

ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ගැසට් පත්‍රය
අති විශේෂ

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 2012/2 - 2017 මාර්තු මස 27 වැනි සඳුදා - 2017.03.27
No. 2012/2 - MONDAY, MARCH 27, 2017

(Published by Authority)

PART I : SECTION (I) — GENERAL
Government Notifications

VALUE ADDED TAX ACT, No. 14 OF 2002

BY virtue of the powers vested in me under sub-section (14) of section 22 of the Value Added Tax Act, No. 14 of 2002 as last amended by the Value Added Tax (Amendment) Act, No 20 of 2016, I, Kalyani Dahanayake, Commissioner General of Inland Revenue do by this Notification, specify the records to be maintained and procedure to be adopted by persons registered for Value Added Tax on wholesale and retail trade effective from May 02, 2016, for the purpose of claiming of deemed input tax credit on purchases made from non VAT registered persons and on opening VAT liable stock, as set out in the Schedule hereto.

KALYANI DAHANAYAKE,
Commissioner General of Inland Revenue.

Colombo 02,
23rd March, 2017.

Schedule

1. Deemed input tax on stock

- (i) Any person or partnership who is registered for Value Added Tax (VAT) as a wholesaler or retailer, is allowed to claim a deemed input tax on stock of liable goods as at the date of registration, if such registration is obtained during the period from 02.05.2016 to 31.12.2016 subject to the conditions specified below.
- (ii) Deemed input VAT on VAT liable stock should be calculated based on actual transaction or on the weighted average days and appropriate tax fraction of 11 /111 or 15/115 applicable to each period as per the format given below.



Period	Applicable VAT Fraction (F)	No. of Days	VAT Liable Stock attributable to the Period		Deemed Input VAT on VAT liable Stocks (V) = F x S	
			Calculation			Value of VAT liable Stock (S)
			Difference of the Stock values X	Weightage of the days		
31.03.2016	11/111	-	-	-	B	x xxxx
01.04.2016 - 01.05.2016	11/111	31	(A - B) x 31/Y		P	x xxxx
02.05.2016 - 11.07.2016	15/115	71	(A - B) x 71/Y		Q	x xxxx
12.07.2016 - 31.10.2016	11/111	112	(A - B) x 112/Y		R	x xxxx
01.11.2016 - Date of Registration	15/115	X	(A - B) x X/Y		S	x xxxx
Total		Y			A	x xxxx

- * A - VAT liable Stock as at the date of registration for VAT
 - * B - VAT liable Stock as per the Balance Sheet as at 31.03.2016
 - * VAT liable Stock Difference between the registered date and the balance sheet date as at 31.03.2016 is (A - B) = P + Q + R + S
 - * VAT liable Stock differences is distributed over the period based on the weighted average days.
 - * Deemed Input VAT on VAT liable stock is calculated based on both weighted average days and tax fraction applicable to each period.
- (iii) The records on the VAT liable Stock, Non VAT liable stocks and deemed input tax on VAT liable stock should be maintained in a schedule as schedule for opening stock as at the date of registration (**Annexure II**) [Schedule for opening stock as at date of registration]. If the registered date falls between 02. 05. 2016 and 01. 11.2016, the opening stock should be , the stock as at 01.11.2016. In this regard , you are required to calculate the stock as explained below.

Stock as at the date of registration xxxxxx

add

VAT liable purchases made from non VAT registered persons
 after the date of registration $\frac{xxxxx}{xxxxx}$

less

Items sold from the above stock from the date of registration
 up to 01.11.2016 $\frac{(xxx)}{xxxx}$

(Appropriate rate should be applied as per the table given in item (ii) of paragraph 1)

(iv) This schedule should be submitted only once to the IRD for which Deemed Input VAT on VAT liable stock is claimed at first time. It is required to use the Schedule / Document Submission User Interface (UI) of the e-Service and login as authorized person to upload the schedule.

2. Deemed Input VAT on purchases from Non Registered persons

- (i) Any person or partnership who is registered for Value Added Tax (VAT) as a wholesaler or retailer on or after May 02, 2016, is allowed to claim a deemed input tax on purchases of the goods liable for VAT at the time of purchase from non-registered persons subject to the conditions specified below.
- (ii) Such person or partnership is required to collect the following documents from such suppliers and keep ready to produce to Inland Revenue Department when required.
 - (a) Copy of Business Registration Certificate
 - (b) Copy of National Identity Card (Proprietor or Precedent Partner)
 - (c) Commercial invoice
- (iii) Deemed input tax should be calculated using the tax fraction of the prevailing VAT rate applicable at the time of supply on purchase cost of such liable goods.
- (iv) Records on deemed input tax and other relevant information should be maintained on monthly basis as a schedule with regard to goods purchased from non registered persons **(Annexure III)** [Schedule for Deemed input on goods purchased from non-registered persons] In furnishing the VAT return to the Commissioner General, it is required to be submitted only schedule 05**(Annexure I)**[Schedule for Deemed input on goods purchased from non-registered persons] which is prepared based on the same information **(Annexure III).**

3. Claiming of Deemed Input VAT credit

The Deemed Input VAT credit relating to the VAT liable opening stock, and deemed input credit on cost of purchase on items which are not mentioned in PART II of the First Schedule is claimable subject to the following restrictions.

- (a) The above credit is available for any person described under clause No. 01 and 02 of this schedule and such persons are required to enter their value of supply on wholesale and retail in cage B, and respective tax should be entered in cage 2 of the VAT return.
- (b) Such persons are required to submit schedule 1 on supplies made on tax invoices and inclusive invoices (output schedule) with regard to supplies disclosed in cage B.
- (c) Such persons are required to maintain schedules specified in this gazette notification.
- (d) The value of liable goods and not liable goods purchased from non VAT registered persons mentioned in schedule 05 should be entered in cage J4.
- (e) The claimable amount should be entered in cage R3 of the VAT return and such value should be obtained in the following manner.

(I) Deemed Input VAT credit on opening stock

- (i) Deemed Input VAT on liable stock computed in schedule 05A is to be entered in cage R3A of the VAT return in which deemed input VAT is claimed for the first time. If the registered date falls between 02. 05. 2016 and 01. 11.2016, the opening stock should be, the stock as at 01.11.2016 as explained in item (iii) of paragraph 1 above.
- (ii) During the taxable period, claimable deemed input credit subject to the restriction mentioned in paragraph 4 below is to be entered in cage R3B.
- (iii) If deemed input on opening stock which cannot be claimed during that taxable period, it should be entered in cage R3C as carried forward deemed input credit, and this value become the opening balance of the immediately succeeding taxable period, and it should be entered in cage R3A of the VAT return of the subsequent taxable period.
- (iv) Input VAT which is to be disallowed as per the provision of the VAT Act in respect of items in the opening stock should not be taken into account when claiming the deemed input credit on opening stock.

(II) Deemed Input VAT credit on purchases made during the taxable period from Non VAT Registered Persons

- (i) Deemed Input VAT on purchases made during the taxable period from Non VAT registered persons and chargeable to VAT and computed in schedule 05 is to be entered in cage R3E of the VAT return. If there is any disallowable input VAT as mentioned in below item (v), the value in R3E should be the net of deemed input VAT and disallowable deemed input VAT.
- (ii) If the registered date falls between 02. 05. 2016 and 01. 11.2016, the VAT liable purchases made from non VAT registered persons should be aggregated with the opening stock as at date of registration and deduct the value of items sold thereafter from such stock as explained in item (iii) of paragraph 1 above.
- (iii) During the taxable period, claimable deemed input credit subject to the restriction mentioned in paragraph 4 below is to be entered in cage R3F.

(iv) If deemed input credit available in the taxable period cannot be claimed during that taxable period, it should be entered in cage R3G as carried forward deemed input credit, and this value become the opening balance of the immediately succeeding taxable period and it should be entered in cage R3D of the VAT return of the subsequent taxable period.

(v) Input VAT which is to be disallowed as per the provision of the VAT Act in respect of items which have been purchased during the taxable period should be disclosed in schedule 05.

4. Restrictions with regard to the claiming of Deemed Input VAT credit

- (i) The deemed input credit in cage R3 is to be equal to the deemed input credit in cage R3B plus R3F subject to the condition mentioned in item (ii) below,
- (ii) The total claimable deemed Input credit in cage R3 (R3B +R3F) on the wholesale and retail business should be restricted to the lesser of ,
- output tax declared in cage 2 , or
 - net VAT payable minus credits claimed in cage R, R1 and R2 ($16 - R - R1 - R2$), or
 - output tax declared in cage 2 minus input tax claimed on tax invoice in relation such wholesale and retail business (cage 2 - cage 7)

Note:

- (a) Maximum retail price cannot be increased on sale of the goods on which the credit of Deemed Input VAT is claimed.
- (b) Adjustments should be made to the purchases account and VAT control account by the amount of Deemed Input VAT claimed
- (c) A statement reconciling the input VAT and purchase cost adjusted to the trading account should be submitted along with the Income Tax Return.

ANNEXURE I

**Schedule 05 - Deemed Input VAT on Goods Purchased From Non-Registered Persons
 (Schedule 05 should be used when submitting returns to the Commissioner General)**

Serial No.	Invoice Date	Invoice No.	NIC No. of the Supplier	BRC No. / PSV No. of the Supplier	Income Tax file No., If any	Name of the Supplier	Cost of Purchases made during the taxable period, VAT liable(A) (Rs.)	Cost of Purchases made during the taxable period, VAT non-lieable (B) (Rs.)	Deemed Input VAT = A x [Tax Rate / (1 + Tax Rate)]	Disallowed Deemed Input VAT Amount
1										
2										
3										

ANNEXURE II

Schedule for Deemed Input VAT on Opening Stock as at the Date of Registration

Serial No.	Invoice Date	Invoice No.	Description of the goods	Cost of Purchases of units unsold at the date of registration, VAT liable(A) [A of the format (1)(ii)] (Rs.)	Cost of Purchases of units unsold at the date of registration, VAT non-lieable (B) (Rs.)	Deemed Input VAT = A x [Tax Rate / (1 + Tax Rate)]
1						
2						
3						

ANNEXURE III

Schedule for Deemed Input VAT on Purchases Made During the Taxable Period

Serial No.	Invoice Date	Invoice No.	NIC/No. of the Supplier	BRC No. / PSV No. of the Supplier	Income Tax file No., If any	Name of the Supplier	Description of the goods	Unit Price	Quantity	Cost of Purchases made during the taxable period, VAT liable(A) (Rs.)	Cost of Purchases made during the taxable period, VAT non-liable (B) (Rs.)	Deemed Input VAT = Ax /Tax Rate/ (1 + Tax Rate)	Disallowed Deemed Input VAT
1													
2													
3													
4													
5													
6													