PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

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VALUE ADDED TAX (AMENDMENT)

ACT, NO. 15 OF 2008

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[Certified on 29th February, 2008]

Printed on the Order of Government

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Value Added Tax (Amendment) Act, No. 15 of 2008 1

[Certified on 29th February, 2008]

L. D. — O. 66/2007.

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

BE it therefore 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 Short title.

(Amendment) Act, No. 15 of 2008.

2. Section 2 of the Value Added Tax Act, No. 14 of Amendment of

section 2 of

2002 (hereinafter referred to as the "principal enactment")

Act, No. 14 of

is hereby amended in the second proviso to subsection (3) 2002.

of that section, by the repeal of paragraph (b) thereof and

the substitution therefor of the following:—

"(b) any goods temporarily imported into Sri Lanka —

(i) being plant, machinery or equipment of

high value to be used for any project; or

(ii) being goods to be used as exhibition

material or as materials in any technical

demonstration,

and which are re-exported after the completion of

such project, exhibition or demonstration, as the

case may be, with the approval of the Minister, up

to the date of such competition, exhibition or

demonstration.”.

3. Section 22 of the principal enactment is hereby Amendment of

amended as follows:— section 22 of the

principal

(1) by the repeal of subparagraph (iv) of subsection (6) enactment.

and all the words and figures up to the end of that

subsection, and the substitution therefor of the

following:

"(iv) if the input tax on any invoice or customs

declaration referred to in paragraph (iii), as

2—PL 002809—6,900 (02/2008)

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the case may be, has not been deducted as

provided for in this Act, from the output tax

for any taxable period ending on or before

the expiry of twelve months from the date of

such tax invoice or customs declaration by

furnishing within the said period of twelve

months the return for that taxable period:

Provided however, notwithstanding the

provisions of subsection (2), and the

exemptions specified in item (i) and item (ii)

of sub-paragraph (f) of Part II of the First

Schedule to this Act, any registered person

who is engaged in supplying of goods or

services to any strategic development project

or any other special project as is referred to in

the aforesaid items, where the payment is

borne by the Government, may be allowed

input tax on the purchase of goods or services

connected to supply of goods or services to

such projects.";

(2) in subsection (10) of that section, by the addition

at the end of the proviso to that subsection, of the

following:—

“Provided further, that for the purpose of

ascertainment of the input tax allowable in terms of

this subsection, of any person supplying goods or

services to any strategic development project or

any other special project, specified in item (i) and

item (ii) of sub-paragraph (f) of Part II of the First

Schedule to this Act, the value of the supply of the

suppliers for the relevant period of such project

shall be deemed to be a taxable supply on which

the output tax is computed.".

Amendment 4. Section 25A of the principal enactment is hereby

of section amended in subsection (1) of that section, by the repeal of

25A of the paragraph (ii) thereof and the substitution therefor of the

principal

following:—

enactment.

"(ii) by any person on or after July 1, 2003 but prior to

December 31, 2007; and

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(iii) by any person other than a Co-operative Society

registered under the Co-operative Societies Law,

No. 5 of 1972, on or after January 1, 2008.".

5. Section 25c of the principal enactment is hereby Amendment of

amended in subsection (1) of that section, as follows:— section 25c of

the principal

enactment.

(1) by the substitution for the words "being an asset

which forms part of the leasing stocks of such

person" of the words "being an asset which is leased

under the provisions of the aforesaid Act."; and

(2) by the addition, immediately at the end of that

subsection of the following:—

"For the avoidance of doubts it is hereby declared

that the value addition of such institution shall be

computed, based on the net profit or loss before

deducting the tax payable under this Chapter.".

6. Section 25H of the principal enactment is hereby Amendment of

amended by the addition immediately after subsection (3) section 25H of

the principal

thereof, of the following new subsection:—

enactment.

"(4) Every person or partnership registered under this

Chapter shall furnish to the Commissioner-General of Inland

Revenue not later than the twentieth day of the month

immediately following the expiry of the relevant quarter, a

return in such form and containing such particulars as may

be specified by the Commissioner-General.”.

7. Section 26A of the principal enactment is hereby Amendment of

section 26A of

amended as follows:—

the principal

enactment.

(1) in subsection (1) of that section, by the substitution

for the words "deduct from such payment one-third

of the tax included in such payment, and" of the

words "deduct from such payment one-third of the

tax included in such payment as the ‘VAT Advance

Payment’, and"; and

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(2) by the repeal of the marginal note to that section,

and the substitution therefor of the following:—

"Deduction of VAT Advance Payments.".

Replacement of 8. Section 48A of the principal enactment is hereby

section 48A of repealed and the following section substituted therefor:—

the principal

enactment.

“Time Limit 48A. The Commissioner-General shall not,

for the commence any action under sections 42, 43,

recovery of

44 or 48 of this Act, for the recovery of tax in

the tax in

default. default where a period of five years has lapsed

from the completion of three months from the

end of any taxable period in which the

assessment by which such tax was charged or

levied becomes final and conclusive under

section 37.".

Amendment of 9. The First Schedule to the principal enactment is

the First hereby amended in Part II thereof as follows :—

Schedule to the

principal

enactment. "(1) in paragraph (a) of that Part—

(a) in item (iv), by the substitution for the words

"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, and which are

re-exported within twelve months from the

date of import;" of the words "gold coins

(effective from 17.07.2007);";

(b) in item (xii) by the substitution for the words

"yarn and dyes used for handloom industry

and" of the words "yarn used for the textile

industry and dyes used for the handloom

industry, as identified under the Harmonized

Commodity Description and Coding System

Numbers for Customs purposes, and (effective

from 01.01.2008)”;

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(2) in paragraph (b) of that Part—

(a) in item (i) (a) thereof, by the substitution for

the words "education service by an education"

of the words "education service by an

education (effective from 01.01.2006)";

(b) by the repeal of item (xii) and the substitution

therefor of the following:—

"(xii) all healthcare services provided by

medical institutions or professionally

qualified persons providing such care

(effective from 01.07.2007)”;

(c) by the addition immediately after item (xxi),

the following:—

"(xxii) clay roof tiles (effective from

01.07.2007) or chemical naptha

(effective from 17.07.2007), to the

extent that such clay roof tiles or

chemical naptha are manufactured in

Sri Lanka;

(xxiii) unprocessed agricultural, horticultural

or fishing products produced in

Sri Lanka, including the local supply

of unprocessed agricultural,

horticultural or fishing products where

value added tax has not been collected

or paid to the Department of Inland

Revenue on or after 01.07.2007;

(xxiv) unprocessed prawns produced in Sri

Lanka, including the local supply of

unprocessed prawns, where value

added tax has not been collected or

paid to the Department of Inland

Revenue on or after January 1, 2004

(effective from 01.01.2008);

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(xxv) imported rattans (effective from

01.07.2007);

(xxvi) locally produced dairy products out of

locally produced fresh milk in so far as

such milk is produced in Sri Lanka and

locally produced rice products

containing rice produced in Sri Lanka

(effective from 01.01.2008); and

(xxvii) locally manufactured sugar (effective

from 01.01.2008).";

(3) in paragraph (c) of that Part, by the addition

immediately after item (xviii) of the following:—

"(xix) (a) plant, machinery or equipment of

high value to be used for any

project; or

(b) goods to be used as exhibition

material or as materials in any

technical demonstration.

and which are re-exported after the

completion of such project, exhibition

or demonstration, as the case may be,

and in respect of which tax is differed

in terms of paragraph (b) of the second

proviso to subsection (3) of section 2

(effective from 17.07.2007);

(xx) aircraft engines or aircraft spare parts

identified under specified Harmonized

Commodity Description and Coding

System Numbers for Customs purposes

(effective from 17.07.2007);

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(xxi) rattans under HS Code No. 1401.20

(effective from 01.07.2007);

(xxii) plant and machinery by an undertaking

qualified for a tax holiday under

section 24C of the Inland Revenue Act,

No. 10 of 2006, for use by such

undertaking for the purpose of

manufacturing or for the provision of

services. (effective from 01.01.2008)";

(xxiii) goods for any strategic development

project or specified project referred to

in paragraph (f) with the approval of

the Minister of Finance.”;

(4) by the insertion immediately after paragraph (e) of

that Part, the following new paragraph :—

"(f) the supply of —

(i) goods or services to any project identified

as a Strategic Development Project, in

terms of section 3(4) of the Strategic

Development Projects Act, No. 14 of 2008

(effective from 01.01.2008); or

(ii) goods or services to any specified project

identified by the Minister in charge of the

subject of Finance, taking into

consideration the economic benefit to the

country, on which project the tax is borne

by the Government (effective from

01.01.2008); or

(iii) goods or services by any co-operative

society registered under the Co-operative

Societies Law, No. 5 of 1972 (effective

from 01.01.2008).".

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Replacement 10. The Third Schedule to the principal enactment is

of Third

hereby repealed and the folowing Schedule substituted

Schedule to

the principal therefor:—

enactment.

“THIRD SCHEDULE

BASIC RATE

(a) the supply or import of—

(i) Sugar upto December 31, 2007;

(ii) Dhall;

(iii) Potatoes upto June 30, 2007;

(iv) Onions upto June 30, 2007;

(v) Dried fish;

(vi) Chillies;

(vii) Hi-tech medical equipment or any machinery

used for the manufacture of ticket issuing

machinery, identified by the Commissioner-

General of Inland Revenue under the

Harmonized Commodity Description and

Coding System Numbers, for Customs purposes;

(viii) Jewellery ;

[The import or supply of goods referred to in items (i) and

(ii) of this Schedule shall be deemed for all purposes to have

been exempt from Value Added Tax from October 1, 2004

to November 18, 2004.]

(b) the import of—

(i) Cine Films, cinematographic films exposed or

developed, magnetic cine sound recorders,

cinematographic cameras and projector parts

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and accessories, apparatus and equipment for

cinematographic laboratories, electric filament

or discharge lamps and arc lamp carbon,

identified by the Commissioner-General of

Inland Revenue under the Harmonized

Commodity Description and Coding System

Numbers, for Customs purposes with the

approval of the Chairman, National Film

Corporation;

(ii) Sugar (effective from 01.01.2008);

(iii) Canned Fish, Chick Peas, Green Gram (effective

from 05.06.2007);

(iv) Potatoes (effective from 01.07.2007);

(v) Onions (effective from 01.07. 2007).".

11. The amendments made to— Retrospective

effect.

(1) subsection (3) of section 2 of the principal enactment

by section 2 of this Act, shall be deemed for all

purposes to have come into operation from July 17,

2007;

(2) subsection (6) and subsection (10) of section 22 of

the principal enactment by section 3 of this Act,

shall be deemed for all purposes to have come into

operation from January 1, 2008;

(3) section 25H [addition of new subsection (4) of the

principal enactment by section 6 of this Act, shall

be deemed for all purposes to have come into

operation from January 1, 2007;

(4) subsection (1) of section 26A of the principal

enactment by section 7 of this Act, shall be deemed

for all purposes to have come into operation from

January 1, 2008;

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(5) section 48A [replacement of section] of the principal

enactment by section 8 of this Act, shall be deemed

for all purposes to have come into operation from

January 1, 2006.

Indemnity. 12. Any person who collects the value added tax as

provided for in this Act during the period commencing July

1, 2007 and 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 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.

Sinhala text to 13. In the event of any inconsistency between the

prevail in case Sinhala and Tamil texts of this Act, the Sinhala text shall

of

inconsistency. prevail.

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