



INLAND REVENUE DEPARTMENT

Implementation of Changes to Value Added Tax (VAT) as passed in Parliament on 23rd October 2019

Changes to VAT will be implemented as per the Bill to amend VAT Act and subsequent Committee Stage Amendments (CSA) as passed in Parliament on the 23rd October 2019 with effect from date of certification of the Bill or the date stated in respective clauses of the Bill and CSA and would become law once the Hon. Speaker certifies the Bill which will be incorporated into the final enactment.

According to the Bill presented in Parliament together with the CSA, the significant changes are set out below.

1. Zero Rating

Any goods supplied by any construction contractor to be utilized on a construction project carried out by such contractor outside Sri Lanka, shall be deemed to be goods exported by such contractor and subject to tax at zero rate (effective from the date of certification).

2. VAT on Garments

VAT on supply of garments within such percentage as is permitted to sell locally by the BOI, under any agreement entered into by the manufacturer of garments for export under section 17 of the BOI Law as approved by the BOI or the Director-General of Customs (who imposes such tax), shall be

- Rs. 100/- for each such garment excluding panties, socks, briefs and boxer shorts
- Rs. 100/- for six pieces of panties, socks, briefs and boxer shorts,

for any period commencing from November 1, 2019.

3. Restricting the input VAT to 5% on the supply of condominium housing unit if such unit is subject to VAT at 6%

Any person who supplies condominium housing units and accounts for the output tax at the rate of six percentum, shall be entitled to deduct as input tax in relation to such supplies as is allowable, only at five percentum even where such person has paid the input tax at a higher rate than the rate of five centum on the value of such supplies received by him (effective from the date of certification).

4. Changing of VAT Payment scheme

Any non-manufacturer who was required to pay VAT payment for any quarter commencing on or after January 1, 2013 “in respect of any taxable period, for the period from the 1st day to the 15th day of any month on or before the end of that month; and for the period from the 16th day to the end of the month on or before the 15th day of the subsequent month” is terminated with effect from October 1, 2019.

Accordingly, tax payable for any month shall be paid not later than 20th day of the subsequent month. Hence, tax payable for the month of October shall be paid not later than November 20, 2019.

5. Exemption of supply of Residential Apartment

- a) The supply of services being the supply, lease or rent of residential accommodation on or after November 1, 2016 but prior to April 1, 2019 by any person, other than any lease or rent of residential accommodation, is exempt from VAT.
- b) With effect from April 1, 2019, the supply of services being the supply, lease or rent of residential accommodation, if such supply has taken place on or after April 1, 2019, other than any lease or rent by any person, and where such supply-
 - i. is not relating to a sale of any condominium housing unit; or
 - ii. is a supply of a condominium housing unit of a condominium housing project and 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
 - iii. in relating to a sale of any condominium housing unit and 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 this (Amendment) Act; or
 - iv. is a supply of a condominium housing unit of a condominium housing project in respect of which a certificate of conformity has been issued by the relevant Local Authority prior to the date of commencement of this (Amendment) Act in respect of such supply,is exempt from VAT.

6. Exemption of locally produced rice bran oil

With effect from November 1, 2019, the supply of locally produced rice bran oil made out of locally produced rice is exempt from VAT

Commissioner General of Inland Revenue



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