



INLAND REVENUE DEPARTMENT

Notice to VAT Registered Persons who supply Condominium Housing Units

Change in Value Added Tax (VAT) Rate

As per the Bill and subsequent Committee Stage Amendments (CSA) as passed in Parliament on the 23rd October 2019 to amend Value Added Tax Act, No. 14 of 2002 (VAT Act) including section 22 and item (xi) of paragraph (b) of the First Schedule to the VAT Act, exemption granted on the services being the supply of residential accommodation by way of sale of Condominium housing unit is made liable for VAT at the rate of 15%, with effect April 01, 2019, except any of following circumstances: -

- i. where the maximum price or the market value (whichever is higher) of any single unit of that project does not exceed rupees twenty-five million; or
- ii. where there is an agreement to sell in respect of such supply which is executed in terms of the Notaries Ordinance (Chapter 107) prior to the date of commencement of the (Amendment) Act passed on the 23rd October 2019; or
- iii. where a certificate of conformity has been issued by the relevant Local Authority prior to the date of commencement of the (Amendment) Act passed on the 23rd October 2019 in respect of such condominium housing project.

Further, such **rate is reduced to 6% with effect from November 01, 2019**, as per the Extraordinary Gazette Notification No. 2147/59 dated October 31, 2019, published under section 2A of the VAT Act.

However, any input tax paid at any higher rate than 5% which is attributable to such supply (on which VAT is charged at 6%), shall be allowed only at 5% even where such person has paid the input tax at a higher rate than the rate of 5% on the value of such supplies received by him (effective from the date of certification).

Therefore, persons who are engaging in supply of condominium housing unit are instructed to adhere to stated below.

- a. to collect VAT for the period from 01.04.2019 – 31.10.2019 at the rate of 15%
- b. with effect from 01.11.2019, to collect VAT at the rate of 6% and
 - i. claim tax credit at 5% of input VAT on the purchases attributable to such supply for which VAT has been charged at any higher rate than 5% by issuing tax invoice. Accordingly, any amount of input VAT excess over 5% should be disallowed and entered in cage 8 of the VAT return.
 - ii. If the purchases attributable to such supply has been purchased under SVAT Scheme at any higher rate than 5% by receiving suspended tax invoice, such amount of input VAT of suspended purchases excess over 5% should be disallowed (and paid back to the IRD) and entered in cage 8A of the VAT return.

Hence, obtaining permanent VAT registration number and submitting VAT return to the IRD for this purpose is required.

Commissioner General of Inland Revenue



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