PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

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VALUE ADDED TAX (AMENDMENT)

ACT, No. 7 OF 2014

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[Certified on 24th April, 2014]

Printed on the Order of Government

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Value Added Tax (Amendment) 1

Act, No. 7 of 2014

[Certified on 24th April, 2014]

L.D. – O. 4/2014

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 Short title and

(Amendment) Act, No. 7 of 2014 and shall be deemed to date of

operation.

have come into operation on January 1, 2014.

2. Section 3 of the Value Added Tax Act, No.14 of 2002 Amendment of

(hereinafter referred to as the “principal enactment”) is hereby section 3 of Act,

No.14 of 2002.

amended as follows:-

(a) by the renumbering of that section as subsection

(1) thereof;

(b) in the renumbered subsection (1) of that section, by

the repeal of paragraph (f) and the substitution

therefor of the following:-

“(f) any person or a partnership having total

supplies for any consecutive period of three

months in any calendar year of not less than

rupees two hundred and fifty million, including

the supplies under the preceding paragraphs

of this section and any supplies exempted

under Part II of the First Schedule:”;

(c) by the repeal of the second proviso to that section

and the substitution therefor of the following:-

“Provided further, the chargeability to tax

referring to any registered person specified in

paragraph (f) shall be subject to the exemption

granted under section 8, subject to the conditions

specified therein:”;

2—PL 008090—3000 (03/2014)

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(d) immediately after subsection (1) of that section, by

the insertion of the following:-

“(2) For the purposes of paragraph (f), the total

supplies means, the aggregate value of

supplies of-

(i) any person or partnership engaged in

the wholesale or retail business while

carrying on other business of similar

nature in one place or different places

under one or more registrations for the

purposes of this Act; and

(ii) with regard to any subsidiary or

associated company of a group of

companies, engaged in the wholesale

or retail business, the aggregate value

of supplies of each company of the

group, other than any company not

engaged in the wholesale or retail

business.”.

Amendment of 3. Section 8 of the principal enactment is hereby

section 8 of the amended by the substitution for the words “in the First

principal

enactment. Schedule to this Act as such supplies and imports are not

taxable unless zero rated under section 7.” of the following:-

“in the First Schedule to this Act as such supplies and

imports are not taxable unless zero rated under

section 7:

Provided that, in the case of a registered person

referred to in paragraph (f) of section 3 of this Act, the

value of the supply of goods exempted under this Act

made by such registered person directly or on behalf

of any other person, which is in excess of twenty five

per centum of the total supply of such registered person

other than zero rated supplies and where the supply is

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made by the importer himself, the value of such supply

of goods subject to Special Commodity Levy, shall

notwithstanding the provisions contained in the

Special Commodity Levy Act, No. 48 of 2007 be

deemed to be treated as liable supplies of such

registered person and chargeable to tax at the rate

specified in section 2 of this Act using the fraction on

the tax inclusive consideration:

Provided further, in the case of a registered person -

(a) who supplies pharmaceuticals, specified as

exempted in PART II of the First Schedule

to this Act; or

(b) who supplies software dedicated products

including computers and computer

accessories, exceeding seventy five per

centum of the total value of supplies

respectively of such registered person under

paragraph (a) or paragraph (b) of this proviso,

as the case may be, such registered person

shall not be liable to tax on any deemed

liable supplies referred to in this section.”.

4. Section 10 of the principal enactment is hereby Amendment of

amended in subsection (2) of that section by the substitution section 10 of the

for the words “is not less than rupees five hundred million” principal

of the words “is not less than rupees two hundred and fifty enactment.

million”.

5. Section 20 of the principal enactment is hereby Amendment of

amended by the insertion immediately after the first proviso section 20 of the

to subsection (1) of that section, of the following:- principal

enactment.

“Provided further, any tax invoice shall not be issued on

the supplies considered as deemed liable supplies referred

to in section 8 of this Act.”.

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

amended by the insertion immediately after subsection (11) section 22 of the

of that section, the following:- principal

enactment.

“(12) in the case of a person engaged in the insurance

business and carrying on both long term insurance

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business and general insurance business, and who

segregates such long term insurance business and the

general insurance business into two separate companies,

as required by section 53 of the Regulation of Insurance

Industry (Amendment) Act, No. 3 of 2011, the balance, if

any, of the amount unabsorbed input credit relating to

the business of general insurance as at the date of such

segregation, shall notwithstanding anything to the

contrary in any other provision of this Act, but subject to

the preceding provisions of this section, be treated as an

unabsorbed input credit by the company carrying on the

general insurance business after such segregation.

(13) any unabsorbed input credit of any bank

established under the Banking Act, No.30 of 1988 or

Finance Company licensed under the Finance Business

Act, No.42 of 2011, relating to the liable business of such

bank or finance company as at the date of acquisition or

merger of such bank or finance company, as the case may

be, shall be allowed to be claimed subject to the

provisions of this Act, and in accordance with the

guidelines issued by the Central Bank for this purpose.”.

Amendment of 7. Section 25C of the principal enactment is hereby

section 25C of

the principal amended in subsection (4) by the repeal of that subsection

enactment. and the substitution therefor of the following:-

“(4) Notwithstanding anything contained in

subsection(1), any person to whom this Chapter

applies-

(a) 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 but for the period prior to January

1, 2014. The provisions of subsection (5)

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shall however be applicable for the period

subsequent to the communication in writing

to the Commissioner-General which

communication shall not be revocable.

(b) shall for any month commencing from

January 1, 2014, be subject to the provisions

of subsection (5).”.

8. Section 25D of the principal enactment is hereby Amendment of

amended by the substitution for the words “a tax credit shall section 25D of

the principal

be allowed” of the words and figures “a tax credit shall be enactment.

allowed for any taxable period prior to January 1, 2014”.

9. Section 40 of the principal enactment is hereby Amendment of

amended by the repeal of paragraph (iii) of the proviso to section 40 of the

principal

that section and the substitution therefor of the following:- enactment.

“(iii) as regards movable property –

(a) for any taxable period ending prior to January

1, 2014, where tax for more than four taxable

periods is in default, the tax for four taxable

periods only to be selected by the

Commissioner-General shall rank in priority

to any lien or encumbrance created bona fide

for value prior to the date of default of such

tax; and

(b) for any taxable period commencing on or

after January 1, 2014, where the tax for more

than taxable periods for five years is in default,

the tax for taxable periods within five years

only to be selected by the Commissioner-

General, shall rank in priority to any lien or

encumbrance created bona fide for value prior

to the date of default of such tax.”.

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Amendment of 10. Section 71 of the principal enactment is hereby

section 71 of the amended by the repeal of item (ii) of subsection (2) of that

principal section and the substitution therefor of the following:-

enactment.

“(ii) (a) ten per centum for the period prior to January

1, 2014;

(b) Six per centum for any period from or after

January 1, 2014

of the tax collected by the Director-General of

Customs on importation of goods referred to in

subsection (3) of section 2 on or before the fifteenth

day of the month immediately succeeding that month

and each month thereafter.”.

Amendment of 11. Section 83 of the principal enactment is hereby

section 83 of the amended in the definition of the expression “international

principal transportation” by the addition immediately after paragraph

enactment.

(c) thereof, of the following new paragraph:-

“(d) from an international airport in Sri Lanka to another

international airport in Sri Lanka by way of air

transportation.”.

Amendment of 12. The First Schedule to the principal enactment is

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

Schedule of the

principal

(1) in paragraph (a) of that Part, -

enactment.

(a) by the repeal of item (i) and the substitution

therefor of the following:-

“(i) wheat, wheat flour or powdered milk;”;

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

therefor of the following:-

“(iii) ayurvedic preparations which belong

to the Ayurveda Pharmacopoeia or

ayurvedic preparations (otherthan

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cosmetic preparations) or unani, siddha

or homeopathic preparations (other

than cosmetic preparations identified

under the Harmonized Commodity

Description and Coding System

Numbers for custom purposes) and raw

materials for such preparations with the

recommendation of the Commissioner

of Ayurveda;”;

(c) by the repeal of item (viii) and the

substitution therefor of the following:-

“(viii) agricultural tractors or road tractors

for semi-trailers prior to January 1,

2014;”;

(d) in item (xxii), by the repeal of sub item (vi)

and the substitution therefor of the

following:-

“(vi) bowsers, bulldozers, graders, levelers,

excavators, firefighting vehicles, gully

bowsers, semi-trailers for road tractors,

machinery, equipment used for garbage

disposal activities or garbage trucks;”;

(e) by the addition immediately after item (vii)

the following new item:-

“(viii) ties and bows or designer pens;”;

(f) by the addition immediately after item (xxiii)

of the following items:-

“(xxiv) frozen bait, fish hooks/rods/ reels ,

fishing tackle and marine propulsion

engines identified under the

Harmonized Commodity

Description and Coding System

Numbers for Custom proposes.;

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(xxv) copper cables for telecom industry -

- imported where such copper cables

are not available is Sri Lanka; or -

-purchased from a local

manufacturer.”.

(2) in paragraph (b) of that Part:-

(i) by the repeal of item (xiii) and the

substitution therefor of the following item:-

“(xiii) imported unprocessed timber logs,

ships , rattans or any article subject

to the Special Commodity Levy

under the Special Commodity Levy

Act, No. 48 of 2007 subject to the

condition that such goods are sold

by the importer himself without any

processing except adaptation for

sale;”;

(ii) by the repeal of item (xxxi) and the

substitution therefor of the following:-

“(xxxi) telecommunication services

subject to the telecommunication

levy under the Telecommunication

Levy Act, No. 21 of 2011;”;

(iii) by the addition immediately after item (xLvi)

of the following new items:-

“(xLvii) desiccated coconut, rubber, latex,

tea including green leaf, rice, rice

flour, bread, eggs , liquid milk so

far as such products are

manufactured locally;

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(xLviii) machinery or equipment for tea or

rubber industry or agricultural

tractors or road tractors for semi-

trailers, so far as such products are

manufactured locally;

(xLix) services by any headquarters or

regional head offices of institutions

in the international network

relocated in Sri Lanka as exempted

for income tax purposes under

section 7 of the Inland Revenue

Act, No. 10 of 2006, so far as such

receipts are in foreign currency

received.

(L) locally manufactured 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).”.

(3) in item (xvi) of paragraph (c) of that Part by the

substitution for the words “machinery identified

under” of the words and figures “machinery prior

to January 1, 2014 identified under”.

13. In the principal enactment, - General

amendment to

the principal

(a) by the substitution for the word “Commissioner”

enactment.

wherever that word appears of the words “Senior

Commissioner”;

(b) by the substitution for the words “Deputy

Commissioner” wherever such words appear of the

word “Commissioner”;

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(c) by the substitution for the word “Senior Assessor”

wherever such word appears of the words “Senior

Commissioner” or “Deputy Senior Commissioner”;

(d) by the substitution for the word “Assessor”

wherever such word appears of the words “Assessor”

or “Assistant Commissioner”.

Validation. 14. Any person who is authorized to collect the Value

Added Tax as provided for in this Act during any period

commencing from January 1, 2014 and ending on the date

on which the Certificate of the Speaker is endorsed in respect

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 :

Provided that, the aforesaid provisions shall not affect

any decision or Order made by any Court or any proceedings

pending in any Court in respect of any tax collected as

provided for in this Act during such period.

Sinhala text to 15. 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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