



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

**VALUE ADDED TAX (AMENDMENT)
ACT, No. 9 OF 2021**

[Certified on 13th of May, 2021]

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Value Added Tax (Amendment)
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L. D.— O. 9/2020

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. 9 of 2021. 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 Act, No.14 of 2002

 - (1) in item (v) of sub-paragraph (v) of subsection (1) of that section by the substitution for the words “any taxable period thereafter” of the words and figures “any taxable period thereafter but for the period ending on or before November 30, 2019; and”;
 - (2) by the insertion immediately after the item (v) of sub-paragraph (v) of subsection (1) of that section of the following:-

“(vi) for the period commencing on December 1, 2019 and ending on December 31, 2019 and for any taxable period commencing on or after January 1, 2020 at the rate of eight *per centum* (of which the tax fraction is 2/27),”.
- 3.** Section 3 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “Notwithstanding the provisions of section 2, the tax shall not be” of the words and figures “Notwithstanding the provisions of section 2, for any period prior to January 1, 2020, the tax shall not be”. Amendment of section 3 of the principal enactment

Amendment of
section 7 of the
principal
enactment

4. Section 7 of the principal enactment is hereby amended in subsection (1) of that section as follows:-

- (1) by the substitution in paragraph (a), for the words “where the supplier of such goods has exported such goods;” of the words “where the supplier of such goods has exported such goods for which payment is received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which such exportation has taken place;”;
- (2) in paragraph (b) of that subsection—
 - (a) by the substitution in sub-paragraph (i) for the words “immovable property outside Sri Lanka” of the words “immovable property outside Sri Lanka, for which payment is received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which supply of such service is provided;”
 - (b) by the substitution in sub-paragraph (iia) for the words “re-export under entre-port trade:” of the words and figures “re-export under entre-port trade, for which payment is received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which supply of such service is provided;”
 - (c) by the substitution in sub-paragraph (iii) for the words “such right if for use outside Sri Lanka” of the words “such right is for use outside Sri Lanka, for which payment is

received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which supply of such service is provided;

- (d) by the substitution in sub-paragraph (v) for the words “payment is received in foreign currency through a bank, if ” of the words and figures “payment is received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which supply of such service is provided, if;
- (e) by the substitution in sub-paragraph (vi) for the words “payment is received in foreign currency, through a bank” of the words and figures “payment is received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which supply of such service is provided;
- (f) by the substitution in sub-paragraph (vii) for the words “payment for such service is received in foreign currency, through a bank in Sri Lanka in so far” of the words and figures “payment for such service is recieved in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which supply of such service is provided, in so far;”;

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- (3) by the substitution in paragraph (c), for the words “foreign currency from outside Sri Lanka through a bank in Sri Lanka” of the words and figures “foreign currency from outside Sri Lanka through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which supply of such service is provided”;
- (4) by the insertion immediately after subsection (2), of the following:–

“(3) Notwithstanding the payment in respect of supply of goods or services referred to in subsection (1) of section 7 is not received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which such exportation has taken place or supply of such service is provided, as the case may be, where it is proved to the satisfaction of the Commissioner-General that such goods are exported or the services are performed, the rate specified in section 2 shall not apply on such supply of goods or services.”.

Amendment of
section 10 of
the principal
enactment

5. Section 10 of the principal enactment is hereby amended as follows:–

(1) in subsection (1) of that section–

- (a) by the substitution in paragraph (v), for the words and figures “on or after April 1, 2016,

carries on” of the words and figures “on or after April 1, 2016, but prior to January 1, 2020, carries on”;

- (b) by the insertion immediately after paragraph (v), of the following:-

“(vi) on or after January 1, 2020, carries on or carries out any taxable activity in Sri Lanka shall be required to be registered under this Act, if—

- (a) at the end of any taxable period of one month or three months, as the case may be, the total value of the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka in that taxable period of one month or three months, as the case may be, is seventy five million rupees or more; or
- (b) in the twelve months period then ending, the total value of the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka has exceeded three hundred million rupees; or
- (c) at any time, there are reasonable grounds to believe that the total value of the taxable supplies of goods or services or goods and services of such person in Sri Lanka, in the succeeding one month or three months taxable period, as the case may be, is likely to exceed

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seventy five million rupees or in the succeeding twelve months period is likely to exceed three hundred million rupees.”;

- (2) in subsection (2) of that section by the substitution for the words “exempted under PART II of the First Schedule to the Act, is not less than” of the words and figures “exempted under PART II of the First Schedule to this Act, for any period prior to January 1, 2020, is not less than”.

Replacement of section 12 of the principal enactment

6. Section 12 of the principal enactment is hereby repealed and the following section is substituted therefor:-

“Voluntary registration

12. (1) Notwithstanding anything to the contrary in sections 3 and 10, any person who supplies goods or services and carries on a taxable activity or who imports any taxable goods may make an application to the Commissioner-General, in the form specified by the Commissioner-General, for registration under this Act,-

(a) for any taxable period prior to January 1, 2013:

Provided however, the Commissioner-General may after affording the applicant an opportunity of being heard, and having regard to the nature of the business carried on by such applicant, the value of the taxable supplies made by such applicant in the two preceding taxable periods and

the probability that the value of his taxable supplies will not exceed the value referred to in section 10, refuse to register such applicant; and

- (b) for any taxable period commencing on or after January 1, 2020, in the case of a person who supplies goods or services and carries on a taxable activity.

(2) Any person registered under this section shall not be eligible for registration with the Simplified Value Added Tax Scheme administered by the Commissioner-General unless-

- (a) his taxable supply exceeds the total value of the taxable supplies referred to in subsection (1) of section 10; or
- (b) he is an exporter who proves to the satisfaction of the Commissioner-General that his total supplies have been exported; or
- (c) such person is willing to register for the purpose of the Simplified Value Added Tax Scheme as a Registered Identified Supplier as approved by the Commissioner-General.”.

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

Amendment
of section 22
of the
principal
enactment

- (1) in paragraph (a) of the first proviso to subsection (1) thereof, by the repeal of sub-paragraphs (iii) and (iv) and the substitution therefor of the following:-

“(iii) (a) rupees seventy five for any period commencing on or after August 16, 2018 but prior to November 1, 2019;

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(b) rupees one hundred for any period commencing on or after November 1, 2019, but prior to January 1, 2021;

(c) rupees twenty five for any period commencing on or after January 1, 2021,

for each such garment other than panties, socks, briefs and boxer shorts identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes;

(iv) (a) rupees seventy five for any period commencing on or after August 16, 2018, but prior to November 1, 2019;

(b) rupees one hundred for any period commencing on or after November 1, 2019, but prior to January 1, 2021;

(c) rupees twenty five for any period commencing on or after January 1, 2021,

for six pieces of panties, socks, briefs and boxer shorts, identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes.”;

(2) in subsection (6) of that section, by the insertion immediately after paragraph (v), of the following new paragraph:—

“(vi) if the payment in respect of supply of goods or services referred to in subsection (1) of section 7 is not received in foreign currency through a bank in Sri Lanka licenced under the Banking Act, No. 30 of 1988 within a period of six months from the end of the taxable period of which such exportation has taken place or supply of such service is provided, as the case may be.”;

- (3) in subsection (14) of that section, by the substitution for the words and figures “ (14) Where any person” of the words and figures “(14) For any period prior to the date of commencement of this (Amendment) Act where any person”.

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

Amendment of
the First
Schedule to the
principal
enactment

- (1) in paragraph (a) of that PART, by the insertion immediately after item (xxx) of the following new item-

“(xxxi) machinery and equipment including medical, surgical and dental instruments, apparatus, accessories and parts thereof, hospital or medical furniture and drugs, chemical and similar items, as recommended by the Secretary to the Ministry of the Minister assigned the subject of Health, as required for the provision of health services to address the COVID 19 pandemic, with effect from May 20, 2020.”;

- (2) by the substitution in sub-item (c) of item (xi) of paragraph (b) for the words and figures “on or after April 1, 2019, other than any lease” of the words and figures “on or after April 1, 2019 but on or before November 30, 2019, other than any lease”;

- (3) by the insertion immediately after sub-item (c) of item (xi) of paragraph (b), of the following: -

“(d) if such supply has taken place on or after December 1, 2019, by any person, other than any lease or rent of residential accommodation.”;

- (4) by the renumbering of item (Li) and (Lii) (as inserted by Value Added Tax (Amendment) Act, No.25 of 2018) of paragraph (b) as (Lii) and (Liii) respectively;

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(5) by the insertion immediately after the renumbered item (Liii) of the followings:-

“(Liv) commencing on or after January 1, 2020 information technology and enabled services as shall be prescribed;

(Lv) health protective equipment and similar products by any exporter, registered with the Board of Investment of Sri Lanka established by the Board of Investment of Sri Lanka Law, No.4 of 1978, to the Ministry of Health and Indigenous Medical Services, Department of Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air force and Sri Lanka Police on or after April 29, 2020;

(Lvi) services in respect of inbound tours, by a travel agent registered with the Sri Lanka Tourism Development Authority for any period commencing from April 1, 2020;”;

(6) by the addition immediately after paragraph (l) of that PART the following:-

“(m) with effect from the date of commencement of this (Amendment) Act, local supply of any goods [other than goods referred to in paragraph (c)], which would have been exempted on importation, if imported.”;

Validation

9. Any person who is authorized to collect the Value Added Tax as provided for in this Act during the period commencing from December 1, 2019 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 the said period.

10. 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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