



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

**VALUE ADDED TAX (AMENDMENT)
ACT, No. 8 OF 2006**

[Certified on 31st March, 2006]

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Value Added Tax (Amendment) Act, No. 8 of 2006

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L.D.-O 2/2006.

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. 8 of 2006. Short title.

2. Section 2 of the Value Added Tax Act, No.14 of 2002 (hereinafter referred to as the “principal enactment”) is hereby amended as follows:- Amendment of section 2 of the Value Added Tax Act No. 14 of 2002.

(1) in subsection (1) by the substitution, for subparagraph (iv) of the following:-

“(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) for the period commencing on August 2, 2005 and ending on September 30, 2005 and for any taxable period commencing on or after October 1, 2005 at the rate of twenty *per centum* (Luxury Rate) of which the Tax Fraction is 1/6,

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

- (2) in sub-paragraph (ii) of paragraph (c) of subsection (2), by the substitution for the words and figures “the Board of Investment of Sri Lanka Law, No.4 of 1978,” of the words and figures “the Board of Investment of Sri Lanka Law, No.4 of 1978; or”;
- (3) by the substitution in subsection (2) for all the words from “Board of Investment of Sri Lanka Law No.4 of 1978” to the words “by the recipient of the supplies.” of the following:-

“(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 manufacturer or service provider is monitored by the Textile Quota Board and the Textile Quota Board furnishes to the satisfaction of the Commissioner-General, the reconciliation on the disposal of such goods on a quarterly basis as stipulated by the Commissioner-General stating that such finished goods are in fact exported by the recipient of the supplies.”;

(4) in the second proviso to subsection (3)-

(a) by the addition, immediately after subparagraph (iv) of paragraph (a) of that subsection, of the following:-

“(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 registered supplier approved by the Textile Quota Board referred to in paragraph (c) of subsection (2) of section 2 who imports or receives such goods for the manufacture of goods or the provision of services to a manufacturer of garments for export, registered with the Textile Quota Board established under the Textile Quota Board Act, No.33 of 1996, under the VAT deferment scheme;

- (vii) any plant or machinery imported including any plant or machinery received from a customs bonded area by a registered person approved by the Textile Quota Board referred to in paragraph (c) of subsection (2) of section 2 who imports or receives such plant or machinery for the usage by such person for the manufacture of goods or supply of services referred to in paragraph (c) of subsection (2) of section 2 for manufacture of goods to be exported;
 - (viii) any goods imported including any goods received from customs bonded area, by a registered supplier approved by the Export Development Board referred to in paragraph (d) of subsection (2) of section 2 who imports or receives such goods for the manufacture for such supply;
 - (ix) any plant or machinery imported including any plant or machinery received from a customs bonded area by a registered person approved by the Export Development Board, referred to in paragraph (d) of subsection (2) of section 2, who imports or receives such plant or machinery for the usage by such person for the manufacture of goods referred to in paragraph (d) of subsection (2) of section 2 for manufacture of goods to be exported.”;
- (b) in paragraph (c) of the second proviso of that subsection, by the substitution for the words and figures “any ship imported on or after

January 1, 2003”, of the words and figures “any ship imported on or after January 1, 2003 but prior to November 16, 2005,”.

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

Amendment of section 3 of the principal enactment.

- (1) in paragraph (d) by the substitution for the words “Sri Lanka.” of the words “Sri Lanka;”
- (2) by the addition immediately after paragraph (d) of the following:-

“(e) any person, who supplies such goods under any tender agreement.”.

4. Section 6 of the principal enactment is hereby amended in paragraph (a), by the substitution for the words “five per centum” and of the words “seven per centum; and”.

Amendment of section 6 of the principal enactment.

5. Section 7 of the principal enactment is hereby amended in paragraph (c) of subsection (1), by the substitution for the words “payment for such service in full has been received from outside Sri Lanka through a bank in Sri Lanka.” of the words “the payment for such services in full has been received in foreign currency from outside Sri Lanka through a bank in Sri Lanka.”.

Amendment of section 7 of the principal enactment.

6. Section 20 of the principal enactment is hereby amended in paragraph (a) of subsection (6), by the substitution for the words “shall be considered as supplies made under the standard rate of tax.” of the words and figures “shall be considered as supplies made under the appropriate rate specified in section 2 of the Act.”.

Amendment of section 20 of the principal enactment.

7. Section 22 of the principal enactment is hereby amended as follows:-

Amendment of section 22 of the principal enactment.

- (1) in subsection (3) of that section-

- (a) by the substitution for the words “which tax can be levied” wherever such words appear, of the words and figures “which tax can be levied other than any tax levied under Chapter IIIA of the Act”;
- (b) by the repeal of the fourth proviso to that subsection and the replacement therefor of the following proviso:-

“Provided further, any input tax paid on the purchase of goods or services specified in the Fourth Schedule (Luxury rate) by any person which is allowable under this Act shall be restricted to fifteen *per centum*. “.

- (2) in paragraph (d) of the second proviso to subsection (5), by the substitution for all the words and figures from “such deferred tax under section 2,” to the words “whichever is later:” of the words and figures –

“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 Textile Quota Board being a supplier of goods or services to any registered person referred to in paragraph (c) of subsection (2) of section 2 or any registered person who is registered with the Export Development Board being a supplier of goods to exporters of goods, referred to in paragraph (d) of subsection (2) of section 2 the value of supplies to suppliers referred to in paragraph (c) or (d) for the taxable period was more than fifty *per centum* of his total taxable supplies for that taxable period,

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 a taxable period commencing on or after January 1, 2006 –
 - (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 end of the taxable period or from the date of receipt of 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 the registered person, 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.”;

- (3) in subsection (6) of that section by the addition immediately after paragraph (iv) thereof, of the following:-

“For the avoidance of doubt it is hereby declared that for the purpose of this subsection, where the return has not been furnished, the input tax shall be deemed not to have been deducted from the output tax.”.

Amendment of section 25c of the principal enactment.

8. Section 25c of the principal enactment is hereby amended as follows:-

- (1) in subsection (1) of that section, by the addition immediately at the end of that subsection of the following:-

“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.”;

- (2) in subsection (8), by the substitution for the words and figures “payable for each month commencing on or after January 1, 2004 shall be fifteen *percentum*” of the words and figures “payable for each month commencing on or after January 1, 2004 but ending on or before December 31, 2005 shall be fifteen *percentum* and for each month commencing on or after January 1, 2006 shall be twenty *percentum*.”.

Amendment of section 25D of the principal enactment.

9. Section 25D of the principal enactment is hereby amended by the addition at the end of that section, of the following: -

“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.”.

10. Section 25F of the principal enactment is hereby amended by the repeal of paragraph (f) and the substitution therefor of the following:-

Amendment of section 25F of the principal enactment.

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

11. Section 26 of the principal enactment is hereby amended by the repeal of subsection (1) thereof and the substitution therefor of the following :-

Amendment of section 26 of the principal enactment.

“(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 later 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.

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.”.

Amendment of section 34 of the principal enactment.

12. Section 34 of the principal enactment is hereby amended as follows:-

- (1) in subsection (6) by the substitution for the words “made by an Assessor,” of the words “made by an Assessor, other than the Assessor who made such assessment against which the appeal in preferred”.
- (2) in the second proviso to subsection (8), by the substitution for all the words from “The receipt of” to the words “date of receipt of such appeal” and substitute the following :—

“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.”.

13. Section 58 of the principal enactment is hereby amended in the proviso to subsection (1) by the substitution for all the words from “in paragraphs (a), (b), (c) or (d) of subsection (5) of section 22 to the words “which ever is later.” of the words –

Amendment of section 58 of the principal enactment.

“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 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 subject to a furnishing of a bank guarantee or for an insurance 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.”.

14. The following new section is hereby inserted immediately after section 58 of the principal enactment and shall have effect as section 58A of that enactment:-

Insertion of section 58A in the principal enactment.

“Refund of tax to tourists.

58A. (1) A person who being a tourist has proved to the satisfaction of the Secretary to the Ministry in charge of the subject of Finance or any person authorised by him in that behalf by a claim made in writing in then specified from,-

- (a) that such tourist has purchased any specified goods in Sri Lanka from any registered person who is an authorized retailer for the purposes of this section;

- (b) such goods are in excess of the minimum value as prescribed; and
- (c) such tourist has paid the tax on such purchasers as per the tax invoice issued to him,

shall, if such tourist produces the relevant goods to the authorized person for inspection at point of departure and if such goods are being removed from Sri Lanka within two months from the date of purchase of such goods, the Secretary or the person authorised as the case may be, may on being satisfied of such facts, refund or make necessary arrangements to refund to such tourist, in foreign currency, such amount of the tax paid as exceeds the equivalent to US Dollars One Hundred in rupee value, at the time of such removal of goods from Sri Lanka.

(2) Any retailer who is a registered person under this Act shall apply to the Secretary to the Ministry or any person authorized by him in that behalf, for the purpose of registration under this section and such registered retailer shall be deemed to be an authorized retailer.

(3) Any authorized retailer who violates any condition subject to which his registration is issued, shall be guilty of an offence and shall on conviction after summary trial before a Magistrate be liable to a fine not exceeding rupees one hundred thousand and to the cancellation of his registration.

(4) Notwithstanding the provisions of subsection (1) of section 20, a tax invoice shall be issued by any authorized retailer, at the time of such supply by such authorized retailer to any tourist who has purchased such specified goods only in relation to such specified goods.

(5) Notwithstanding any other provisions to the contrary in this Act, every authorized retailer shall be allocated with monthly taxable periods by the Commissioner-General and such authorized retailer shall furnish monthly returns accordingly.

(6) For the purposes of this section -

“tourist” means any individual who is not a citizen of Sri Lanka and who is not employed in Sri Lanka, or who has not lived in Sri Lanka for three hundred and sixty five days or more in the last two years prior to the date of his arrival in Sri Lanka;

“specified goods” shall be such goods as are specified by Order published in the *Gazette*.

15. Section 71 of the principal enactment is hereby amended by the substitution for subsection (2) thereof, of the following :-

Amendment of section 71 of the principal enactment.

“(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* of the tax collected by the Director-General of Customs on importation of goods referred to in subsection (3) of section 2 for the period commencing from January 1, 2006, on or before the fifteenth day of the month immediately succeeding that month and each month thereafter.”.

Replacement of
Section 73 of the
principal
enactment.

16. Section 73 of the principal enactment is hereby amended as follows:-

- (1) by the repeal of subsection (1) of that section and the substitution thereof of the following subsection:-

“(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 nether suffer nor permit any person to have access to any records in the possession, custody or control of the Commissioner -General.”;

- (2) in subsection (2), by the substitution for the words “Every person” for the words “Every person appointed or deemed to be employed under or”;
- (3) in subsection (3), by the substitution for the words “No person employed in carrying out the provisions of this Act shall be required to produce in any court any return, document or” of the words “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”;
- (4) in subsection (4), by the substitution for all the words from “Notwithstanding anything” to the words “a corrected copy” of the words “Notwithstanding anything 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.”

- (5) by the repeal of subsections (5) and (6) and the replacement thereof, of the following new subsections:-

“(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 any thing 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.”.

Amendment of section 83 of the principal enactment.

17. Section 83 of the principal enactment is amended as follows:-

(1) by the addition in the end of the definition of “educational establishment” of the following :—

“(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 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.”.

(2) in the definition of “Standard Rate” by the substitution for the words “specified in the Second Schedule;” of the words “specified in the Second Schedule, Third Schedule and Fourth Schedule;”;

(3) in the definition of “taxable period” by the addition immediately after item (v) of paragraph (a) of the following:-

“(vi) 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.”;

18. The First Schedule to the principal enactment is hereby amended in PART II as follows:-

Amendment of the first schedule.

(1) in paragraph (a),

(a) in item (i), by the substitution for the words “eggs and liquid milk (not made out of powdered milk or any grain);” of the words “eggs, liquid milk (not made out of powdered milk or grain) and powdered milk;”;

(b) in item (iv), by the substitution for the words “aircrafts, helicopters and” of the words “aircrafts, helicopters, pearls, diamonds, natural or synthetic precious or semi precious stones, diamond powder, precious metal, metals clad with precious metals, gold coins and “

(c) in item (vi), by the substitution for the words “kerosene, aviation fuel” of the words “kerosene, Liquid Petroleum Gas and aviation fuel (effective from August 5, 2005) diesel and aviation fuel (effective from 1.8.2005), “;

(d) by the addition, immediately after item (xi), of the following:-

“(xii) machinery used for construction industry imported not later than December 31, 2008, milk processing machinery, computers including computer accessories, machinery, yarn and dyes used for handloom industry

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,

(2) in paragraph (b),

(a) by the repeal of item (i), and the substitution therefor of the following:-

“(i) (a) educational services by an educational establishment; or Government school or a school funded by the Government or (effective from July 1,2004) schools registered with the Ministry of education that followed the Government curricula; and

(b) public library service by the Government, Provincial Council or a local authority; ”.

(b) by the substitution for item (ix) of the following:-

“(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.”;

(c) by the addition, immediately after item (xii), of the following:-

“(xiii) unprocessed timber logs, ships or goods referred to in the Third Schedule so far as such timber logs, ships or such goods are imported into Sri Lanka;

(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.”;

(3) in paragraph (c),

(a) by the substitution for item (iii) thereof, of the following:-

(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.”;

(b) by the addition immediately after item (x), of the following:-

“(xi) any ship;

(xii) unprocessed timber logs.”.

Amendment of the Fourth Schedule to the principal enactment.

19. The Fourth Schedule to the principal enactment is hereby amended as follows:-

(1) in paragraph (a) by the substitution for items (xix) and (xx) of the following:-

“(xix) aerated water other than aerated water made out of

- (i) ginger;
- (ii) nelli; or
- (iii) ayurvedic plants,

cultivated in Sri Lanka; and

(xx) liquor including ethyl alcohol and other spirits referred to in Harmonized of Commodity Description Numbers 22.07 or 22.08 for custom purposes.”;

(2) by the substitution for paragraph (b) thereof, of the following:-

“(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.”.

20. The amendment made to –

Retrospective effect.

- (a) section 2 of the principal enactment, by section 2(3) and (4) of this Act shall for all purposes be deemed to have come into force on January 1, 2006.
- (b) section 3 of the principal enactment, by section 3 of this Act shall for all purposes be deemed to have come into force on January 1, 2006.
- (c) section 6 of the principal enactment, by section 4 of this Act, shall for all purposes be deemed to have come into force on January 1, 2006.

- (d) (i) the fourth proviso to section 22(3) of the principal enactment, by section 7(1)(b) of this Act shall for all purposes be deemed to have come into force on August 2, 2005;
- (ii) the paragraph (b) of the second proviso to subsection (5) of section 22 of the principal enactment, by section 7(2) of this Act, shall for all purposes be deemed to have come into force on January 1, 2006.
- (e) the proviso to subsection (1) of section 58 of the principal enactment, by section 13 of this Act, shall for all purposes be deemed to have come into force on January 1, 2006.
- (f) section 71(2) of the principal enactment, by section 15 of this Act, shall for all purposes be deemed to have come into force on January 1, 2006.
- (g) section 83 of the principal enactment, by section 17(3) of this Act, shall for all purposes be deemed to have come into force on January 1, 2006.
- (h) item (i) and (vi) of paragraph (a) of Part II of the First Schedule of the principal enactment, other than the exemption referred to diesel, by section 18(1)(c) of this Act, shall for all purposes be deemed to have come into force on August 5, 2005.
- (i) item (iv) and diesel referred to in item (vi) of paragraph (a) of Part II of the First Schedule of the principal enactment by section 18(1) (b) and diesel in paragraph (c) of this Act shall for all purposes be deemed to have come into force on August 1, 2005.
- (j) item (xii) of paragraph (a) of Part II of the First Schedule of the principal enactment by section 18(1) (d) (other than machinery used for rice milling industry) of this Act shall for all purposes be deemed to have come into force on November 16, 2005.

- (k) item (xiii) of paragraph (b) of Part II of the First Schedule by of the Principal enactment by section 18(2) (c) of this Act shall for all purposes be deemed to have come into force on November 16, 2005.
- (l) item (xiv) and (xv) paragraph (b) of Part II of the First Schedule by of the Principal enactment by section 18(2) (c) of this Act shall for all purposes be deemed to have come into force on January 01, 2006.
- (m) items (xi) and (xii) of paragraph (c) of Part II of the First Schedule of the principal enactment, by section 18 (3) (c) of this Act shall for all purposes be deemed to have come into force on January 1, 2006.
- (n) items (xix) of paragraph (a) of the Fourth Schedule of the principal enactment, by section 19 of this Act shall for all purposes be deemed to have come into force on January 01, 2006.

21. Any person who collects the value added tax as provided for in this Act, during the period commencing August 1, 2005 ending on the date of the coming into operation of this Act, shall be deemed to have acted with due authority and such collection shall be deemed for all purposes to have been, and to be, validly made and such person is hereby indemnified against all actions civil or criminal, in respect of such collection.

Indemnity.

22. 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.

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