

Summary of amendments to VAT by Act No. 25 of 2018

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As passed by Parliament on August 9, 2018 together with amendments moved at the Committee Stage of the Bill, and certified by the Hon. Speaker, the Value Added Tax (Amendment) Act, No. 25 of 2018 takes effect on August 16, 2018 (unless otherwise stated).

The amendments made to the Value Added Tax Act, No. 14 of 2002 by this amendment Act, which include provisions for new exemptions, termination of existing exemptions and other changes are summarized in this document.

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1. Relaxation of VAT Chargeability at Piece Rate on Garments

Prior to the present amendment, the garments supplied in the local market on or after November 1, 2016 by certain BOI companies, not exceeding the permitted percentage, are liable to VAT at LKR. 75/- per one piece thereof under the existing provisions.

Effective from August 16, 2018, the supply of panties, socks, briefs and boxer shorts (falling together with any other local supplies within the said permitted percentage) has been made liable to VAT at LKR. 75/- per six pieces of any such items, and thereby reducing the liability on each such item.

The supply of such garments other than panties, socks, briefs and boxer shorts will continue to be taxed at LKR 75/- per one piece even after the commencement date of new amendment.

[Sec 22(1), para (a) of first proviso]

2. Refund of VAT to Tourists

Appropriate new provisions have been included in the VAT Act, to be effective from a date determined by the Minister (by a Gazette Order), for any tourist (defined) to be eligible for a refund of VAT paid on any prescribed goods purchased in Sri Lanka from an authorized retailer (defined), on the satisfaction of certain other conditions.

[Section 58A]

3. Revised meaning to “Value of Healthcare Services” for VAT purposes

The value of Healthcare Services has been re-defined to be “Value of such supplies less the cost of diagnostic test, dialysis, any healthcare services provided by the OPD healthcare of any medical institution or professionally qualified person providing such care and medical consultation services”.

[Section 5 (15)]

4. Expansion of Exemptions

4.1 Infant Milk Powder

The supply or import of Infant milk powder has been made exempted with effect from November 1, 2016.

[First Sch., Para (a)(i) of PART II]

4.2 Books, Magazines, Journals or Periodicals

The supply or import of Books, Magazines, Journals or Periodicals (other than newspapers) identified under respective HS Codes has been exempted with effect from November 11, 2016.

Prior to this date, this exemption had been provided to be applicable only on “Books (other than cheque books, periodicals, magazines, newspapers, diaries, ledger books and exercise books)”.

[First Sch., Para (a)(v) of PART II]

4.3 Energy Saving Bulbs

The supply or import of energy saving bulbs is made exempt from VAT with effect from January 1, 2017, in addition to the existing exemption on raw materials for the manufacture of energy saving bulbs.

[First Sch., Para (a)(xxii)(vii) of PART II]

4.4 Plants, Machinery or Accessories for Renewable Energy Generation

The supply or import of plants, machinery or accessories for renewable energy generation, identified under HS Codes have been exempted with effect from November 11, 2016.

[First Sch., Para (a)(xxvii) of PART II]

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4.5 Electrical Goods

The supply or import of electrical goods identified under HS Codes has been exempted with effect from November 11, 2016.

[First Sch., Para (a)(xxviii) of PART II]

4.6 Medical Machinery or Medical Equipment

The supply or import of medical machinery or medical equipment identified under HS Codes have been exempted effective from November 11, 2016.

[First Sch., Para (a)(xxix) of PART II]

4.7 Hot Air Balloons

The supply or import of hot air balloons identified under HS Codes has been made exempt effective from January 1, 2017.

[First Sch., Para (a)(xxx) of PART II]

4.8 Health Care Services

The supply of all health care services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges, has been made exempt effective from August 16, 2018.

It means that, virtually all health care services other than hospital room charges (except those provided by unqualified persons in a disorganized manner) will not be liable to VAT.

[First Sch., Para (b)(xii) of PART II]

4.9 Jewellery

The supply of locally manufactured jewellery prior to November 1, 2016 and with effect from November 22, 2016 made exempt.

[First Sch., Para (b)(xxx) of PART II]

4.10 Geriatric and Child Care Services

The supply of geriatric services and child care services has been made exempt effective from August 16, 2018.

[First Sch., Para (b)(Li) of PART II]

4.11 International Telecommunication Services

The supply of International telecommunication services provided by "External Gateway Operators" to the local telecommunication operators, has been made exempt, effective from August 16, 2018.

[First Sch., Para (a)(i) of PART II]

5. Removals of Exemptions

5.1 Aircrafts or Helicopters

The supply or import of aircrafts or helicopters, which was exempt prior to the present amendment, has been made liable to VAT effective from August 16, 2018.

[First Sch., Para (a)(iv) of PART II]

5.2 Sunglasses

The supply or import of sunglasses is made liable to VAT effective from August 16, 2018.

[First Sch., Para (a)(xxii)(i) of PART II]

5.3 Sawn Wood

The supply or import of sawn wood is made liable to VAT effective from August 16, 2018.

[First Sch., Para (a)(xxii)(ii) of PART II]

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5.4 Fabric for Domestic Consumption

Supply or import of fabric for domestic consumption which was made liable to a cess at a specific rate in lieu of other taxes on importation, as specified by a Gazette notification under Sri Lanka Export Development Act, was exempt from VAT under the existing provisions.

This exemption has been terminated effective from August 16, 2018.

[First Sch., Para (a)(xxii)(v) of PART II]

5.5 Residential Accommodation

The supply of residential accommodation (other than lease or rent) was exempted from VAT (as per the amendment made by Act No. 20 of 2016). However, in terms of the present amendment, this exemption is terminated effective from August 16, 2018.

Nevertheless, an exemption has been provided on the supply (other than lease or rent), on or after April 1, 2019, of;

- (i) any residential accommodation (other than any condominium housing unit); or
- (ii) any condominium housing unit of a condominium housing project, being a project the price or market value (higher) of any housing unit thereof does not exceed LKR. 15Mn.

[First Sch., Para (b) (xi)(b)&(c) of PART II]

5.6 Aircraft Engines or Aircraft Spare Parts

The import of aircraft engines or aircraft spare parts (identified under HS Codes) which was exempt from VAT from July 17, 2007 has been made liable to VAT effective August 16, 2018.

[First Sch., Para (c)(xx) of PART II]

5.7 Cinematographic Cameras, Projector Parts and Accessories

The import of cinematographic cameras, projector parts and accessories (identified under HS Codes) has been made liable to VAT effective from August 16, 2018.

[First Sch., Para (c)(xxviii) of PART II]

5.8 Aircraft Stimulators and Parts

The exemption on the import of Aircraft stimulators and parts (identified under HS Codes) applicable effective from January 1, 2011, has been terminated and made liable to VAT effective from August 16, 2018.

[First Sch., Para (c)(xxix) of PART II]

5.9 Green Houses, Poly Tunnels and Materials

The exemption on the import of green houses, poly tunnels and materials for the construction of greenhouses by any grower of agricultural products or plants of any type (subject to conditions), has been made liable to VAT effective from August 16, 2018.

[First Sch., Para (c)(xxxiii) of PART II]

5.10 Fabric

The exemption on the import of fabric (identified under HS Codes) for sale under local market (subject to conditions), has been terminated from the date of commencement of the amendment Act.

[First Sch., Para (c)(xxxvi) of PART II]

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