



INLAND REVENUE DEPARTMENT

Notice to the Fabric Suppliers

Imposition of Value Added Tax (VAT) on Fabric at the point of Importation

As per the amendments made to sub item (v) of item (xxii) paragraph (a) and item (xxxvi) of paragraph (c) of the First Schedule to the Value Added Tax Act, No. 14 of 2002 by the Value Added Tax (Amendment) Act, No. 25 of 2018, exemption granted on the imports or supply of fabric from VAT is terminated and made liable to **VAT** with effect from 16.08.2018 **at the point of Customs.**

Accordingly, VAT is charged on the importation of fabric for the period from 16.08.2018 to 16.09.2018 at the rate of 15%. However, such **rate is reduced to 5%** on such importation with effect from 17.09.2018 as per the Extraordinary Gazette Notification No. 2089/13 dated September 17, 2018, published under section 2A of the Act.

However, the exemption granted on domestic supply of imported fabric on which the Cess is paid and locally manufactured fabric (by manufacturer who does not enjoy any concessions under BOI) is continued.

Therefore, persons who are engaged in import of fabric which are subject to Cess at the point of importation are required not to charge VAT on sale of such fabric from their customers. Hence, obtaining permanent VAT registration number or submitting VAT return to the IRD for this purpose is not required.

Commissioner General of Inland Revenue



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