

Parliament amends the NBT Act revising exemptions

Executive summary

The Parliament passed the Nation Building Tax (Amendment) Bill, providing amendments to certain provisions of the Nation Building Tax Act, No. 9 of 2009 (“NBT Act”). This new Amendment Act which is yet to receive the certification of the Speaker has been analysed by us based on the Nation Building Tax (Amendment) Bill presented to Parliament and amendments made at Committee stage in Parliament. The amendments are effective from 1 April 2017 unless otherwise specifically stated.

This Amendment Act is enacted mainly for amending the exempt articles and services listed in the NBT Act.

Detailed discussion

The salient features of the new Amendment Act are as follows:

1. Construction services

The present NBT Amendment Act has withdrawn the exemption granted to construction contractors with effect from 1 August 2017. However, the exemption granted to construction sub-contractors will continue to be exempt from NBT.

If you would like to know more about these developments and how they may affect your business, please contact one of the EY tax professionals based in the locations listed below.

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2. Generation and supply of electricity

The NBT (Amendment) Act, No. 22 of 2016 removed the NBT exemption granted for supply of electricity with effect from 1 November 2016. However, this Amendment Act has extended the exemption to 1 April 2017. No reference is made as to whether the NBT paid during the period from 1 November 2016 to 31 March 2017 will be refunded as supply of electricity during this period is exempt from NBT.

The present amendment exempts generation of electricity and supply of electricity from NBT with effect from 1 April 2017 for Ceylon Electricity Board ("CEB"). Accordingly, with effect from 1 April 2017, supply of electricity to CEB is exempt.

3. Services by External Gateway Operators ("EGOs")

A new exemption is introduced for EGOs. International telecommunication services provided by EGOs to local operators are exempt with effect from 1 April 2017.

4. Services of a travel agent

Previously, services of a travel agent in respect of inbound tours are exempt if such travel agent is registered with the Ceylon Tourist Board. The present Amendment Act has further restricted the exemption with effect from 1 August 2017 and now the exemption is available only if the travel agent receives such payment in foreign currency through a bank.

5. Export of services

Prior to the present Amendment Act, any services rendered in or outside Sri Lanka to a person outside Sri Lanka for payments received in foreign currency through a bank was exempt. The present Amendment Act has added further restriction that such services must be utilised outside Sri Lanka, with effect from 1 April 2017.

6. Construction and sale of residential accommodation

The exemption granted for construction and sale of residential accommodation for projects of less than USD 10 million is removed with effect from 1 August 2017.

7. Petroleum and petroleum products

The NBT (Amendment) Act, No. 22 of 2016 removed the NBT exemption granted for petroleum and petroleum products with effect from 1 November 2016. However, this Amendment Act has reversed liability and made petroleum and petroleum products exempt once again from 1 November 2016, except for lubricants. Hence, the removal of said exemption by the NBT (Amendment) Act, No. 22 of 2016 has been made null and void. No reference is made as to whether the NBT paid during the period from 1 November 2016 to date will be refunded.

Therefore, in effect, petroleum and petroleum products are exempt from NBT while lubricants are liable to NBT with effect from 1 November 2016.

8. Import of goods by Sri Lankan Airlines, Mihin Lanka and Sri Lanka Catering services.

The exemption granted for import of goods for the purpose of providing international transportation, being consigned to Sri Lankan Airlines Limited, Mihin Lanka (Private) Limited and Air Lanka Catering Services Limited is withdrawn with effect from 1 August 2017.

Accordingly, goods imported by the above entities after 1 August 2017 will be liable to NBT.

9. Printed books

Printed books, magazines, journals or periodicals other than newspapers identified under HS codes are exempt from 1 April 2017. Accordingly, import and sale by manufacturer of above items will be exempt from NBT. Previously, the exemption was restricted to wholesale and resale of printed books.

10. Articles import for re-export

The exemption applicable to re-export articles remains unchanged. However, the condition “to be re-shipped within a period of one year from the date of importation of such article to Sri Lanka or within a period of ninety days after the completion of such project” has been extended to four categories identified under the said exemption. The exemption is applicable to import of articles for

- ▶ Display at an exhibition
- ▶ The temporary use in Sri Lanka in any project approved by the Minister
- ▶ For the purpose of repairs to that article to be carried out in Sri Lanka or
- ▶ Any other similar purpose

11. Supply of services by Co-operative Societies and Lak Sathosa

Previously, services provided by Co-operative Societies and Lak Sathosa were exempt from NBT. The present Amendment Act has removed the exemption with effect from 1 August 2017.

12. Import of articles by Co-operative Societies and Lak Sathosa

Prior to the present Amendment Act, Co-operative societies and Lak Sathosa had granted NBT exemption for articles imported. The Present Amendment Act has withdrawn the exemption with effect from 1 August 2017.

This material was prepared to present time-sensitive information affecting our clients. Hence, it has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice.

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