INLAND REVENUE DEPARTMENT

Notice to the Wood (sawn) Suppliers

Imposition of Value Added Tax (VAT) on Wood (Sawn)

As per the amendments made to sub item (iv) of item (xxii) of paragraph (a) of the First Schedule to the Value Added Tax Act, No. 14 of 2002 (VAT Act) by the Value Added Tax (Amendment) Act, No. 25 of 2018, exemption granted on the import or supply of wood (sawn) from VAT is terminated and made liable to **VAT** with effect from 16.08.2018.

Accordingly, VAT is charged on the import and supply of imported or locally produced wood (sawn) for the period from16.08.2018 to 31.10.2018 at the rate of 15%.

Further, such **rate is reduced to 5%** on importation as well as on domestic supply of such wood (sawn) (HS Code 4407 & 4408) with effect from 01.11.2018 as per the Extraordinary Gazette Notification No. 2095/19 dated November 01, 2018, published under section 2A of the VAT Act. **However**, any input tax paid which is attributable to such supply (on which VAT is charged at 5%), including the VAT paid on the importation of such wood at 5% shall not be allowed [Third proviso to section 22 (3) of the VAT Act as inserted by the VAT (Amendment) Act, No. 6 of 2005].

Therefore, persons who are engaged on imports or local supply of wood (sawn) are required to charge VAT on the sale of such wood (sawn) as follows.

- For the period from 16.08.2018 – 31.10.2018 at 15%
- with effect from 01.11.2018 at 5% (No any input tax is allowed)

Hence, obtaining permanent VAT registration number and submitting VAT return to the IRD for this purpose is required.

Commissioner General of Inland Revenue

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