



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

**VALUE ADDED TAX (AMENDMENT)
ACT, No. 13 OF 2004**

[Certified on 18th November, 2004]

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Value Added Tax (Amendment) Act, No. 13 of 2004

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

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :—

1. This Act may be cited as the Value Added Tax (Amendment) Act, No. 13 of 2004. Short title.
2. Section 2 of the Value Added Tax Act, No. 14 of 2002 (hereinafter referred to as the “principal enactment”) is hereby further amended as follows :— Amendment of section 2 of Act No. 14 of 2002.
 - (1) in subsection (1) of that section—
 - (a) by the substitution for all the words and figures from “as the case may be” to the end of subparagraph (ii) thereof of the following :—

“as the case may be —

 - (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 at the rate of fifteen *per centum* (of which the Tax

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Fraction is $\frac{3}{23}$ 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.” ; and

- (b) by the substitution of the words and figures “subsection (3) of section 2.” of the following words and figures :—

“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) by the repeal of subsection (2) of that section and the substitution therefor of the following subsection :—

“(2) Notwithstanding the provisions of subsection (1) the Commissioner-General shall defer the payment of tax due—

- (a) on any tea supplied 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.”.

- (3) in subsection (3) of that section by the substitution in paragraph (b) of the second proviso thereof, for the words “equipment of high value” of the words “equipment of high value or any goods to be used as exhibition materials or as materials in any technical demonstration”.

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

Amendment of section 3 of the principal enactment.

- (1) in paragraph (c) of that section, by the substitution for the words “goods supplied by him, were acquired :” of the words “goods supplied by him, were acquired; or” and
- (2) by the addition immediately after paragraph (c) of that section, of the following new paragraph :—
- “(d) any person, where such goods consists of tea purchased on or after August 1, 2002, at an auction as is referred to in paragraph (a) of subsection (2) of section 2 for sale within Sri Lanka.”.

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Amendment of section 7 of the principal enactment.

4. Section 7 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

(1) in paragraph (b) of that subsection —

(a) by the repeal of sub-paragraph (ii) of that paragraph and the substitution therefor of the following sub-paragraph :—

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

(b) by the insertion immediately after sub-paragraph (ii) of that paragraph of the following subparagraph :—

“(iia) any goods imported into Sri Lanka for the purpose of re-export under entre-port trade :”;

(c) by the repeal of sub-paragraph (vii) of that paragraph ;

(2) by the addition immediately after sub-paragraph (vi) of paragraph (b) of the following new paragraph :—

“(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 utilised outside Sri Lanka shall be zero rated provided that payment for such service in full has been received from outside Sri Lanka through a bank in Sri Lanka.”.

5. Section 21 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “Every registered person shall furnish, to the Commissioner General not later than the last day of the month after the expiry of each taxable period” of the words “Every registered person shall furnish, to the Commissioner-General not later than the fifteenth day of the month before the expiry of each taxable period”.

Amendment of section 21 of the principal enactment.

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

Amendment of section 22 of the principal enactment.

- (1) in the proviso to subsection (3) of that section, by the substitution for the words from “goods supplied under a leasing agreement for a period less than three years” to the end of that proviso of the following :—

“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 out put 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

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“wagon” shall have the same meaning as assigned to it in the Finance Act, No.16 of 1995.”.

- (2) by the repeal of subsection (4) of that section and by the substitution therefor of the following subsection :—

“(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.”;

- (3) in subsection (5) of that section, by the substitution for all the words from “Where an unregistered person” to the words “in respect of such land and buildings :” of the words —

“(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 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 :”;

- (4) in subsection (7) of that section —
- (i) by the substitution for all the words from “any project” to “from such commencement” of the following :—
- “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”; and
- (ii) by the substitution for all the words from “to make taxable supplies” to the end of that subsection of the following :—
- “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 :

Provided that any person, who is already registered for an existing business or project shall inform the Commissioner-General of such fact and

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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.”; and

- (5) by the addition immediately after subsection (8) of that section of the following new subsection :—

“(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.”.

Amendment of heading to Chapter 111A of the principal enactment.

7. The heading appearing immediately before Chapter 111A of the principal enactment is hereby amended by the substitution for the words “financial services by specified institutions” of the words “financial services by any specified institution or by any person.”.

Amendment of section 25A of the principal enactment.

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

- (1) in subsection (1) of that section by the substitution for the words “with effect from January 1, 2003, to the end of that subsection” of the following :—

“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,

where such specified institution or person carries on the business of supplying such financial services.”; and

(2) in the marginal note to that section by the substitution for the words “specified institutions”, of the words “specified institution or any person.”.

9. Section 25c of the principal enactment is hereby amended by the addition at the end of that section of the following new subsections :—

Amendment of section 25c of the principal enactment.

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

(5) For the purpose of calculating the tax, the value addition attributable to—

- (a) exempt supplies, other than the exempt supplies under item (xi) 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 ;

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- (d) the profit or income 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 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 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 ;
- (h) the profits or income from the exchange of currency other than such profits or income arising or accruing to any person primarily engaged in the business of 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,

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.

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(8) Notwithstanding the provisions of subsection (3) the amount of tax payable for each month commencing on or after January 1, 2004 shall be fifteen *per centum* of the value addition specified in subsection (1).”.

Amendment of section 25D of the principal enactment.

10. Section 25D of the principal enactment is hereby amended as follows :—

(1) by the repeal of the proviso to that section and the substitution therefor of the following proviso :—

“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.”; and

- (2) by the addition at the end of the proviso to that section of the following proviso :—

“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.”

11. Section 25F of the principal enactment is hereby amended in paragraph (d) of that section by the substitution for the words “money owing by any person;”, of the words “money owing by any person other than the transfer of non-performing 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;”.

Amendment of section 25F of the principal enactment.

12. The following new section is hereby inserted immediately after section 25F of the principal enactment and shall have effect as section 25G of that enactment :—

Insertion of new section 25G in the principal enactment.

“Provisions of this Chapter to apply to a person supplying financial services. 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.”.

13. Section 26 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “The tax in respect of any taxable period shall be paid on the last day of the month following the end of the taxable period” of the words “The tax in respect of any taxable period shall be paid not later than the fifteenth day of the month following the end of that taxable period”.

Amendment section 26 of the principal enactment.

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Amendment of section 58 of the principal enactment.

14. Section 58 of the principal enactment is hereby amended in the proviso to subsection (1), by the substitution for the words and figures “subsection (4) of section 22” of the words and figures “subsection (5) of section 22”.

Amendment of section 59 of the principal enactment.

15. Section 59 of the principal enactment is hereby amended in paragraph (ii) of subsection (2), by the substitution for the words and figures “subsection (4) of section 22” of the words and figures “subsection (5) of section of 22”.

Repeal of section 75A of the principal enactment.

16. Section 75A of the principal enactment is hereby repealed.

Replacement of section 76 of the principal enactment.

17. Section 76 of the principal enactment is hereby repealed and the following section substituted therefor : —

“Transitional provisions.

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.

(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.”;

18. Section 83 of the principal enactment is hereby amended as follows :—

Amendment of section 83 of the principal enactment.

(1) in the definition of “associated persons” by the repeal of paragraph (a) of that definition and the substitution therefor of the following :—

“(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”

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(2) by the addition at the end of the definition of “educational establishment” of the following :—

“(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 ”.

Amendment of the First Schedule to the principal enactment.

19. The First Schedule to the principal enactment is hereby amended as follows :—

(a) by the insertion immediately after the Heading “First Schedule” of the following :—

“PART I

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

(b) by the addition at the end of that Schedule of the following :—

(1) in item (xi) of that Schedule by the addition immediately after paragraph (i) of the following :—

“(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;”;

- (2) by the repeal of item (xxii) of that Schedule and the substitution therefor of the following item :—

“(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;”;

- (3) in item (xxviii) of that Schedule by the substitution for the words “white canes for the blind and Braille typewriters and parts;”, of the words “white canes for the blind, Braille typewriters and parts, Braille writing paper and Braille writing boards ;”;

- (4) by the repeal of item (xxxiii) of that Schedule and the substitution therefor of the following :—

“(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;”;

- (5) in item (xxxvi) of that Schedule by the substitution for the words “agricultural machinery.”; of the words “agricultural machinery;”;

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- (6) by the addition immediately after item (xxxvi) of that Schedule of the following new items :—

“(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 ;

(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 ;

(xxxix) 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.”;

- (c) by the addition immediately after item (xxxix) Part I of the First Schedule of the following new Part :—

“PART II

For any taxable period commencing on or after January 1, 2004,—

- (a) The supply or import of —
- (i) paddy, seed paddy, rice, wheat, cardamom, cinnamon, cloves, nutmeg, mace, pepper, desiccated coconuts, rubber, latex, fresh coconuts, green leaf, rice flour, wheat flour, bread, infants' powdered milk, eggs and liquid milk (not made out of powdered milk or any grain) ;
 - (ii) pharmaceutical products and drugs (other than cosmetics including such products and drugs certified by Cosmetics, Devices and Drugs Authority, established by the the Cosmetics, Devices and Drugs Act, No. 27 of 1980, and raw materials for the production or manufacture of such products or drugs ;
 - (iii) 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 ;
 - (iv) aircrafts, helicopters, pearls, diamonds, natural or synthetic, precious or semi precious stones, diamond powder, precious metals, metals clad with precious metals, gold coins and temporary import of any plant, machinery or equipment or any goods to be used as exhibition materials or as materials in any technical demonstration which are re-exported within twelve months from the date of import ;

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- (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 ;
 - (vi) crude petroleum oil, kerosene, aviation fuel and oil for ships ;
 - (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 ;
 - (viii) agricultural tractors ;
 - (ix) cellular mobile phones ;
 - (x) agricultural machinery and fertilizer (effective from 01.07.2004).
- (b) The supply of —
- (i) educational services by an educational establishment or government schools or schools funded by the government or (effective from 01.07.2004) schools registered with the Ministry of Education that follow the government curricula and public library services by the government, a Provincial Council or a local authority;
 - (ii) public passenger transport services (other than air transport, water transport, or transport of tourists, excursion tours and 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 if such lease agreement entered into prior to January 1, 2004;

- (iii) electricity not exceeding 40 kwh per consumer as defined under the Electricity Act (Chapter 205) per month ;
- (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 ;

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- (ix) goods funded directly by foreign organizations as approved by the Minister for the relief of sudden distress caused by natural or human disasters;
- (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.
- (xi) 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, other than the supply of healthcare services by a medical institution which has entered in to 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 dollars.

(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 any organization approved by the Minister, where he is satisfied that such goods are gifts from persons or organizations abroad for the relief of sudden distress caused by natural or human disasters or such goods being medical machinery, medical equipment or an 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;

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- (vi) personal items and samples in relation to business worth not more than ten thousand rupees through parcel post or courier ;
- (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 ;
- (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 ;

(d) The import and supply of goods at duty free shops for payment in foreign currency.”.

Amendment
of the Second
Schedule to
the principal
enactment,.

20. The Second Schedule to the principal enactment is hereby amended as follows :—

(a) by the insertion immediately after the Heading “Second Schedule” of the following :—

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

(1) by the repeal of item (xviii) of that Schedule and the substitution therefor of the following :—

“(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;”;

- (2) by the repeal of item (xxiii) of that Schedule and the substitution therefor of the following :—

“(xxiii) The supply or import of textiles and handloom products or the provision of services of dyeing and printing of textiles;”;

- (3) by the repeal of item (xxvi) of that Schedule and the substitution therefor of the following item :—

“(xxvi) the supply or import of maize, soyabean meal or fish meal;”;

- (4) in item (xxvii) of that Schedule by the substitution for the words “health services and surgical dressing”, of the words “health services and surgical dressings;”;

- (5) in item (xxx) of that Schedule by the substitution for the words “land and improvements;” of the words “land and improvements;” and

- (6) by the addition immediately after item (xxx) of that Schedule of the following new item :—

“(xxxi) The supply or import of wire and cable upto four cored unarmoured wire and cable not exceeding 16 mm conduites cross section per core.”

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

Sinhala text to prevail in case of inconsistency.

Retrospective effect.

- 22.** The amendment made to —
- (a) Section 2 of the principal enactment :—
 - (i) by section 2(2) of this Act, shall for all purposes be deemed to have come into force on June 1, 2003 ;
 - (ii) by section 2(3) of this Act, shall for all purposes be deemed to have come into force on January 1, 2004 ;
 - (b) Section 7 of the principal enactment by section 4 of this Act shall for all purposes be deemed to have come into force on July 1, 2003;
 - (c) Section 21 of the principal enactment by clause 5 of this Act shall for all purposes be deemed to have come into force from July 1, 2004;
 - (d) Section 22 of the principal enactment :—
 - (i) by the proviso to section 6(1) of this Act shall for all purposes be deemed to have come into force on October 1, 2003,
 - (ii) by section 6(2) of this Act shall for all purposes be deemed to have come into force on August 1, 2002;
 - (iii) by sections 6(3) and 6(4) of this Act shall for all purposes be deemed to have come into force on January 1, 2004;
 - (e) Chapter IIIA of the principal enactment shall for all purposes be deemed to have come into force on July 1, 2003;
 - (f) Section 25^A of the principal enactment by section 8 of this Act, shall be deemed for all purposes to have come into force on July 1, 2003 ;

- (g) Section 25^F of the principal enactment by section 12 of this Act shall be deemed for all purposes to have come into force on July 1, 2003 ;
- (h) Section 26 of the principal enactment by section 13 of this Act shall be deemed for all purposes to have come into force on July 1, 2004;
- (i) Section 75^A of the principal enactment by section 16 of this Act shall be deemed for all purposes to have come into force on January 1, 2004 ;
- (j) Section 76 of the principal enactment by section 17 of this Act shall be deemed for all purposes to have come into force on January 1, 2004 ;
- (k) Section 83 of the principal enactment :—
 - (i) by section 18(1) of this Act shall for all purposes be deemed to have come into force on January 1, 2004 ;
 - (ii) by section 18(2) of this Act shall for all purposes be deemed to have come into force on September 17, 2003 ;
- (l) First Schedule of the principal enactment :—
 - (i) by section 19(b)(1) of this Act shall be deemed for all purposes to have come into force on March 1, 2003 ;
 - (ii) by section 19(b)(2) of this Act shall be deemed for all purposes to have come into force on March 1, 2003 ;
 - (iii) by section 19(b)(3) of this Act shall be deemed for all purposes to have come into force on January 1, 2003 ;

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- (iv) by section 19(b)(4) of this Act shall be deemed for all purposes to have come into force on March 1, 2003 ;
- (v) by section 19(b)(6) of this Act shall be deemed for all purposes to have come into force on October 17, 2003.
- (m) Second Schedule to the principal enactment by section 20(1), (2), (3), (4) and (6) of this Act shall be deemed for all purposes to have come into force on July 1, 2003 ;

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