

Parliament passed the NBT Bill by limiting and granting new exemptions

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Parliament has passed the Nation Building Tax (Amendment) Bill, together with amendments moved at the Committee Stage, on July 18, 2018, which provides for the following changes to Nation Building Tax Act No. 09 of 2009. This Bill is yet to be certified by the Hon. Speaker.

The key amendments are summarized in this document.

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Limitation of Exemption

1. Liquor

Liquor had been exempted from NBT under the existing provisions at the point of importation, manufacture or sale (by importer) effective from October 2014.

By this amendment, this exemption has been removed with effect from the effective date of the present amendment. However, the sale of liquor by the importer himself will be liable to NBT effective from April 1, 2018.

[Item (L) of Part I of First Schedule]

2. Electricity

Under the existing provisions, the supply of electricity has been exempted from NBT for the period prior to May 2, 2016 and for the period commencing from July 11, 2016, but prior to April 1, 2017.

By the present amendment, the liable period has been dated back to end on November 1, 2016 (instead of April 1, 2017). As such, the NBT liability on the supply of electricity arises retrospectively from November 1, 2016.

Besides, under the existing provisions, with effect from April 1, 2017, the generation of electricity and the supply of electricity other than the supply of electricity by the Ceylon Electricity Board (CEB) will continue to be exempt. It means that with effect from April 1, 2017 on the supply of electricity, only the CEB is liable to NBT.

[Item (a)(ii) of Part II of First Schedule]

Granting New Exemptions

1. Locally Manufactured Coconut Products

Locally manufactured coconut oil had been exempted from NBT (excepted article), at the point of sale by the manufacturer, for three years up to January 1, 2017.

By this amendment, the NBT exemption has been extended to another three years period effective from April 1, 2018, covering not only locally manufactured coconut oil, but also coconut milk, poonac, pairing, coconut shells and coconut water, at the point of sale by the manufacturer.

[Item (XLVI) of Part I of First Schedule]

2. Imported non-motorized equipment for water sports

Non-motorized equipment and accessories for water sports such as Kayaks, Canoes, Kite surfing and diving have been made exempted from NBT at the point of importation, with effect from the date of present amendment.

[Item (LII) of Part I of First Schedule]

3. Non-powered equipment and accessories for aero sports

Non-powered equipment and accessories for aero sports such as hang gliding, ballooning, dirigibles, parachuting and para-gliding have been exempted from NBT, at the point of importation, with effect from the date of present amendment.

[Item (LIII) of Part I of First Schedule]

4. Importation of gem stones for re-export

Exemption has been provided on NBT, at the point of importation, on gem stones imported for re-export after cutting and polishing them.

[Item (LIV) of Part I of First Schedule]

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5. Service provided by Sri Lanka Deposit Insurance Scheme

Any service provided by Sri Lanka Deposit Insurance Scheme (established by regulation under Monetary Law Act) is made exempt from NBT with effect from April 1, 2018.

[Item (xl) of Part II of First Schedule]

6. Construction contractors

Under the existing provisions, effective from August 1, 2017, construction sub-contractors have been made exempt from NBT.

By the present Amendment, the NBT exemption has been extended to the main contractor as where the relevant contract agreement had been executed prior to August 1, 2017. This would mean that the construction contractors will continue to be liable to NBT for contract agreements signed after August 1, 2017.

[Item (vii)(c) of Part II of First Schedule]

Contact details

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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