and one half per centum prior to August 1, 2002 under the Goods and Services Tax Act, No. 34 of 1996, and such Articles imported or a portion thereof are remaining as stock-in-trade as at July 31, 2002 of such registered person and if such stock-in-trade will be supplied in the course of making taxable supplies under this Act, such National Security Levy, paid in full or part shall be deemed to be input tax and may be allowed as input tax credit under section 22 during any taxable period commencing from the taxable period in which such claim was accepted by the Commissioner General.
(2) Any excess of input tax attributable to such deemed input tax shall not be refunded but carried forward to the next taxable period and so on notwithstanding the provisions of subsection (3) of section 22.

(3) Any excess claim or undue claim under subsection (1) and allowed as input credit shall be considered as excess input tax claimed and shall be assessed under subsection (7) of section 22.

79. Any person who is unable to comply with the requirements under subsections (1) and (6) of section 20 due to specific problems in converting existing invoicing system to comply with such requirements and undertakes to comply with such requirements on or before September 30, 2002, and makes arrangements to issue such invoices complying with such requirements to the maximum possible extent with effect from August 1, 2002, shall not be liable to any prosecution or penalty for such non-compliance during the period August 1, 2002 to September 30, 2002.

80. (1) (a) All directions issued by the Commissioner-General – under section 23;

(b) Any notification issued by the Commissioner-General under subsection (1) of section 7;

(c) All regulations made by the Minister-
   (i) under section 74;
   (ii) under section 64; and

(d) All forms specified under section 73,

under the Goods and Services Tax Act, No. 34 of 1996 and in force on the day immediately preceding August 1, 2002 shall be deemed to be directions, notifications, regulations and forms issued under this Act and shall be in force until such directions, notifications, regulations and forms are rescinded or replaced by directions, notifications or regulations made under this Act.

(2) Every person registered under section 15 of the Goods and Services Tax Act, No. 34 of 1996 shall be deemed to be a registered person under this Act and every certificate of registration issued and every tax registration number assigned to a registered person under section 15 of the Goods and Services Tax Act, No. 34 of 1996 and in force on the day preceding August 1, 2002 shall be deemed for all purposes to be a certificate of registration issued and the tax registration number assigned under this Act.
CHAPTER XV
ABOLITION OF NATIONAL SECURITY LEVY AND THE GOODS AND SERVICES TAX

81. Notwithstanding anything in the National Security Levy Act, No. 52 of 1991, the National Security Levy shall not to be charged from any person to whom such Act applies for any quarter or part of a quarter commencing on or after August 1, 2002.

Provided however, any person to whom the National Security Levy Act, No. 52 of 1991 applies, shall furnish a return under that Act for the month July, 2002 notwithstanding anything contrary in that Act.

82. Notwithstanding anything in the Goods and Services Tax Act, No. 34 of 1996, the Goods and Services Tax shall not be charged from any person to whom such Act applies, for any taxable period or part of a taxable period commencing on or after August 1, 2002:

Provided however, any person registered under the Goods and Services Tax Act, No. 34 of 1996 shall furnish and return under that Act for the month of July, 2002 notwithstanding anything contrary in that Act.

CHAPTER XVI
INTERPRETATION

83. In this Act, unless the context otherwise requires –

“agent” in relation to a non-resident person or to a partnership in which any partner is a non-resident person, includes-

(a) the agent, attorney, factor, receiver or manager in Sri Lanka of such person or partnership; and

(b) any person in Sri Lanka through whom such person or partnership is in receipt of any profits or income, arising in or derived from Sri Lanka;

“Assessor” means an Assessor or a Senior Assessor appointed under the Inland Revenue Act, No. 38 of 2000;

by the substitution for the word “Assessor” wherever such word appears of the words “Assessor” or “Assistant Commissioner”.

by the substitution for the word “Senior Assessor” wherever such word appears of the words “Deputy Commissioner” or “Senior Deputy Commissioner”( this is subject to the correction).

“associated persons” means-

(a) any two or more companies which consist of the same shareholders or are managed and controlled by the same directors or by the same company; or.
(b) any company and any shareholder, where such shareholder or the spouse
or child of such shareholder or any trustee of such shareholder or any
trustee of the spouse or the child of such shareholder hold jointly or
severally twenty five per centum or more of the paid up capital or twenty
five per centum or more of the nominal value of the allotted shares of that
company; or

(c ) any two individuals one of whom is the spouse or child of the other or is
a trustee for such spouse or child; or

(d) a partnership and an individual where such individual is related to any
partner of such partnership; or

(e) a joint venture and any person who is related to a member of such joint
venture; or

(f) any two persons one of whom is a trustee for the other;

(g) any two individuals related to each other; or

(h) any two or more persons carrying on any activity separately or jointly
which has resulted in the supply of identical goods or services which
cannot be produced by any other person or persons;

“authorised representative” shall have the meaning assigned to it by the
Inland Revenue Act, No. 38 of 2000

“body of persons” means anybody corporate or unincorporated, Provincial
Council, local authority, any fraternity, fellowship, association or society of
persons, whether corporate or unincorporated, any partnership and includes
any Government department or any undertaking of the Government of Sri
Lanka or any Co-ownership of immovable property ;

“books” shall not include diaries, cheque books, exercise books or ledger
books;

“Commissioner-General” means the Commissioner-General of Inland
Revenue appointed under the Inland Revenue Act, No. 38 of 2000, and
includes a Commissioner, and a Deputy Commissioner specially authorised
by the Commissioner-General either generally or for a specific purpose to act
on behalf of the Commissioner-General ;

“Commissioner” means a Commissioner of Inland Revenue appointed under
the Inland Revenue Act, No. 38 of 2000 ;

by the substitution for the word “Commissioner” wherever that word appears
of the words “Senior Commissioner”.

“Company” means any company incorporated or registered under any law in
force in Sri Lanka or elsewhere ;
“customs bonded area” means-

(a) a bonded warehouse approved under section 69 of Customs Ordinance;

(b) a bonded warehouse approved under section 84A of Customs Ordinance;

(c) a warehouse of the Republic as defined in section 167 of Customs Ordinance;

(d) a Free Trade Zones declared by the Board of Investment of Sri Lanka which is subject to monitoring by the Department of Customs.

“construction contractor or sub-contractor” means any person who has entered into a contract with another person and provide services in Sri Lanka in constructing of a building, road, bridge, water supply systems, drainage systems, sewerage systems, electricity generation or transmission system or any other infrastructure for that other person.

“Director” means a director as defined in the Companies Act, No. 17 of 1982 and includes a working director;

“Deputy Commissioner” means a Deputy Commissioner of Inland Revenue appointed under the Inland Revenue Act, No. 38 of 2000; by the substitution for the words “Deputy Commissioner” wherever such words appear of the word “Commissioner”

“educational establishment” means –

(a) a higher educational institution established under the University Act, No. 16 of 1978 or the Buddhist and Pali Universities Act, No. 74 of 1981; [s 18 (2) of 13 of 2004]

(b) any recognised institution providing vocational training or training for persons engaged in any trade, profession or employment and includes an incorporated examination body;

(c) any institution providing vocational training or practical training and —

(i) provided with funds or other assistance by the Government and approved by the Minister in charge of the subject of Tertiary Education and Training in consultation with the Minister, as an institution providing such training; and

(ii) where the surplus funds of such institution are reinvested in the maintenance of such institution.

(d) an institution which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Act, No. 8 of 2006;
Sri Lanka Law No. 4 of 1978, with a minimum investment of not less than rupees fifteen million providing vocational training or practical training in the areas of information technology, vocational training, management training, skills development or training for foreign employment, textile and clothing, nursing, food processing, agricultural plantation or industrial..

**“educational services”** means the provision of services by any person or partnership in relation to education, vocational training or retraining. [s 19(2) of 9 of 2011]

**“executor”** includes an administrator;

**“goods”** means all kinds of movable or immovable property but does not include —

(a) money;

(b) computer software made to customers special requirements either as unique programme or adaptation for standard programme, intercompany information data and accounts, enhancement and update of existing specific programmes, enhancement and update of existing normalized programmes supplied under contractual obligation to customers who have bought the original programme or where the value of contents separately identifiable in a software such vale of contents; [s 20 of 7 of 2003]

**“incapacitated person”** means any minor, lunatic, idiot or person of unsound mind;

**“importation”** includes the bringing into Sri Lanka of goods from outside Sri Lanka by any person or goods received from a custom bonded area the purchase of goods on a sale by the Director-General of Customs, the Sri Lanka Ports Authority or the Commissioner-General, for the levy of the tax and other dues;

**“input tax”** in relation to a registered person, means –

(a) the tax charged by another registered person on any goods or services to be used by such registered person in carrying out a taxable activity;

(b) the tax paid by him or tax deferred under the proviso to subsection (3) of section 2, on the importation or purchase of goods or purchase of services which are used by such person for the purpose of making taxable supplies under this Act or Goods and Services Tax Act, No. 34 of 1996;
“international transportation” means any service directly related to the transportation of goods or passengers –

(a) from a place in Sri Lanka to a place outside Sri Lanka;

(b) from a place outside Sri Lanka to a place in Sri Lanka up to the point of landing unless such services are carried out under a specified carriage contract according to the Documents of carriage issued by a freight forwarder who is registered with the Central Bank of Sri Lanka;

(c) from a place outside Sri Lanka to another place outside Sri Lanka.

(d) from an international airport in Sri Lanka to another international airport in Sri Lanka by way of air transportation.

“manufacture” means the making of an article, the assembling or joining of an article by whatever process, adapting for sale any article, packaging, bottling, putting into boxes, cutting, cleaning, polishing, wrapping, labelling or in any other way preparing an article for sale other than in a wholesale or retail activity;

“output tax” in relation to any registered person, means the tax chargeable in respect of the supply of goods or services made or deemed to be made by such person under this Act or Goods and Services Tax Act, No. 34 of 1996.

“open market value” in relation to the value of a supply of goods or services at any date means, the consideration in money less any tax charged under this Act, which a similar supply would generally fetch if supplied in similar circumstances at that date in Sri Lanka, being a supply freely offered and made between persons who are not associated persons;

“person” includes a company, or body of persons;

“prescribed” means prescribed by regulations made under this Act;

“standard rate” means the rate specified under subsection (1) of section 2, applicable to the supply of taxable goods and services other than such supplies of goods and services and imports specified in the Second Schedule;

“standard rate” means the rate specified under subsection (1) of section 2, applicable to the supply of taxable goods and services other than such supplies of goods and services and imports specified in the Second Schedule, Third Schedule and Fourth Schedule;

“supply of goods” means the passing of exclusive ownership of goods to another as the owner of such goods or under the authority of any written law and includes the sale of goods by public auction, the transfer of goods under a hire purchase agreement, the sale of goods in satisfaction of a debt and the transfer of goods from a taxable activity to a non-taxable activity;
“supply of services” means any supply which is not a supply of goods but includes any loss incurred in a taxable activity for which an indemnity is due;

“supplier” in relation to any supply of goods or services, means the person making the supply;

“taxable period” means –

(a) a period of one month–

   (i) where any person makes zero rated supplies;  

   (ii) where any person has entered into an agreement with the Board of Investment of Sri Lanka referred to in items (XXVII) or (XXVIII) of the Schedule to the Goods and Services Tax Act, No. 34 of 1996 prior to April 1, 2001, during the project implementation period;  

   (iii) where any person has commenced a business or started a project and undertakes to comply with the requirements of subsection (7) of section 22 under this Act or subsection (6) of section 22 of the Goods and Services Tax Act, No. 34 of 1996,  

   (iv) where any person has entered into any such agreement with the Board of Investment of Sri Lanka, as referred to in item (XXVIII) of the Schedule to the Goods and Services Tax Act, No. 34 of 1996 and such person could not commence making taxable supplies under the project to which the agreement relates, by March 31, 2001;  

   (v) where any person registered with Textile Quota Board or Export Development Board as the case may be, who makes supplies to an exporter registered with Textile Quota Board or Export Development Board referred to in paragraph (c) or (d) of subsection (2) of section 2

   (b) a period of three months commencing respectively on the first day of January, the first day of April, the first day of July and the first day of October of each year in respect of a registered person whom is not referred to in paragraph (a) or who opts to submit quarterly returns on the approval by the Commissioner-General;

“taxable activity” means –

(a) any activity carried on as a business, trade, profession or vocation other than in the course of employment or every adventure or concern in the nature of a trade;  

(b) the provision of facilities to its members or others for a consideration and the payment of subscription in the case of a club, association or organization;  

(c) anything done in connection with the commencement or cessation of any activity or provision of facilities referred to in (a) or (b);  

(d) the hiring, or leasing of any movable property or the renting or leasing of immovable property or the administration of any property;
(e) the exploitation of any intangible property such as patents, copyrights or other similar assets where such asset is registered in Sri Lanka or the owner of such asset is domiciled in Sri Lanka;

“taxable supply” means any supply of goods or services made or deemed to be made in Sri Lanka which is chargeable with tax under this Act and includes a supply charged at the rate of zero percent other than an exempt supply.

"telecommunication service" means the service provided by telecommunication operators licensed under section 17 of the Sri Lanka Telecommunication Act, No. 25 of 1991 to other similar operators and to end subscribers.

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

FIRST SCHEDULE

PART I

For any taxable period commencing on or after August 1, 2002 and ending prior to January 1, 2004-

The supply or import of-

(i) (a) unprocessed agricultural products other than, potatoes, onions, chillies, all other grains (other than rice and paddy) and planting material;
(b) unprocessed horticultural, products;
(c) unprocessed animal husbandry products other than any variety of meat and live birds, including day old chicks;
(d) unprocessed fishing products;
(e) unprocessed forestry products other than timber;
(f) Cardamom, cinnamon, cloves, nutmeg, pepper, desiccated coconuts, rubber, paddy and seed paddy;

(ii) The supply or import of rice, rice flour, wheat, wheat flour and eggs;

(iii) The supply or import of bread of any description;

(iv) The supply or import of liquid milk (not made out of powdered milk or any grain) and infants powdered milk;

(v) The supply or import of air crafts, helicopters and temporary import of any plant, machinery, equipment which are re-exported with twelve months from the date of such import;
(vi) The supply of educational services by an educational establishment or government schools or schools funded by the government;

(vii) The supply or import of any books other than chequebooks, periodicals, magazines, news papers, diaries, ledger books or exercise books;

(viii) The supply or import of kerosene, bunker fuel, and aviation fuel;

(ix) The supply of public library services by the Government, a Provincial Council or a local authority;

(x) The supply or import of crude petroleum oil;

(xi) The supply of the following financial services:

   (a) the operation of any current, deposit or savings account;

   (b) the exchange of currency;

   (c) the issue, payment, collection or transfer of ownership of any note, order for payment, cheque or letter of credit;

   (d) the issue, allotment, transfer of ownership, drawing, acceptance or endorsement of any debt security, being any interest in or right to be paid money owing by any person;

   (e) the issue, allotment, transfer of ownership of any equity security or a participatory security;

   (f) underwriting or sub-underwriting the issue of an equity security, debt security or participatory security;

   (g) the provision of any loan, advance or credit;

   (h) the provision —

      (a) of the facility of instalment credit finance in a hire purchase conditional sale or credit sale agreement for which facility a separate charge is made and disclosed to the person to whom the supply is made;

      (b) of goods under any hire purchase agreement or conditional sale agreement which have been used in Sri Lanka for a period not less than twelve months as at the date of such agreement;

   (i) life insurance, ‘Agrahara’ Insurance and crop and livestock insurance;

   (j) the transfer of non-performing loans of a licensed commercial bank to any person in terms of a restructuring scheme or other scheme of such bank as approved by the Central Bank of Sri Lanka.

[s 21 of 7 of 2003] w.e.f. 1/1/2004

Value Added Tax Act - Consolidation 2014 92
(xii) The import or supply of goods and services to the mission of any State or any organization to which the provisions of the Diplomatic Privileges Act, No. 9 of 1996 applies, or to any diplomatic personnel of such mission or organization, or entitled to these benefits provided that reciprocal benefits are available to their counterparts from Sri Lanka and identified as such by the Commissioner-General, including the import under a temporary admission carnet for re-export. Such identifications under Goods and Services Tax Act, No. 34 of 1996 will be remained valid under this Act;

(xiii) The import and supply of goods at duty free shops for payment in foreign currency;

(xiv) The import or supply of unused postage or revenue stamps of the Government of the Democratic Socialist Republic of Sri Lanka or of a Provincial Council;

(xv) The import of any article entitled to duty free clearance under the Passenger’s Baggage (Exemptions) Regulations made under section 107 of the Customs Ordinance, or any article cleared duty free re-importation certificate as provided in Schedule A under the Customs Ordinance, or any article cleared ex-bond for use as ship stores;

(xvi) The import of goods by any organisation approved by the Minister, where he is satisfied that such goods are gifts from persons or organisations abroad or the supply of goods directly funded by any foreign organisation for the relief of sudden distress caused by natural or human disasters;

(xvii) The supply of public passenger transport services (other than air or water transport or transport of tourists by way of excursion tours or taxi services) or the provision of leasing facilities for such motor coaches with seating capacity not less than twenty eight passenger seats and used for such public passenger transport;

(xviii) The supply of electricity not exceeding 30 kwh per consumer as defined under the Electricity Act, (Chapter 205) per month;

(xix) The import by any person who has entered into an agreement –

(a) prior to May 16, 1996; or

(b) prior to April 1, 1998 in respect of a project the total cost of which is not less than Rs. 500 Million.

with the Board of Investment of Sri Lanka, under section 17 of Board of Investment of Sri Lanka Law, No. 4 of 1978, of any article which is prescribed as a project related article to be utilized in the project specified in the agreement during the project implementation period of such project as specified in such agreement or up to the date of completion of such project, whichever is earlier;
(xx) The import by any person who has entered into an agreement with the Board of Investment of Sri Lanka, under section 17 of Board of Investment of Sri Lanka Law No. 4 of 1978, of any article which is prescribed as a project related article to be utilized in the project specified in the agreement, who will be making only exempt supplies after completion of the project –

(a) for a period of two years from August 1, 2002; or

(b) until the completion of the project,

whichever is earlier.

(xxi) The supply of services at a restaurant situated beyond the immigration counter at the Bandaranaike International Airport;

(xxii) The supply of services by a person in Sri Lanka to any other person outside Sri Lanka to be consumed or utilized by such other person outside Sri Lanka for which the payment is made in Sri Lanka rupees

(xxiii) The supply, lease or rent of residential accommodation other than the supply, lease or rent of residential accommodation by an enterprise which has entered into an agreement with the Board of Investment of Sri Lanka, under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2001 and the total cost of the projects which such agreement relates is not less than ten million United States of America dollars or its equivalent in any other currency and the project relates exclusively to the aforesaid supply, lease or rental;

(xxiv) The supply of all health care services provided by medical institutions or professionally qualified persons providing such care, other than the supply of health care services by a medical institution which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2001, and the total cost of the project to which such agreement relates is not less than ten million United States of America dollars or its equivalent in any other currency;

(xxv) The supply or import of pearls, diamonds, natural or synthetic precious or semi-precious stones, diamond powder, precious metals or metals clad with precious metal, and gold coins;

(xxvi) Repealed.

(xxvii) The supply or import of artificial limbs, crutches, hearing aids, accessories for such aids or other appliances which are worn or carried or implanted in the human body to compensate for a defect or disability;

(xxviii) The supply or import of wheel chairs, prepared culture media for development of micro organisms, diagnostic or laboratory reagents, surgical gloves, contact lenses, X-ray tubes, white canes for the blind,
Braille typewriters and parts, Braille writing paper and Braille writing boards; (w.e.f.1/1/2003)

(xxix) The supply of services in relation to burials and cremations by the Government, a Provincial Council, a local authority or any other person;

(xxx) The supply of free or subsidised meals by an employer to his employees at their places of work;

(xxxi) The supply of transport free or at a subsidised rate by an employer to his employees using a vehicle on which the input tax has been disallowed or a motor coach provided by such employer to transport employees to and from their homes and their place of work;

(xxxii) The import of personal items and samples in relation to business worth not more than Rs. 10,000/- through parcel post or courier;

(xxxiii) The supply or import of pharmaceutical products and drugs (other than cosmetics, including such products certified by the Cosmetics, Devices and Drugs Authority, established by the Cosmetics, Devices and Drugs Act, No. 27 of 1980, and raw material for the production or manufacture of such products or drugs; \[s 19(4) of 13 of 2004\] w.e.f. 1/8/2002

(xxxiv) The supply or import of ayurvedic preparations which belong to the Ayurveda pharmacopoeia or Ayurveda preparations (other than cosmetic preparations) or unani, siddha or homeopathic preparations (other than cosmetic preparations) and raw materials for such preparations;

(xxxv) The supply or import of agricultural tractors;

(xxxvi) The supply or import of agricultural machinery.;

(xxxvii) The import of a motor vehicle specially designed for use by a disabled person approved for the purposes of this item by the Minister, on his being satisfied that such vehicle is for use specifically by such person ; \[s 19(6) of 13 of 2004\] w.e.f. 17/9/2003

(xxxviii) The import of any medical machinery, medical equipment or an ambulance by any organization approved by the Minister, on his being satisfied that such machinery, equipment or ambulance are gifts from persons or organizations abroad ; \[s 19(6) of 13 of 2004\] w.e.f. 17/9/2003

(xxxi) The import of any capital items required for the purpose of providing training by any institution, providing vocational training or practical training approved for the purposes of this item by the Minister in charge of the subject of Tertiary Education and Training in consultation with the Minister where the Government has provided funds or other assistance to such institution and the surplus funds of such institution are re-invested as to the maintenance of such institution.
PART II
For any taxable period commencing on or after January 1, 2004,—

(a) The supply or import of —

(i) wheat, wheat flour or powdered milk; [s 19(6) of 13 of 2004]

(ii) pharmaceutical products and drugs (other than cosmetics including such products and drugs certified by Cosmetics, Devices and Drugs Authority, established by the Cosmetics, Devices and Drugs Act, No. 27 of 1980, and raw materials for the production or manufacture of such products or drugs; [s 12(1) (a) of 7 of 2014] w.e.f. 1/1/2014

(iii) ayurvedic preparations which belong to the Ayurveda Pharmacopoeia or ayurvedic preparations (other than cosmetic preparations) or unani, siddha or homeopathic preparations (other than cosmetic preparations identified under the Harmonized Commodity Description and Coding System Numbers for custom purposes) and raw materials for such preparations with the recommendation of the Commissioner of Ayurveda; [s 12(1) (b) of 7 of 2014] w.e.f. 1/1/2014

(iv) aircrafts, helicopters, pearls, diamonds, natural or synthetic, precious or semi-precious stones, diamond powder, precious metals, metals clad with precious metals, gold coins [s 9(1) of 15 of 2008] w.e.f. 17/7/2007

(v) books (other than cheque books, periodicals, magazines, newspapers, diaries, ledger books and exercise books), and unused postage and revenue stamps of the Government of the Democratic Socialist Republic of Sri Lanka or of a Provincial Council; [s 19(6) of 13 of 2004]

(vi) crude petroleum oil, kerosene, Liquid Petroleum Gas and aviation fuel (effective from 5/8/2005) diesel and aviation fuel (effective from 1/8/2005) oil for ships or fuel oil specified under Harmonized of Commodity Description Number 2710.19.60; [s 18(1) of 8mof 2006 w.e.f. 1/8/2005

(vii) artificial limbs, crutches, wheel chairs, hearing aids, accessories for such aids or appliances which are worn or carried or implanted in the human body to compensate for a defect or disability, white canes for the blind, Braille typewriters and parts, Braille writing papers and Braille writing boards and any other articles which are used by disabled persons which are approved by Minister, taking into consideration the degree of relief requested by such persons, on an application made for that purpose.; [s 9(1) of 14 of 2007] w.e.f. 1/1/2007

(viii) agricultural tractors or road tractors for semi-trailers prior to January 1, 2014; [s 22 (1) (i) of 17 of 2013

(ix) cellular mobile phones; [s 12(1)(c) of 7 of 2014]
(x) agricultral machinery, mammoties, forks, fertilizer (effective from 01.07.2004), artemia eggs and peat moss classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes;

(xi) agricultural seeds, agricultural plants, shrimp feed inclusive of prawn feed and animal feed but excluding poultry feed

(xii) machinery used for construction industry, milk processing machinery, computers including computer accessories, machinery, yarn used for textile industry and dyes used for the handloom industry, as identified under the Harmonized Commodity Description and coding System Numbers for custom purposes and (effective from 1/1/2008), and machinery used for rice milling industry (effective from 23.12.2005) which are identified by the Commissioner General of Inland Revenue under Harmonized Commodity Description and Coding System Numbers for Custom purposes;

(xiii) plant and machinery by a company, for the use in a new undertaking by such company in any District other than Colombo and Gampaha as having a capital investment of not less than rupees thirty million and the other criteria specified in section 20 of the Inland Revenue Act for the purposes of the Tax Holiday;

(xiv) media equipment or motor bicycles recommended by the Secretary to the Ministry of the Minister in charge of the subject of Media and approved by the Minister, for use by media personnel,

(xv) prawns

(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 customs purposes (effective from 1/1/2009)

(xvii) High tech medical equipment or any machinery used for the manufacture of ticket issuing machinery identified under the specified Harmonized Commodity Description Numbers for custom purposes.

(xviii) Petrol, Coal or Bitumen specified under Harmonized commodity Description and Coding System Numbers for Custom purposes with effect from November 26, 2010;

(xix) (a) machinery and equipment for manufacture of grain mixed bakery products with effect from November 29, 2010;

(b) machinery and equipment for the use of leather or footwear industry or bags, motor homes, taxi meters, agricultural machinery and parts, electronic equipments or articles use manufacture of fashion jewellery with effect from January 1, 2011;
(c) light weight electrical and electronic items with effect from June 1, 2010;

(d) fruit seeds with effect from August 16, 2010;

(e) telecommunication equipment with effect from January 1, 2011;

as specified under Harmonized Commodity Description and Coding System Numbers for Custom purposes;

(xx) any machinery or high-tech equipment for the telecom industry, having identified that such machinery or equipment is imported or purchased exclusively for the use in the telecom industry and imported or purchased by any operator of telecommunication services, with effect from January 1, 2011; [s 20(1) of 9 of 2011]

(xxii) (i) lorries, trucks, buses, sports equipments, machinery used for the production of rubber or plastic products, sunglasses, perfumes, moulding (steel, glass, rubber, mineral material or plastic), photo sensitive semi conductor devices;

(ii) raw materials for the manufacture of spectacles and spectacle frames;

(iii) items and spares for the poultry industry;

(iv) wood (sawn);

(v) 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: [s 22 (1) (ii) (b) of 17 of 2013]

(vi) bowsers, bulldozers, graders, levelers, excavators, firefighting vehicles, gully bowsers, semi-trailers for road tractors, machinery, equipment used for garbage disposal activities or garbage trucks; [s 22 (1) (ii) (b) of 17 of 2013]

(vii) raw materials for the manufacture of energy saving bulbs;

(viii) ties and bows or designer pens [s 12 (1) (e) of 7 of 2014 w.e.f. 1/1/2014]

(xxiii) classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;
(xxiv) goods for any international event approved by the Minister of Finance taking into consideration the economic benefit to the country, by conducting such event in Sri Lanka.

(xxv) frozen bait, fish hooks/rods/ reels, fishing tackle and marine propulsion engines identified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes;

copper cables for telecom industry –

- imported where such copper cables are not available is Sri Lanka; or -
- purchased from a local manufacturer.

(b) The supply of—

(i) (a) (1) educational services provided by an educational establishment (effective from January 1, 2006 and ending on December 31, 2010); and

(2) educational services provided by any person or partnership with effect from January 1, 2011); or

(b) public library service by the Government, Provincial Council or a local authority;

(ii) (a) public passengers transport services (other than air transport, water transport or transport of tourists, excursion tours and taxi services); or

(b) the provision of leasing facilities for—

A. (i) such motor coaches with a seating capacity not less than twenty-eight passenger seats and used for such public passenger transport services if such lease agreement is entered into prior to January 1, 2004 and ending on December 31, 2010;

(ii) lorries, tractors or motor coaches with a seating capacity of not less than twenty eight passenger seats, in respect of any rental falling due for payment on or after April 1, 2012;

(iii) bowsers, bulldozers, graders, levelers, excavators, fire fighting vehicles or road tractors for semi-trailers as exempted for Custom purposes under Harmonize
Commodity Description and Coding System Numbers in respect of any rental falling due for payment on or after January 1, 2013.

B. three wheelers in respect of rental falling due for payment on or after January 1, 2005;

C. any bus referred to in item (xv) of paragraph (c).

(iii) electricity including distribution;

(iv) free or subsidised meals by an employer to his employees at their places of work and transport free or at a subsidised rate by an employer to his employees using a motor coach between the place of residence and work place of such employees;

(v) services in relation to burials and cremations by any institution or person;

(vi) services by a person in Sri Lanka to another person outside Sri Lanka to be consumed or utilised by such other person outside Sri Lanka for which the payment is made in Sri Lanka rupees;

(vii) services at a restaurant situated beyond the immigration counter at the Bandaranaike International Air Port;

(viii) goods and services to the mission of any state or any organization to which the provisions of the Diplomatic Privileges Act, No. 9 of 1996 applies or to any diplomatic personnel of such mission or organization who is entitled to such benefits provided that reciprocal benefits are available to their counter parts from Sri Lanka and identified as such by the Commissioner-General;

(ix) goods or services funded directly by foreign organisations for the relief of sudden distress caused by natural or human disasters or to any activity having regard to the interest of the national economy, as approved by the Minister;

(x) the following financial services —

(a) the operation of any current, deposit or savings account;

(b) the exchange of currency;

(c) the issue, payment, collection or transfer of ownership of any note, order for payment, cheque or letter of credit;

(d) the issue, allotment, transfer of ownership, drawing, acceptance or endorsement of any debt security, being any interest in or right to be paid money owing by any person;

(e) the issue, allotment or transfer of ownership of any equity security, debt security or participatory security;
(f) the underwriting or sub-underwriting the issue of any equity security, debt security or participatory security;

(g) the provision of any loan, advance or credit;

(h) the provision —

(a) of the facility of instalment credit finance in a hire purchase conditional sale or credit sale agreement for which facility a separate charge is made and disclosed to the person to whom the supply is made;

(b) of goods under any hire purchase agreement or conditional sale agreement, which have been used in Sri Lanka for a period not less than twelve months as at the date of such agreement;

(i) the life insurance, “Agrahara” insurance and crop and livestock insurance;

(j) the transfer of non-performing loans of a licensed commercial bank by way of transfer of such loans to any other person in terms of a re-structuring scheme or other scheme of such bank as approved by the Central Bank of Sri Lanka with the concurrence of the Minister.

(x) the supply, lease or rent of residential accommodation other than the supply, lease or rent of residential accommodation by an enterprise which has entered into an agreement with the Board of Investment of Sri Lanka, under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2001 and the total cost of the projects which such agreement relates is not less than ten million United States dollars or its equivalent in any other currency and the project relates exclusively to the aforesaid supply, lease or rental;

(xii) all healthcare services provided by medical institutions or professionally qualified persons providing such care (effective from 1/7/2007);

(xiii) imported unprocessed timber logs, ships, rattans or any article subject to the Special Commodity Levy under the Special Commodity Levy Act, No. 48 of 2007 subject to the condition that such goods are sold by the importer himself without any processing except adaptation for sale;

(xiv) food products made out of grains cultivated in Sri Lanka, as identified by the Commissioner General as high protein and high energy agro foods provided that procurements of such grains with backward integration from out growers is undertaken;

(xv) services by Tower Hall Theatre Foundation established by the Tower Hall Theatre Foundation Act No.1 of 1978 or Central
Cultural Fund established under Central Cultural Fund Act, No.57 of 1980;

(xvi) sea sand; [s 18(2) of 8 of 2006] w.e.f. 31/3/2006

(xvii) any film, for distribution or exhibition; [s 9(2) of 14 of 2007] w.e.f. 1/1/2007

(xviii) laboratory facilities for production of any film; w.e.f. 1/1/2007

(xix) locally manufactured handloom textiles; w.e.f. 1/1/2007

(xx) locally manufactured coconut oil or coco peat, coir fiber, grow pellets, grow bags, twist fiber or coconut husk made out of coconut waste; [s 22 (2) (ii) of 17 of 2013] w.e.f. 1/1/2013

(xxi) services being chartering of any vessel; w.e.f.1/1/2007

(xxii) clay roof tiles (effective from 1/7/2007) or chemical naptha (effective from 17/7/2007), to the extent that such clay roof tiles or chemical naptha are manufactured in Sri Lanka; [s 9(2) of 15 of 2008]

(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 1/7/2007 [s 9(2) of 15 of 2008] w.e.f. 1/7/2007

(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 1/1/2004 (effective from 1/1/2008); [s 9(2) of 15 of 2008] w.e.f.1/1/2008

(xxv) imported rattans (effective from 1/7/2007); [s 9(2) of 15 of 2008] w.e.f. 1/1/2008

(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 1/1/2008); [s 9(2) of 15 of 2008] w.e.f. 1/1/2008

(xxvii) locally manufactured sugar (effective from 1/1/2008); and [s 9(2) of 15 of 2008/w.e.f. 1/1/2008

(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 1/10/2008); [s 8(2) of 15 of 2009] w.e.f. 1/10/2008

(xxix) locally manufactured surgical gauze used for surgery (effective from 1/1/2009) [s 8(2) of 15 of 2009] w.e.f. 1/1/2009

(XXX) locally manufactured jewellery [s 8(2) of 15 of 2009] w.e.f. 31/3/2009

(XXXI) telecommunication services subject to the telecommunication levy under the Telecommunication Levy Act, No. 21 of 2011; [s 20(3) of 9 of 2011] [s 12(2)(ii) of 7 of 2014] w.e.f.1/1/2014
(xxxii) locally manufactured briquettes and pallets using bio mass wastes (with effect from January 1, 2011;)

(s 20(3) of 9 of 2011]

( xxxiii) locally developed software with effect from January 1, 2011; [s 20(3) of 9 of 2011]

( xxxiv) services being receipts from reinsurance by any local insurance company by way of commission or compensation in an insurance business (with effect from January 1, 2011); [s 20(3) of 9 of 2011]

( xxxv) services being the issue of licenses to local telecom operators by Telecommunication Regulatory Commission, established by the Sri Lanka Telecommunications Act, No. 25 of 1991 (with effect from January 1, 2011) [s 20(3) of 9 of 2011]

( xxxvi) locally manufactured–

(i) hydropower or wind power machinery and equipment;

(ii) turbines;

(iii) canned fish or clay pottery products using locally produced raw materials;

(iv) products using locally procured raw materials for the required specification of tourist hotels or airlines;

(v) specified products to identified state institutions replacing imports, by the manufacturer in so far as such products are locally value added products, as per the conditions specified in the guidelines issued for this purpose;

(s 5 (2) (ii) of 7 of 2012]

( xxxvii) (i) locally manufactured fabric in the domestic market by any manufacturer who does not enjoy any concessions under any agreement entered into with the Board of Investment of Sri Lanka;

(ii) fabric which are subject to a cess at a specific rate classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, in lieu of chargeability of any other tax on importation at the point of entry into the country, by the Director- General of Customs as specified in a Gazette Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979;

( xxxviii) services, being research and development services provided by the supplier of such services within the meaning of the Inland Revenue Act, No.10 of 2006 for the purposes of deduction under section 25 of that Act;

( xxxix) painting, at the point of sale, by the artist thereof;

(xl) services, by the Department of Commerce, with effect from January 1, 2012, services by the Board of Investment of Sri Lanka or the Sri
Lanka Ports Authority, with effect from April 1, 2012, in so far as such services are provided to exporters or to providers of services which are zero rated services, for the purposes of tax under this Act;

(xli) being any sum paid out of the Export Development Fund as export development rebate with effect from October 8, 2009;

(xlii) specific services for any international event approved by the Minister of Finance having taken into consideration the economic benefit to the country by conducting such an event in Sri Lanka;

(xliii) services, which result in the improvement of quality, character or value of any yarn, fabric or garment so far as such services are provided to persons other than exporters of such products;

(xliv) locally manufactured palm oil, with effect from April 1, 2012.”;

(xlv) services by a Unit Trust Management company so far as such services are provided to any Unit Trust ;

(xlvi) services being hotel accommodation to any sportsman, organizer of any sport event or sponsor arriving in Sri Lanka for participating in any sport event or activity connected with sports, as may be approved by the Minister who is in charge of the subject of Sports

(xLvii) desiccated coconut, rubber, latex, tea including green leaf, rice, rice flour, bread, eggs , liquid milk so far as such products are manufactured locally;

(xLviii) machinery or equipment for tea or rubber industry or agricultural tractors or road tractors for semitrailers, so far as such products are manufactured locally;

(xLix) services by any headquarters or regional head offices of institutions in the international network relocated in Sri Lanka as exempted for income tax purposes under section 7 of the Inland Revenue Act, No. 10 of 2006, so far as such receipts are in foreign currency received;

(L) locally manufactured ayurvedic preparations which belong to the Ayurveda Pharmacopoeia or Ayurveda preparations (other than cosmetic preparations) or unani, siddha or homeopathic reparations (other than cosmetic preparations).

(c) The Import of-

(i) goods by the mission of any state or any organization to which the provisions of the Diplomatic Privileges Act, No, 9 of 1996 applies, or by any diplomatic personnel of such mission or organization, including the import under a temporary admission carnet for re-export ;
(ii) any article entitled to duty free clearance under the Passenger’s Baggage (Exemptions) Regulations made under section 107 of the Customs Ordinance, or any article cleared duty free on a re-importation certificate as provided for in Schedule A of the Customs Ordinance, or any article cleared ex-bond for use as ship stores;

(iii) goods by organizations approved by the Minister, where he is satisfied that such goods are gifts from persons or organizations abroad, or are out of funds received from such organizations, for the relief of sudden distress caused by natural or human disasters, or such goods being medical equipment, medical machinery or any ambulance;

(iv) goods by any person who has entered into an agreement—

(a) prior to May 16, 1996; or

(b) prior to April 1, 1998 in respect of a project, the total cost of which is not less than Rs. 500 million, with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978, which goods are prescribed as a project related article, to be utilised in the project specified in the agreement, during—

(i) the project implementation period of such project as specified in such agreement; or

(ii) upto the date of completion of such project, which date shall not be later than thirty six months from the date of the last agreement entered into prior to the 19, November, 2003, whichever is earlier, other than any article in the negative list published by the Secretary to the Treasury for the purpose of this paragraph.

(v) goods by any person who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978, which is prescribed as a project related article, to be utilised in the project specified in the agreement, which project one completed will be solely in the business of making exempt supplies,—

(a) for a period of two years from August 1, 2002; or

(b) until the completion of the project as determined by the Board of Investment of Sri Lanka,

whichever is earlier, other than any article in the negative list published by the Secretary to the Treasury for the purposes of this paragraph;
(vi) personal items and samples in relation to business worth not more than ten thousand rupees through parcel post or courier; w.e.f. 1/1/2004

(vii) a motor vehicle by a disabled person specially designed for use by disabled persons approved by the Minister, on his being satisfied that such vehicle is for use specifically by such person; w.e.f. 1/1/2004

(viii) any capital items required for the purposes of providing training by any institution providing vocational training or practical training approved by the Minister in charge of the subject of Tertiary Education and Training in consultation with the Minister where the Government has provided funds or other assistance to such institution and the surplus funds of such institution are re-invested as to the maintenance or improvement of such institution; w.e.f. 1/1/2004

(ix) goods to any project approved by the Commissioner-General, as having a capital investment of not less than rupees one hundred million which are considered as project related capital goods, other than the goods in the negative list published by the Secretary to the Treasury, during the project implementation period which shall not exceed three years from the commencement of the project, provided that such project makes taxable supplies upon the completion of the project (effective from 1.1.2005); [s 13(7) of 6 of 2005] w.e.f. 1/1/2005

(x) samples of garments for business purposes by any garment buying office in Sri Lanka registered with the Textile Quota Board established under the Textile Quota Board Act, No. 33 of 1996, so long as such item is not sold; [s 13(7) of 6 of 2005] w.e.f. 1/1/2005

(xi) Any ship; [s 18(3) of 8 of 2006] w.e.f. 1/1/2006

(xii) Unprocessed timber logs. [s 18(3) of 8 of 2006] w.e.f. 1/1/2006

(xiii) any machinery or equipment by the Ceylon Electricity Board or an Institution which has entered into an agreement with the Ceylon Electricity Board to supply electricity required for the purpose of generating electricity identified under specified Harmonized Commodity of Description Numbers for custom purposes, approved by the Minister; [s 9(3) of 14 of 2007] w.e.f. 1/1/2007

(xiv) any film which is produced in Sri Lanka and sent abroad for further processing or printing, with the approval of the Chairman of the National Film Corporation; w.e.f. 1/1/2007

(xv) any bus by the holder of any valid passenger service permit issued by the National Transport Commission or any Provincial Road Passenger Transport Authority for the replacement of a bus which is being used for the transport of passengers and which has been so used for not less than five years at the time of such import; w.e.f.1/1/2007
(xvi) Machinery prior to January 1, 2014, identified under the specified Harmonized of Commodity Description Numbers for Custom purposes, for modernization of factories by the factory owner with the approval of the Commissioner-General of Inland Revenue;

w.e.f. 1/1/2007

[s 12 of 7 of 2014]

(xvii) poultry keeping machinery, poultry incubators and brooders, the import of cattle, buffaloes, poultry, pigs, goats, sheep for breeding purposes and the semen and embryos of such animals for breeding purposes, under the specified Harmonized of Commodity Description Numbers for the Custom purposes, with the approval of the Commissioner-General of Inland Revenue;

w.e.f. 1/1/2007

(xviii) finished leather to be used for the shoe manufacturing industry, on the recommendation of the Secretary to the Ministry of Industrial Development subject to approval by the Minister in charge of the subject of Finance.

w.e.f. 1/1/2007

(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 material 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 17/7/2007);

w.e.f. 17/7/2007

[s 9(3) of 15 of 2008]

(xx) aircraft engines or aircraft spare parts identified under specified Harmonized Commodity Description and Coding System Numbers for Custom purposes (effective from 17/7/2007);

w.e.f. 17/7/2007

[s 9(3) of 15 of 2008]

(xxi) rattans under HS Code No 1401.20 (effective from 1/7/2007)

w.e.f. 1/7/2007

[s 9(3) of 15 of 2008]

(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 1/1/2008);

w.e.f. 1/1/2008

[s 9(3) of 15 of 2008]

(xxiii) goods, for a project identified as a strategic development project under the provisions of the Strategic Development Project Act, No.14 of 2008, during the project implementation period, subject to the conditions specified therein or with the approval of the Minister of Finance any special project referred to in paragraph (f);

w.e.f. 1/1/2008

[s 9(3) of 15 of 2008]

[5 (3) (a) of 7 of 2012]

(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);

w.e.f. 9/7/2008

[s 8(3) of 15 of 2009]

(xxv) Brass sheets, brass ingots, thread, dyes paraffin wax or shellac for manufacture of brassware by the National Craft Council with the

w.e.f. 1/1/2009

[s 8(3) of 15 of 2009]
approval of Minister of Rural Industries and Self Employment Promotion (effective from 1.1.2009)

(xxvi) Chemical naptha by the Ceylon Petroleum Corporation to be supplied to Ceylon Electricity Board for the generation of electricity (effective from 1/1/2009);

(xxvii) packing materials exclusively for the use of packing of pharmaceuticals or ayurvedic medicines manufactured in Sri Lanka and which are imported by the manufacturer of such pharmaceuticals or ayurvedic medicines, so far as such packing materials are not manufactured in Sri Lanka as approved by the Secretary to the Ministry of the Minister to whom the subject of Health is assigned or the Commissioner of the Department of Ayurveda, as the case may be, for this purpose.

(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, arc lamp carbon, speakers, amplifiers, digital stereo processors and accessories, cinema media players and digital readers, identified under the Harmonized Commodity Description and Coding System Numbers, for custom purposes with the approval of the Chairman, National Film Corporation;

(xxix) aircraft stimulators and parts specified under Harmonized Commodity Description and Coding System Numbers for Custom purposes with effect from January 1, 2011;

(xxx) samples in relation to a business worth not more than rupees twenty-five thousand subject to such terms and conditions as prescribed by the Director General of Customs;

(XXX) pharmaceutical machinery and spare parts for the pharmaceutical machinery which are not manufactured in Sri Lanka, classified under the Harmonized commodity Description and Coding System Numbers for Custom proposes, imported by pharmaceutical manufacturers and recommended by the Secretary to the Ministry of Health, including pharmaceutical machinery or parts imported after June 1, 2011 under the same conditions on which Value Added Tax has been deferred;

(XXXI) machinery for the manufacture of biomass briquettes and pallets so far as such machinery is imported by the manufacturer of such products classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, including such machinery imported after June 1, 2011 under the same conditions on which Value Added Tax has been deferred;

(XXXII) green houses, poly tunnels and materials for the construction of green houses, by any grower of agricultural products or plants of any type,
subject to the condition that such items are not manufactured in Sri Lanka, and approved by the Director-General, Department of Fiscal Policy on the recommendation of the Secretary to the Ministry of Agriculture;

(xxiv) plant, machinery or equipment by any enterprise qualified for a tax exemption under section 16 D and 17 A of the Inland Revenue Act, No.10 of 2006, for the use by such enterprise for the purposes specified in the agreement entered into with the Board of Investment of Sri Lanka on which tax is deferred during the project implementation period, subject to the fulfillment of the conditions specified in the agreement, during the project implementation period;

(xxv) any goods, (other than motor vehicles and goods for personal use) required for the purpose of provision of services being international transportation which is consigned to Sri Lankan Air Lines Limited, Mihin Lanka (Pvt) Ltd. or Air Lanka Catering Services Ltd.;

(xxvi) Fabric, specified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, for the sale in the domestic market without any value addition, subject to the chargeability of a Cess at a specific rate referred to in sub-item (ii) of item (xxxvii) of paragraph (b) of PART II of the First Schedule.

(xxxvii) gully bowsers, semi-trailers for road tractors, any machinery or equipment used for garbage disposal activities carried out by any local authority, for the purpose of provision of such services to the public, as approved by the Secretary to the relevant Ministry.

(d) the import and supply of goods at duty free shops for payment in foreign currency.

(e) the supply of locally manufactured goods to duty free shops for payment in foreign currency.

(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 Project Act No 14 of 2008 (effective from 1/1/2008); or

(ii) (a) 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 the tax is borne by the Government with effect from January 1, 2008); or

(b) goods or services to any infrastructure development project funded through foreign loans or donations directly to the Government Ministries (with effect from January 1, 2011);
and every such project shall be approved by the Minister of Finance, and Notification of such approval shall be published in the Gazette;

(iii) any goods or services provided by any society registered under the Co-operative Societies Law, No. 5 of 1972, or under the respective Statutes enacted by the Provincial Councils providing for such registration, or Lak Sathosa registered under the Companies Act, No. 7 of 2007;

(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 Minister of the Minister in charge of the subject of Nation Building and State Infrastructure Development (effective from 1/1/2009)

(h) goods or services by an institution set up by the Ministry of Defence for the rehabilitation of disabled soldiers, in so far as the activities are carried out by the participation of such soldiers. (with effect from January 1, 2011).

(i) The supply of goods or services by the Central Bank of Sri Lanka established by the Monetary Law Act (Chapter 422);

(j) the supply of any services by any public corporation to the extent of provision of such services on behalf of the Government of Sri Lanka, free of charge out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government.

(k) the supply of goods or services by any individual who is a citizen of Sri Lanka and who carries on any business of manufacturing of any article other than any liquor or tobacco product or supply of any services after returning from a foreign employment for a period of five years reckoned from the beginning of the year of assessment in which such business commences if such individual-

(i) returns from such foreign employment on or after January 1, 2013; and

(ii) invests his earnings from such foreign employment to commence such business.
SECOND SCHEDULE
For any taxable period commencing on or after August 1, 2002 and ending prior to January 1, 2004 (Section 20 of 13 of 2004)

(i) The supply of electricity exceeding 30 kwh per consumer as defined under the Electricity Act, (Chapter 205) per month, and the supply of electricity in bulk to the national grid;

(ii) The supply of services by construction contractors or sub-contractors;

(iii) The supply of services by hotels, guest houses, restaurants or similar institutions and travel agents in relation to inbound tours;

(iv) The supply of cinematic films, other than video films, either produced in Sri Lanka or imported into Sri Lanka import of such films, exhibition of such films and theatrical productions;

(v) The supply of educational services other than services referred to in item (vi) of the First Schedule;

(vi) The supply or import of coconut poonac, prawn feed and poultry feed;

(vii) The supply or import of tea, coconut oil, potatoes, onions, chillies, copra, vegetable seeds (other than seed paddy), planting materials, live birds, day old chicks, dressed chicken including chicken parts and any other variety of unprocessed meat;

(viii) The supply or import of magazines and journals;

(ix) The supply or import of powdered milk (other than infants powdered milk), condensed milk and dhall: [s 22 of 7 of 2003] w.e.f. 1/8/2002

(x) The supply or import of sugar, jaggery and sakkara;

(xi) The supply or import of dried fish, maldive fish, fertilizer including rock phosphate and water;

(xii) The supply or import of petrol, diesel, and liquefied petroleum gas: [s 22 of 7 of 2003] w.e.f. 1/8/2002

(xiii) The supply or import of motor coaches and chassis or bodies of motor coaches with twenty eight or more seating capacity, used for public passenger transport as described under item (xvii) of the First Schedule;

(xiv) The supply or import of photo voltaic, solar batteries, energy, efficient compact fluorescent lamps and spare parts for such lamps and Solar Home Systems;

(xv) The supply of services in relations to the fees collected by the Sri Lanka Bureau of Foreign Employment from prospective migrants;

(xvi) The supply or import of industrial machinery other than fans and parts, air conditioners, refrigerators, cabinets for refrigerators, dish washing machines (house hold type), personal weighing machines, lawn or sports ground rollers and spares, lawn movers and parts,
household washing machines, household type sewing machines, but including electric motors and generators, electric generating sets and rotary converters and parts for such motors, generators, generating sets and converters;

(xvii) The supply of services in the course of carrying on a profession or vocation either singly or jointly with another person or persons, if all such persons are qualified members of a recognized professional body or carrying on a vocation in the fields of literature, art, music or any other fine art;

(xviii) the supply of finance leasing facilities by any person registered under the Finance Leasing Act, No. 56 of 2000, other than any payment received which is attributable to such leasing facility but not included in the relevant leasing agreement or any payment for the early settlement of any amount payable under any leasing agreement entered into prior to July 1, 2003 which exceeds ten per centum of the value of total amount due on the agreement;

(xix) The supply of land transport services to transport goods;

(xx) The collection of membership fee or similar charges from the members of a society, club or association;

(xxi) The supply or import of bicycles and motor bicycles.

(xxii) the supply of services by professional conference organizers, registered with the Sri Lanka Convention Bureau in organizing seminars or other events; [s 22 of 7 of 2003]

(w.e.f. 1/1/2003)

(xxiii) The supply or import of textiles and handloom products or the provision of services of dyeing and printing of textiles [s 20(2) of 13 of 2004]

(w.e.f. 1/7/2003)

(xxiv) the supply or import of ships; [s 22 of 7 of 2003]

(w.e.f. 1/1/2003)

(xxv) the supply or import of any jewellery; w.e.f. 1/1/2003

(xxvi) the supply or import of maize, soyabean meal or fish meal (w.e.f 1/7/2003) [s 20(3) of 13 of 2004]

(xxvii) the supply or import of machinery, medical and surgical instruments, apparatus or accessories including medical and dental equipment, ambulances for the provision of health services and surgical dressings [s 20(4) of 13 of 2004]

(w.e.f. 1/7/2003)

This is a correction in the sinhala version

(xxviii) the supply, lease or rent of residential accommodation other than supplies specified in the First Schedule; c.f. 1/1/2003

(xxix) the supply of all health care services provided by medical institutions other than supplies specified in the First Schedule w.e.f. 1/1/2003
(xxxi) The supply or import of wire and cable up to four cored unarmoured wire and cable not exceeding 16 mm conduits cross section per core.  

**THIRD SCHEDULE**

*For any taxable period ending prior to January 1, 2009*

<table>
<thead>
<tr>
<th>Basic Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) the supply or import of—</td>
</tr>
<tr>
<td>(i) Sugar up to December 31, 2007;</td>
</tr>
<tr>
<td>(ii) Dhal;</td>
</tr>
<tr>
<td>(iii) Potatoes up to June 30, 2007;</td>
</tr>
<tr>
<td>(iv) Onions up to June 30, 2007;</td>
</tr>
<tr>
<td>(v) Dried fish;</td>
</tr>
<tr>
<td>(vi) Chillies.</td>
</tr>
<tr>
<td>(vii) High-tec medical equipment or any machinery used for the manufacture of ticket issuing machinery identified, by the Commissioner-General of Inland Revenue under the specified Harmonized of Commodity Description Numbers for Custom purposes;</td>
</tr>
<tr>
<td>(viii) jewellery</td>
</tr>
</tbody>
</table>

[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 and developed, magnetic cine sound recorders, cinematographic cameras and projector, parts and accessories, apparatus and equipments for cinematographic laboratories, electric filament or discharge lamps and lamp carbon identified by the Commissioner General of Inland Revenue under the specified Harmonized of Commodity Description Numbers for Custom purposes, with the approval of the Chairman, National Film Corporation.

(ii) Sugar (effective from 1/1/2008);  
(iii) Canned fish, Chick peas, Green Gram (effective from 5/6/2007)  
(iv) Potatoes (effective from 1/7/2007);  
(v) Onions (effective from 1/7/2007)
FOURTH SCHEDULE

Luxury rate

Section 2

(a) The supply and import of —

(i) air conditioning machines;
(ii) refrigerators;
(iii) dishwashing machines;
(iv) washing machines;
(v) vacuum cleaners/floor polishers;
(vi) kitchen waste disposers;
(vii) food grinders and mixers;
(viii) ovens and cookers;
(ix) hair dryers/hair dressing equipment;
(x) video player (VCD, DVD);
(xi) cameras;
(xii) radio, casette and Music systems;
(xiii) television;
(xiv) motor vehicles, other than motor cycles, bicycles, three Wheelers and passenger transport buses, lorries, trucks and any other vehicle used for the transport of goods;
(xv) watches/clocks;
(xvi) musical instruments;
(xvii) equipment for games;
(xviii) jewellery;
(xix) aerated water; (up to 31/12/2005)
(xx) aerated water other than aerated water made out of
   (i) ginger;
   (ii) nelli; or
   (iii) ayurvedic plants,
   (iv) cultivated in Sri Lanka; and

(b) the supply of services by hotels, guest houses, restaurants or similar institutions in so far as such services are provided for the holding of wedding receptions and other receptions, which includes the hiring of halls for the holding of wedding receptions or other receptions other than services provided for the holding of professional conferences, seminars or similar events

Section 21 of 9 of 2011

Any person or partnership supplying any goods or services having an annual turnover of a sum not exceeding rupees one hundred million who has defaulted in the payment of taxes payable by him under this Act in respect of any taxable period ending on or before December 31, 2010, due to the existence generally of any conflict environment or due to any financial constraints of such person or partnership, shall be exempt from the payment of such charge as is in default under this Act:

Exemption of certain small and medium enterprises from the payment of taxes payable by them.

[s 19(1) of 8 of 2006]
w.e.f. 1/1/2006

[s 19(23) of 8 of 2006]

[s 14 of 6 of 2005]
Provided that, the Commissioner-General of Inland Revenue shall on a request made to him in that behalf, issue to such person or partnership a Certificate of Exemption in respect of the sum as in default:

Provided further, the person or partnership to whom the Certificate of Exemption is issued, shall simultaneously forward to the Commissioner-General of Inland Revenue a written assurance to the effect that such person or partnership shall be responsible for the payment of all sums which may become payable by him under this Act, in respect of any future taxable period commencing on or after January 1, 2011.