

Comparison of exemptions with the exemptions under PART II of the First Schedule prior to 01.01.2024 with PART III of the First Schedule with effect from 01.01.2024

<u>PART II</u>	<u>PART III</u>
For any taxable period commencing on or after January 1, 2004 but prior to January 1, 2024 (subject effective dates specified in subsequent amendments to the Schedule)	with effect from January 1, 2024 <i>VAT (Amendment) Act No 32 of 2023</i>
(a) The supply or import of -	(a) The supply or import of-
(i) wheat, wheat flour or infant milk powder with effect from November 1, 2016	(i) wheat and wheat flour; (ii) infant milk powder; <i>(Remarks – same provisions , No change, only split into two parts)</i>
(ii) pharmaceutical products and drugs (other than cosmetics including such products and drugs certified by Cosmetics, Devices and Drugs Authority, established by the Cosmetics, Devices and Drugs Act, No. 27 of 1980, and raw materials for the production or manufacture of such products or drugs;	(iii) pharmaceutical products, drugs (other than cosmetics), the end use of which are confined to therapeutic or prophylactic effect and purchased on a prescription of a physician and raw materials for the production or manufacture of such products or drugs; <i>(Remarks: when importing how the condition of “on the prescription of the physician” to be applied? There may be practical difficulties in application even locally as the physical records of the prescription need to be kept)</i>
(iii) ayurvedic preparations which belong to the Ayurveda Pharmacopoeia or ayurvedic preparations (other than cosmetic preparations) or unani, siddha or homeopathic preparations (other than cosmetic preparations identified under the Harmonized Commodity Description and Coding System Numbers for custom purposes) and raw materials for such preparations with the recommendation of the Commissioner of Ayurveda;	(iv) ayurvedic preparations belonging to the ayurvedac pharmacopoeia or ayurvedic preparations (other than cosmetic preparations) or unani, siddha or homeopathic preparations (other than cosmetic preparations) identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes and raw materials for such preparations, with the recommendation of the Commissioner for Ayurveda appointed under section 3 of the Ayurveda Act, No. 31 of 1961; <i>(Remarks – identical provisions and no change)</i>
(iv)aircrafts, helicopters (prior to 16.8.2018) , pearls, diamonds, natural or synthetic, precious or semi - precious stones, diamond powder, precious metals, metals clad with precious metals, gold coins;	<i>(Remarks – exemption is removed with effect from 01.01.2024. (Anyway, the exemption on helicopters was removed with effect from 16.08.2018) and the other items were exempted up to 31.12.2023. However, there will be a huge impact in charging VAT on high value items and most of the cases, the VAT is to be refunded for export process except for cases in which such items are considered as raw-materials and the deferment facility on importation could be considered.)</i>

(v) books (other than cheque books, periodicals, magazines, newspapers, diaries, ledger books and exercise books) for any period prior to November 1, 2016	<i>(Remarks – exemption is removed with effect from 01.01.2024), Exemption was available not only for books but also for magazines, journals or periodicals. However, the input is claimable on purchase or import of goods / services on or after 01.01.2024 and the prices may be adjusted accordingly.</i>
books magazines, journals or periodicals (other than newspapers) for any period on or after November 11, 2016 under the Harmonized Commodity Description and Coding System Numbers for Custom purposes; and	
unused postage and revenue stamps of the Government of the Democratic Socialist Republic of Sri Lanka or of a Provincial Council	<i>(Remarks – exemption is removed with effect from 01.01.2024, Revenue Stamps have a fixed price, when VAT is imposed when Government purchases the revenue stamps, price will be increase, and it is not clear as to how the cost could be passed to the buyers of stamps???)</i>
(vi) crude petroleum oil, kerosene, Liquid Petroleum Gas and aviation fuel (effective from 5/8/2005) diesel and aviation fuel (effective from 1/8/2005) oil for ships or fuel oil specified under Harmonized of Commodity Description Number 2710.19.60;	(v) crude petroleum oil, kerosene, aviation fuel, oil for ships or Fuel oil specified under the Harmonized Commodity Description Number 2710.19.60 for Custom purposes; <i>(Remarks – The exemption on LP gas and Diesel is removed. Crude petroleum oil is still exempt but petrol is liable. It is important to publish the HS Code Nos to identify the exempt items in a circular or any other way as the HS Code Nos cannot be incorporated to the Act, since it is subject to changes time to time.)</i>
(vii) artificial limbs, crutches, wheel chairs, hearing aids, accessories for such aids or appliances which are worn or carried or implanted in the human body to compensate for a defect or disability, white canes for the blind, Braille typewriters and parts, Braille writing papers and Braille writing boards and any other articles which are used by disabled persons which are approved by Minister, taking into consideration the degree of relief requested by such persons, on an application made for that purpose.;	(vi) artificial limb, crutches, wheel chairs, hearing (aids, accessories for such aids or appliances which are worn or carried or implanted in the human body to compensate for a defect or disability, white canes for the blind, braille typewriters and parts, braille writing papers, braille writing boards and any other articles which are used by disabled persons which are approved by the Minister taking into consideration the degree of relief requested by such persons, on an application made for that purposes; <i>(Remarks: the exemption continues No change)</i>
(viii) agricultural tractors or road tractors for semi-trailers ;	<i>(Remarks – exemption is removed with effect from 01.01.2024)</i>
(ix) cellular mobile phones;	<i>(Remarks – exemption is removed with effect from 01.01.2024. In 2011, cellular mobile phones were exempted as it was not practical in collecting VAT.</i>

		<i>Therefore, instead of charging VAT on phones, usage was made liable by introducing Telecommunication Levy. However, the policy has been changed, therefore, special attempt should be made to collect VAT on phones, as it may come to the country through informal ways to avoid import taxes including VAT)</i>
(x) agricultural machinery, mammoties, forks, fertilizer (effective from 01.07.2004), artemia eggs and peat moss classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes;		(vii) bio fertilizer, artemia eggs and peat moss, classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes; <i>(Remarks- exemption is removed for agricultural machinery, mammoties, forks and the exemption for fertilizer has been restricted to bio fertilizer only. What is bio fertilizer may be defined specially for local supply as there will be practical difficulties in application.)</i>
(xi) agricultural seeds, agricultural plants, shrimp feed inclusive of prawn feed and animal feed but excluding poultry feed;		(viii) agricultural seeds, agricultural plants, shrimp feed inclusive of prawn feed and animal feed but excluding poultry feed; <i>(Remarks – exemption continues, No change)</i>
(xii) machinery used for construction industry, milk processing machinery, computers including computer accessories, machinery, yarn used for textile industry and dyes used for the handloom industry, as identified under the Harmonized Commodity Description and coding System Numbers for custom purposes and (effective from 1/1/2008), and machinery used for rice milling industry (effective from 23.12.2005) which are identified by the Commissioner General of Inland Revenue under Harmonized Commodity Description and Coding System Numbers for Custom purposes;		(ix) yarn used for textile industry as identified under the Harmonized Commodity Description and coding System Numbers for Custom purposes; (x) dyes used for the handloom industry as identified under the Harmonized Commodity Description and coding System Numbers for Custom purposes. <i>(Remarks- Exemption is removed on machinery used for construction industry, milk processing machinery, computers including computer accessories, machinery and machinery used for rice milling industry)</i>
(xiii) plant and machinery by a company, for the use in a new undertaking by such company in any District other than Colombo and Gampaha as having a capital investment of not less than rupees thirty million and the other criteria specified in section 20 of the Inland Revenue Act for the purposes of the Tax Holiday;		<i>(Remarks – exemption is removed. Anyway, this is a redundant provision as the tax holidays referred to therein are not relevant now. Therefore, this is not a new removal)</i>
(xiv) media equipment or motor bicycles recommended by the Secretary to the Ministry of the Minister in charge		<i>(Remarks – exemption is removed)</i>

	of the subject of Media and approved by the Minister, for use by media personnel;	
(xv)	Prawns;	<i>(Remarks – exemption is removed. Would this fall under unprocessed fish? The import of fish is subject to Special Commodity Levy but prawns do not fall under that HS Code (3.2). Prawns fall under HS Code No 3.6). However, unless the HS Code classification is given there is an ambiguity for local supply, as it may fall under locally supply of unprocessed fishing. According to the dictionary meaning it is not a fish]</i>
(xvi)	Solar panel modules, accessories or solar home system for the generation of solar power energy identified under the specified Harmonized Commodity Description Nos. for customs purposes; (effective from 1/1/2009);	<i>(Remarks – exemption is removed, However, generation of electricity is exempt, so the cost would be increased as no input credit on final supply of electricity including distribution. The input tax can be claimed only by registered person who supply solar panel modules , accessories including installation)</i>
(xvii)	High tech medical equipment or any machinery used for the manufacture of ticket issuing machinery identified under the specified Harmonized Commodity Description Numbers for custom purposes;	<i>(Remarks – exemption is removed)</i>
(xviii)	Petrol, coal (if supplied prior to November 1, 2016) or Bitumen specified under Harmonized commodity Description and Coding System Numbers for Custom purposes with effect from November 26, 2010;	<i>(Remarks – exemption is removed, However, the exemption on coal was removed with effect from 01.11.2016)</i>
(xix)	(a) machinery and equipment for manufacture of grain mixed bakery products with effect from November 29, 2010;	
	(b) machinery and equipment for the use of leather or footwear industry or bags, motor homes, taxi meters, agricultural machinery and parts, electronic equipment or articles use manufacture of fashion jewellery with effect from January 1, 2011;	
	(c) light weight electrical and electronic items with effect from June 1, 2010 but prior to November 1, 2016;	<i>(Remarks – the exemption is removed, anyway, the exemption on light weight electrical and electronic items & telecom equipment was removed with effect from 01.11.2016, and the exemption telecom equipment was introduced only during the period the telecom service was exempted.)</i>
	(d) fruit seeds with effect from August 16, 2010;	
	(e) telecommunication equipment with effect from January 1, 2011 but prior to May 2, 2016 and for the period commencing from July 11,	

		2016 but ending on or before on November 1, 2016;	
		as specified under Harmonized Commodity Description and Coding System Numbers for Custom purposes;	
	(xx)	any machinery or high-tech equipment for the telecom industry, having identified that such machinery or equipment is imported or purchased exclusively for the use in the telecom industry and imported or purchased by any operator of telecommunication services, with effect from January 1, 2011 but prior to May 2, 2016 and for the period commencing from July 11, 2016 but ending on or before November 1, 2016;	<i>(Remarks – the exemption was removed with effect from 01.11.2016. so this is not a new removal)</i>
	(xxi)	spare parts and accessories for exclusive use by Sri Lanka Railways prior to November 1,2016;	<i>(Remarks – this is not a new removal, the exemption was removed with effect from 01.11.2016)</i>
	(xxii)	(i) lorries, trucks, buses, sports equipment, machinery used for the production of rubber or plastic products, sunglasses (prior to 16.8.2018) , perfumes (if supplied prior to November 1, 2016) , moulding (steel, glass, rubber, mineral material or plastic), photo sensitive semiconductor devices;	<i>(Remarks – the exemption is removed, however, sunglasses and perfumes are liable from 01.11.2016. So those two items are not new removals of the exemption)</i>
		(ii) raw materials for the manufacture of spectacles and spectacle frames;	<i>(Remarks – the exemption is removed)</i>
		(iii) items and spares for the poultry industry;	<i>(Remarks – the exemption is removed)</i>
		(iv) wood (sawn) [prior to 16.8.2018] ;	<i>(Remarks – the exemption was removed on 16.08.2018 , so this is not a new removal)</i>
		(v) fabric for domestic consumption subject to a cess at a specific rate in lieu of chargeability of any other tax payable on importation at the point of entry into the country, as specified in a Gazette Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979 [prior to 16.8.2018];	<i>(Remarks - Fabric was exempted on importation by imposing Cess in lieu of VAT and NBT in 2013. However, in 2018 VAT was imposed on fabric but subsequently again VAT on import of fabric was removed as per the Gazette No. 2095/20 - dated NOVEMBER 01, 2018. As per the Gazette the rate is 0%. That gazette has not yet been rescinded. Hence, even though the exemption has been removed from the list still the Gazette Notification is valid. It seems that the government policy is to continue the</i>

			<i>exemption of VAT on importation if such fabric is subject to Cess.) Because the local sale of imported fabric subject to cess is not closed in paragraph (b) and under paragraph (c) item (xxxvi)(ii) has been reintroduced under paragraph (c)(xv) of PART III of the First Schedule. However, the local manufacturers of fabric (power loom) is liable to VAT (the exemption is removed) whereas the exemption on the manufacturing of handloom textile is continued. .</i>
		(vi) bowsers, bulldozers, graders, levelers, excavators, firefighting vehicles, gully bowsers, semi-trailers for road tractors, machinery, equipment used for garbage disposal activities or garbage trucks;	<i>(Remarks – the exemption is removed)</i>
		(vii) energy saving bulbs for the period effective from January 1, 2017 and raw materials for the manufacture of energy saving bulbs;	<i>(Remarks – the exemption is removed)</i>
		(viii) ties and bows or designer pens;	<i>(Remarks – the exemption is removed)</i>
		classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;	
	(xxiii)	goods for any international event approved by the Minister of Finance taking into consideration the economic benefit to the country, by conducting such event in Sri Lanka;	<i>(Remarks – the exemption is removed)</i>
	(xxiv)	frozen bait, fish hooks/rods/ reels, fishing tackle and marine propulsion engines identified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes;	<i>(Remarks – the exemption is removed)</i>
	(xxv)	copper cables for telecom industry -	
		- imported prior to May 2, 2016 where such copper cables where such copper cables are not available is Sri Lanka; or	<i>(Remarks – the exemption was removed with effect from 01.11.2016 . So this is not a new removal)</i>

		- purchased from a local manufacturer prior to May 2, 2016 and for the period commencing from July 11, 2016 but ending on or before November 1, 2016.	(Remarks – the exemption was removed with effect from 01.11.2016 . So this is not a new removal)
(xxvi)		ethyl alcohol imported or manufactured and supply as a by-product which is liable to customs duty and cess on importation or excise duty under the Excise Duty Ordinance on manufacturing of such products.	(Remarks – the exemption is removed)
(xxvii)		plants, machinery or accessories for renewable energy generation identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from November 11, 2016;	(Remarks – the exemption is removed)
(xxviii)		electrical goods identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from November 1, 2016;	(Remarks – the exemption is removed)
(xxix)		medical machinery or medical equipment identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from November 11, 2016;	(Remarks – the exemption is removed)
(xxx)		hot air balloons identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from January 1, 2017.	(Remarks – the exemption is removed)
(xxxi)		machinery and equipment including medical, surgical and dental instruments, apparatus, accessories and parts thereof, hospital or medical furniture and drugs, chemical and similar items, as recommended by the Secretary to the Ministry of the Minister assigned the subject of Health, as required for the provision of health services to address the COVID 19 pandemic, with effect from May 20, 2020, and ending on December 31, 2021.	(Remarks – the exemption was removed by modifying the clause on 31.12.2021)
(xxxii)		on or after January 1, 2022, medical equipment, machinery, apparatus, accessories and parts thereof, hospital furniture, drugs and chemicals donated to a government hospital or the Ministry of	(Remarks – the exemption is removed)

			Health for the provision of health services to address any pandemic or public health emergency, approved by the Minister assigned the subject of Finance on the recommendation of the Secretary to the Ministry of the Minister assigned the subject of Health.	
		(b) The supply of—		(b) The supply of -
	(i)	(a)	(1) educational services provided by an educational establishment effective from January 1,2006 and ending on December 31, 2010); and	(i) educational services provided by any person or partnership; <i>(Remarks – Exemption is continued ,not change)</i>
			(2) educational services provided by any person or partnership with effect from January 1, 2011); or	
			Government school or a school funded by the Government or (effective from July 1,2004) schools registered with the Ministry of education that followed the Government curricula other than any service not within the context of educational services or any part of such educational services not within the Government curricula; and	
		(b)	public library service by the Government, Provincial Council or a local authority;	<i>(Remarks – the exemption is removed)</i>
	(ii)	(a)	public passengers transport services (other than air transport, water transport or transport of tourists, excursion tours and taxi services) ; or	Public passenger transport services (other than air transport, water transport or transport of tourists, excursion tours and taxi services); <i>(Remarks – The exemption is continued , no change)</i>
		(b)	the provision of leasing facilities for-	
		A	(i) such motor coaches with a seating capacity not less than twenty-eight passenger seats and used for such public passenger transport services if such lease agreement is entered into prior to January 1, 2004 and ending on December 31, 2010;	<i>(Remarks- Financial leases were exempted with effect from October 25, 2014, since most of the financial leases are for motor vehicles and with the exemption from VAT, there was no input tax but lease rental was liable to VAT. Now, Motor vehicles and most of the assets are liable to VAT, hence there is input tax. However, finance leasing is continued to be exempted. Therefore, the 18% VAT will be an additional cost on asset taken on finance leases.</i>

			(ii) lorries, tractors or motor coaches with a seating capacity of not less than twenty eight passenger seats, in respect of any rental falling due for payment on or after April 1, 2012, if such lease agreement is entered into on or before October 24 , 2014;	<i>Further, sale of vehicles ceased by the lessor at the public auction also be subject to VAT. However, early termination would be treated as a lease instalment as per section 5 of the VAT Act, therefore the financial charges would be liable to VAT on FS and SSCL on FS but not liable to normal VAT)</i>
			(iii) bowsers, bulldozers, graders, levelers, excavators, fire fighting vehicles or road tractors for semi-trailers as exempted for Custom purposes under Harmonize Commodity Description and Coding System Numbers in respect of any rental falling due for payment on or after January 1, 2013, if such lease agreement is entered into on or before October 24 , 2014;	
		B	three wheelers in respect of rental falling due for payment on or after January 1, 2005, if such lease agreement is entered into on or before October 24 , 2014;	
		C	any bus referred to in item (xv) of paragraph (c) if such lease agreement is entered into on or before October 24, 2014.	
(iii)	electricity including distribution;			(iii) electricity, including distribution; <i>(Remarks – The exemption is continued , No change)</i>
(iv)	free or subsidised meals by an employer to his employees at their places of work and transport free or at a subsidised rate by an employer to his employees using a motor coach between the place of residence and work place of such employees;			<i>(Remarks – the exemption is removed. Subsequently, the proviso to section 22(6)-[eligibility to claim input irrespective of the facts, that tax output tax is exempt] was closed. So, VAT registered persons (employers) can still claim the input tax relating to such supply. But since the input tax was allowed earlier without output tax, the 18% is an additional cost to the employers as now VAT has to be accounted as output tax and claim the input tax.</i>

	(v)	services in relation to burials and cremations by any institution or person;	(iv) services in relation to burials and cremations by any institution or person; (Remarks – The exemption is continued , No change)
	(vi)	services by a person in Sri Lanka to another person outside Sri Lanka to be consumed or utilised by such other person outside Sri Lanka for which the payment is made in Sri Lanka rupees;	(xvii) services by a person in Sri Lanka to any other person outside Sri Lanka to be consumed or utilized by such other person outside Sri Lanka for which the payment is made in Sri Lanka rupees; (Remarks – The exemption is continued , No change)
	(vii)	services at a restaurant situated beyond the immigration counter at the Bandaranaike International Air Port;	(v) services at a restaurant situated beyond the immigration counter at the Bandaranaike International Air Port; (Remarks – The exemption is continued , No change)
	(viii)	Goods and services to the mission of any state or any organization to which the provisions of the Diplomatic Privileges Act No 9 of 1996 applies or to any diplomatic personnel of such mission or organization who is entitled to such benefits provided that reciprocal benefits are available to their counter parts from Sri Lanka and identified as such by the Commissioner General ;	(vi) goods and services to the mission of any state or any organization to which the provisions of the Diplomatic Privileges Act, No. 9 of 1996 applies or to any diplomatic personnel of such mission or organization who is entitled to such benefits: provided that, reciprocal benefits are available to their counter parts from Sri Lanka and identified as such by the Commissioner- General; (Remarks : the exemption is continued , No change)
	(ix)	goods or services funded directly by foreign organisations for the relief of sudden distress caused by natural or human disasters or to any activity having regard to the interest of the national economy, as approved by the Minister;	(vii) goods or services funded directly by foreign organizations for the relief of sudden distress caused by natural or human disasters or to any activity having regard to the interest of the national economy, as approved by the Minister; (Remarks : the exemption is continued , No change)
	(x)	the following financial services -	(viii) the following financial services: -
	(a)	the operation of any current, deposit or savings account;	(A) the operation of any current, deposit or savings account;
	(b)	the exchange of currency;	(B) the exchange of currency;
	(c)	the issue, payment, collection or transfer of ownership of any note, order for payment, cheque or letter of credit;	(C) the issue payment collection or transfer of ownership of any note, order for payment cheque or letter of credit;
	(d)	the issue, allotment, transfer of ownership, drawing, acceptance or endorsement of any debt security, being	(D) the issue, allotment, transfer of ownership, drawing, acceptance or endorsement of any debt security, being any interest in or right to be paid money owing by any person;

			any interest in or right to be paid money owing by any person;	
		(e)	the issue, allotment or transfer of ownership of any equity security, debt security or participatory security;	(E) the issue, allotment or transfer of ownership of any equity security, debt security or participatory security;
		(f)	the underwriting or sub-underwriting the issue of any equity security, debt security or participatory security;	(F) the underwriting or sub-underwriting the issue of any equity security, debt security or participatory security;
		(g)	the provision of any loan, advance or credit;	(G) the provision of any loan, advance or credit;
		(h)	the provision –	(H) the provision-
		(a)	of the facility of instalment credit finance in a hire purchase conditional sale or credit sale agreement for which facility a separate charge is made and disclosed to the person to whom the supply is made;	(i) of the facility of instalment credit finance in a hire purchase conditional sale or credit sale agreement for which facility a separate charge is made and disclosed to the person to whom the supply is made;
		(b)	of goods under any hire purchase agreement or conditional sale agreement, which have been used in Sri Lanka for a period not less than twelve months as at the date of such agreement; or	(ii) of goods under any hire purchase agreement or conditional sale agreement, which have been used in Sri Lanka for a period not less than twelve months as at the date of such agreement;
		(c)	of leasing facilities under any finance lease agreement or operating leasing agreement on any asset other than land or building if such agreement is entered into on or after October 25, 2014 not being an agreement for re-schedule of any agreement entered into prior to October 25, 2014;	(iii) of leasing facilities under any finance lease agreement;
		(c)	of leasing facilities under any:	
		-	finance lease agreement; or	
		-	operating lease agreement in respect of any instalment for	<i>Remarks- the exemption is continued, no change. The operating lease is liable to normal VAT and it was removed from VAT on FS on 01.11.2016.)</i>

			any period prior to November 1, 2016	
			On any asset , if such agreement is entered into on or after October 25, 2014 and not being an agreement entered into prior to October 25, 2014;	
		(i)	the life insurance, “Agrahara” insurance and crop and livestock insurance;	(I) the life insurance, “Agrahara” insurance and crop and livestock insurance; <i>(Remarks – The exemption is continued , No change)</i>
		(j)	the transfer of non-performing loans of a licensed commercial bank by way of transfer of such loans to any other person in terms of a re-structuring scheme or other scheme of such bank as approved by the Central Bank of Sri Lanka with the concurrence of the Minister.	(J) the transfer of non-performing loans of a licensed commercial bank by way of transfer of such loans to any other person in terms of a restructuring scheme or other scheme of such bank as approved by the Central Bank of Sri Lanka with the concurrence of the Minister; <i>(Remarks – The exemption is continued , No change)</i>
		(xi)	services being the supply, lease or rent of residential accommodation:	<i>(Remarks – The exemption on renting was removed and sale of accommodation was subject to certain conditional exemptions time to time from 01.11.2016. With effect from January 1, 2023, exemption was restricted to sale of residential accommodation, other than any lease or rent of residential accommodation or supply of any condominium residential accommodation. Therefore, VAT was exempted on sale of residential accommodations. (houses not condominium apartments)</i>
		(a)	if such supply has taken place prior to November 1, 2016, other than the supply, lease or rent of residential accommodation by a person, being an enterprise which has entered into an agreement with the Board of Investment of Sri Lanka, under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2001 and the total cost of the projects which such agreement relates is not less than ten million United States Dollars or its equivalent in any other currency and the project relates exclusively to the aforesaid supply, lease or rental;	<i>However, the exemption is now removed even the sale of accommodation is also liable with effect from 01.01.2024 and the existing liability will be continued for sale of condominium residential accommodation and leasing and renting residential accommodations)</i>
		(b)	on or after November 1, 2016 but prior to April 1, 2019 by any person, other than any lease or rent of residential accommodation ;	
		(c)	if such supply has taken place on or after April 1, 2019, but on or before November	

			30, 2019 , other than any lease or rent by any person, and where such supply-	
		(i)	is not relating to a sale of any condominium housing unit; or	
		(ii)	is a supply of a condominium housing unit of a condominium housing project and the maximum price or the market value (whichever is higher) of any single unit of that project does not exceed rupees fifteen twenty five million ; or	
		(iii)	is relating to a sale of any condominium housing unit and where there is an agreement to sell in respect of such supply which is executed in terms of the Notaries Ordinance (Chapter 107) prior to the date of commencement of this (Amendment) Act; or	
		(iv)	is a supply of a condominium housing unit of a condominium housing project in respect of which a certificate of conformity has been issued by the relevant Local Authority prior to the date of commencement of this (Amendment) Act in respect of such supply,	
			with effect from April 1, 2019.	
		(d)	if such supply has taken place on or after December 1, 2019, but on or before December 31, 2022, by any person by any person, other than any lease or rent of residential accommodation	

	(e)	if such supply has taken place on or after January 1, 2023, by any person, other than any lease or rent of residential accommodation or supply of any condominium residential accommodation.	
(xii)	(a)	all healthcare services provided by medical institutions or professionally qualified persons providing such care, prior to May 2, 2016 and for the period commencing from July 11,2016, but ending on or before November 1, 2016;	(ix) all healthcare services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges; (Remarks – the exemption is continued, no change)
	(b)	on or after 16.8.2018 , all healthcare services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges	
(xiii)		imported unprocessed timber logs, ships , rattans or any article subject to the Special Commodity Levy under the Special Commodity Levy Act, No. 48 of 2007 subject to the condition that such goods are sold by the importer himself without any processing except adaptation for sale;	
	(a)	unprocessed timber logs, ships or rattans; or	(Remarks- exemption is removed as the exemption on importation is removed from 01.01.2024)
	(b)	any article subject to the Special Commodity Levy under the Special Commodity Levy Act, No. 48 of 2007 subject to the condition that such articles are sold without any processing except adaption for sale;	(x) any article imported subject to the Special Commodity Levy under the Special Commodity Levy Act, No. 48 of 2007 subject to the condition that such articles are sold without any processing except adaption for sale; (Remarks – the exemption is continued , no change)
(xiv)		food products made out of grains cultivated in Sri Lanka, as identified by the Commissioner General as high protein and high energy agro foods provided that procurements of such	(Remarks- exemption is removed)

		grains with backward integration from out growers is undertaken;	
	(xv)	services by Tower Hall Theatre Foundation established by the Tower Hall Theatre Foundation Act No.1 of 1978 or Central Cultural Fund established under Central Cultural Fund Act, No.57 of 1980;	<i>(Remarks- exemption is removed)</i>
	(xvi)	sea sand;	<i>(Remarks- exemption is removed)</i>
	(xvii)	any film, for distribution or exhibition	<i>(Remarks- exemption is removed)</i>
	(xviii)	laboratory facilities for production of any film;	<i>(Remarks- exemption is removed)</i>
	(xix)	locally manufactured handloom textiles ;	(xi) locally manufactured handloom textiles; <i>(Remarks – the exemption is continued , no change)</i>
	(xx)	locally manufactured coconut oil or coco peat, coir fiber, grow pellets, grow bags, twist fiber or coconut husk made out of coconut waste;	<i>(Remarks- exemption is removed)</i>
	(xxi)	services being chartering of any vessel;	<i>(Remarks- exemption is removed)</i>
	(xxii)	clay roof tiles (effective from 1/7/2007) or chemical naphtha (effective from 17/7/2007) , to the extent that such clay roof tiles or chemical naphtha are manufactured in Sri Lanka;	<i>(Remarks- exemption is removed)</i>
	(xxiii)	unprocessed agricultural, horticultural or fishing products produced in Sri Lanka, including the local supply of unprocessed agricultural, horticultural or fishing products where value added tax has not been collected or paid to the Department of Inland Revenue on or after 1/7/2007;	(xiii) unprocessed agricultural, horticultural or fishing products produced in Sri Lanka; <i>(Remarks – the exemption is continued, no change. Would prawn could fall under unprocessed fishing? Clarification is needed, since there is no requirement now the items exempted on importation need not to be the same for local supply , as paragraph (m) of PART II has been removed)</i>
	(xxiv)	unprocessed prawns produced in Sri Lanka including the local supply of unprocessed prawns , where value added tax has not been collected or paid to the Department of Inland Revenue on or after 1/1/2004 (effective from 1/1/2008);	<i>(Remarks- exemption is removed)</i>
	(xxv)	imported rattans (effective from 1/7/2007);	<i>(Remarks- exemption is removed)</i>

(xxvi)	locally produced dairy products other than powdered milk containing added sugar or other sweetening matter, out of locally produced fresh milk in so far as such milk is produced in Sri Lanka and locally produced rice products <i>(Remarks- exemption is removed</i> containing rice produced in Sri Lanka and, with effect from November 1, 2019 locally produced rice bran oil made out of locally produced rice;	<i>(Remarks- exemption is removed)</i>
(xxvii)	locally manufactured sugar (effective from 1/1/2008); and	<i>(Remarks- exemption is removed)</i>
(xxviii)	Locally manufactured machinery used for tea industry and identified by Sri Lanka Tea Board established by the Sri Lanka Tea Board Law No 14 of 1975 as a tea machinery , (effective from 1/10/2008);	<i>(Remarks- exemption is removed)</i>
(xxix)	locally manufactured surgical gauze used for surgery (effective from 1/1/2009)	(xiv) Locally manufactured surgical gauze used for surgery; <i>(Remarks – the exemption is continued – no change)</i>
(xxx)	locally manufactured jewellery , prior to November 1, 2016 and for any period from November 22, 2016	<i>(Remarks- exemption is removed)</i>
(xxxi)	telecommunication services subject to the telecommunication levy under the Telecommunication Levy Act, No. 21 of 2011, and the services specifically excluded from such liability in the definition of the expression “telecommunication services” in that Act, prior to May 2, 2016 and for the period commencing from July 11, 2016, but ending on or before November 1, 2016;	<i>(Remarks – this exemption was removed from 01.11.2016 , So this is not a new removal)</i>
(xxxii)	locally manufactured briquettes and pallets using bio mass wastes (with effect from January 1, 2011;	<i>(Remarks- exemption is removed)</i>
(xxxiii)	locally developed software with effect from January 1, 2011;	<i>(Remarks- exemption is removed)</i>
(xxxiv)	services being receipts from reinsurance by any local insurance company by way of commission or compensation in an insurance business (with effect from January 1, 2011);	<i>(Remarks- exemption is removed)</i>

(xxxv)	services being the issue of licenses to local telecom operators by Telecommunication Regulatory Commission, established by the Sri Lanka Telecommunications Act, No. 25 of 1991, prior to May 2, 2016 and for the period commencing from July 11, 2016, but ending on or before November 1, 2016	(Remarks – this exemption was removed from 01.11.2016 , So this is not a new removal)
(xxxvi)	locally manufactured -	(Remarks- exemption is removed)
(i)	hydropower or wind power machinery and equipment;	
(ii)	turbines;	
(iii)	canned fish or clay pottery products using locally produced raw materials;	
(iv)	products using locally procured raw materials for the required specification of tourist hotels or airlines;	
(v)	specified products to identified state institutions replacing imports, by the manufacturer in so far as such products are locally value added products, as per the conditions specified in the guidelines issued for this purpose;	
(xxxvi i)	locally manufactured fabric in the domestic market by any manufacturer who does not enjoy any concessions under any agreement entered into with the Board of Investment of Sri Lanka;	(Remarks- exemption is removed)
(ii)	fabric which are subject to a cess at a specific rate classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, in lieu of chargeability of any other tax on importation at the point of	(xv) Fabric which are subject to a cess at a specific rate classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes, in lieu of chargeability of any other tax on importation at the point of entry into the country, by the Director-General of Customs as specified in a

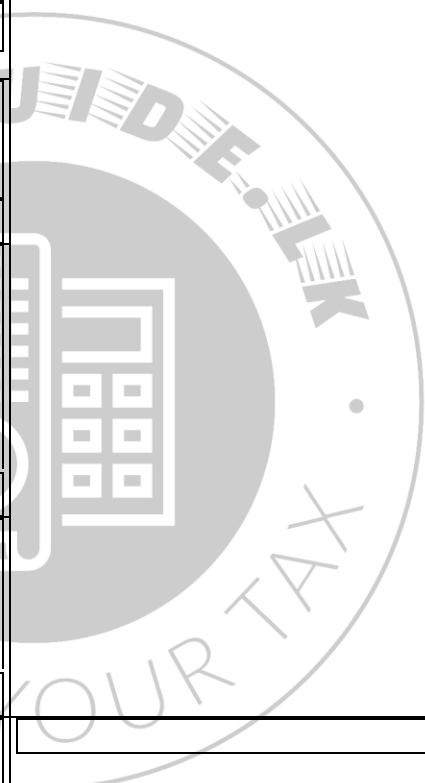
		entry into the country, by the Director-General of Customs as specified in a <i>Gazette</i> Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979;	Gazette Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979; <i>(Remarks – the exemption is continued – No change)</i>
(xxxvi ii)		services, being research and development services provided by the supplier of such services within the meaning of the Inland Revenue Act, No.10 of 2006 for the purposes of deduction under section 25 of that Act;	<i>(Remarks- exemption is removed)</i>
(xxxix)		painting, at the point of sale, by the artist thereof;	<i>(Remarks- exemption is removed)</i>
(xl)		services, by the Department of Commerce, with effect from January 1, 2012, services by the Board of Investment of Sri Lanka or the Sri Lanka Ports Authority, with effect from April 1, 2012, in so far as such services are provided to any person referred to in item (i) to (vii) of paragraph (e) of subsection (2) of section 2 or to providers of services which are zero rated, for the purposes of tax under this Act;	(xvi) services by the Department of Commerce, the Board of Investment of Sri Lanka or the Sri Lanka Ports Authority, in so far as such services are provided to any exporter or to provider of services which are zero rated services for the purpose of tax under this Act; <i>(Remarks – the exemption is restricted to exporters or service providers who are zero rated , the deemed exporters layer has been removed , However, if such service recipients are RIPs they could still suspend VAT as BOI and Department of Commerce are registered as RISs)</i>
(xli)		being any sum paid out of the Export Development Fund as export development rebate with effect from October 8, 2009;	<i>(Remarks- exemption is removed)</i>
(xlii)		specific services for any international event approved by the Minister of Finance having taken into consideration the economic benefit to the country by conducting such an event in Sri Lanka;	<i>(Remarks- exemption is removed)</i>
(xliii)		services, which result in the improvement of quality, character or value of any yarn, fabric or garment so far as such services are provided to persons other than exporters of such products;	(xviii) services, which result in the improvement of quality, character or value of any yarn, fabric or garment so far as such services are provided to persons other than exporters of such products; <i>(Remarks – the exemption is continued , No change)</i>

(xlv)	locally manufactured palm oil, with effect from April 1, 2012;	<i>(Remarks- exemption is removed)</i>
(xlv)	services by a Unit Trust Management company so far as such services are provided to any Unit Trust;	<i>(Remarks- exemption is removed)</i>
(xlvi)	services being hotel accommodation to any sportsman, organizer of any sport event or sponsor arriving in Sri Lanka for participating in any sport event or activity connected with sports, as may be approved by the Minister who is in charge of the subject of Sports;	<i>(Remarks- exemption is removed)</i>
(xlvii)	desiccated coconut, rubber, latex, tea including green leaf, rice, rice flour, bread, eggs , liquid milk so far as such products are manufactured locally;	<p>(xii) rice, rice flour and bread so far as such products are manufactured locally;</p> <p><i>(Remarks - the exemption on desiccated coconut, rubber, latex, tea including green leaf, eggs, liquid milk have been removed. However, the green leaf could be considered under unprocessed agriculture but tea is not an unprocessed item. Similarly, rubber (latex) was considered as unprocessed agricultural item as per the ruling issued previously. Would it be continued? There will be a huge cash flow issue to tea industry as the manufacturer cannot directly sell tea to exporters. Therefore under SVAT scheme the tea broker should also be recognised. Same could be for other products such as rubber (latex if not considered as exempt), spices etc. sold through brokers association to exporters, unless the semi process is considered as preparation for sale but not a process. IRD may have to issue clear instructions on categorization of products as processed or unprocessed and the application of SVAT by introducing Brokers Associations as another layer to SVAT process. AS per the paper Notice issued, tea manufacturers are expected to register under SVAT Scheme. However, prior to 2005, the suspension scheme was implemented to tea industry but it was not successful, then the tea was exempted. Therefore, special instructions may be issued for transactions through Brokers.)</i></p>
(xlviii)	machinery or equipment for tea or rubber industry or agricultural tractors or road tractors	<i>(Remarks- exemption is removed)</i>

	for semitrailers, so far as such products are manufactured locally;	
(xlix)	services by any headquarters or regional head offices of institutions in the international network relocated in Sri Lanka as exempted for income tax purposes under section 7 of the Inland Revenue Act, No. 10 of 2006, so far as such receipts are in foreign currency received;	<i>(Remarks- exemption is removed)</i>
(L)	locally manufactured ayurvedic preparations which belong to the Ayurveda Pharmacopoeia or Ayurveda preparations (other than cosmetic preparations) or unani, siddha or homeopathic reparations (other than cosmetic preparations);	<i>[Remarks- exemption is removed. However, the exemption may be covered under paragraph (a)(iii), therefore , the exemption is continued]</i>
(Li)	locally manufactured coconut milk (with effect from November 1, 2015).	<i>(Remarks- exemption is removed. However, now the registered person can claim input tax)</i>
(Lii)	Geriatric services or child care services	(xix) geriatric services and child care services; <i>(Remarks – the exemption is continued – No change)</i>
(Liii)	International telecommunication services provided by “External Gateway Operators” to local telecommunication operators	<i>(Remarks- exemption is removed)</i>
(Liv)	commencing on or after January 1, 2020 information technology and enabled services as shall be prescribed;	<i>(Remarks- exemption is removed)</i>
(Lv)	health protective equipment and similar products by any exporter, registered with the Board of Investment of Sri Lanka established by the Board of Investment of Sri Lanka Law, No.4 of 1978, to the Ministry of Health and Indigenous Medical Services, Department of Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air force and Sri Lanka Police on or after April 29, 2020;	<i>(Remarks- exemption is removed)</i>
(Lvi)	services in respect of inbound tours, by a travel agent registered with the Sri Lanka Tourism	<i>(Remarks- exemption is removed)</i>

		Development Authority for any period commencing from April 1, 2020.	
	(c) The import of :		(c) The import of :
(i)	goods by the mission of any state or any organization to which the provisions of the Diplomatic Privileges Act, No,9 of 1996 applies, or by any diplomatic personnel of such mission or organization, including the import under a temporary admission carnet for re- export;		<p>(C) (iv) - goods to a mission of any state or any organization to which the provisions of the Diplomatic Privileges Act, No. 9 of 1996 applies or to any diplomatic personnel of such mission or organization who is entitled to such benefits:</p> <p>provided that, reciprocal benefits are available to the counter parts from Sri Lanka and identified as such by the Commissioner-General;</p> <p><i>Remarks – Covered under paragraph (c) (vi) of PART III of the First Schedule. As per the ruling issued any good imported is identified by the Commissioner General as exempt goods, if imported in the name of the diplomatic mission. So the exemption is continued.</i></p>
(ii)	any article entitled to duty free clearance under the Passenger’s Baggage (Exemptions) Regulations made under section 107 of the Customs Ordinance, or any article cleared duty free on a re-importation certificate as provided for in Schedule A of the Customs Ordinance, or any article cleared ex-bond for use as ship stores;		<p>(i) any article entitled to duty free clearance under the Passenger’s Baggage (exemptions) Regulations made under section 107 of the Customs Ordinance (Chapter 235) or any article cleared by duty free on a re-importation certificate as provided for in Schedule “A” of the Customs Ordinance (Chapter 235) or any article cleared ex-bond for use as ship stores;</p> <p><i>(Remarks – the exemption is continued , no change)</i></p>
(iii)	goods by organizations approved by the Minister, where he is satisfied that such goods are gifts from persons or organizations abroad, or are out of funds received from such organizations, for the relief of sudden distress caused by natural or human disasters, or such goods being medical equipment, medical machinery or any ambulance;		<p><i>Remarks – the exemption is continued under paragraph (c)</i></p> <p>(vii) goods from any foreign organization or out of the funds from such organization for the relief of sudden distress caused by natural or human disasters or to any activity having regard to the interest of the national economy, as approved by the Minister.</p> <p><i>The wording has been changed by removing “such goods being medical equipment, medical machinery or any ambulance” but may be covered “if approved by the Minister subject to the conditions specified therein” (paragraph (c) (vii) of PART III of the First Schedule ;</i></p>
(iv)	goods by any person who has entered into an agreement -		<i>(Remarks- this exemption is not relevant ,redundant provisions)</i>

		(a)	prior to May 16, 1996; or	
		(b)	prior to April 1, 1998 in respect of a project, the total cost of which is not less than Rs. 500 million, with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978, which goods are prescribed as a project related article, to be utilised in the project specified in the agreement, during -	
		(i)	the project implementation period of such project as specified in such agreement; or	
		(ii)	upto the date of completion of such project, which date shall not be later than thirty six months from the date of the last agreement entered into prior to the 19, November, 2003,	
			whichever is earlier, other than any article in the negative list published by the Secretary to the Treasury for the purpose of this paragraph.	
	(v)		goods by any person who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978, which is prescribed as a project related article, to be utilised in the project specified in the agreement, which project one completed will be solely in the business of making exempt supplies,-	
		(a)	for a period of two years from August 1, 2002; or	



	(b)	until the completion of the project as determined by the Board of Investment of Sri Lanka,	
		whichever is earlier, other than any article in the negative list published by the Secretary to the Treasury for the purposes of this paragraph;	
	(vi)	personal items and samples in relation to business worth not more than ten thousand rupees through parcel post or courier;	<i>(Remarks- exemption is removed)</i>
	(vii)	a motor vehicle by a disabled person specially designed for use by disabled persons approved by the Minister, on his being satisfied that such vehicle is for use specifically by such person;	<i>(Remarks- exemption is removed)</i>
	(viii)	any capital items required for the purposes of providing training by any institution providing vocational training or practical training approved by the Minister in charge of the subject of Tertiary Education and Training in consultation with the Minister where the Government has provided funds or other assistance to such institution and the surplus funds of such institution are re-invested as to the maintenance or improvement of such institution;	<i>(Remarks- exemption is removed)</i>
	(ix)	goods to any project approved by the Commissioner- General, as having a capital investment of not less than rupees one hundred million which are considered as project related capital goods, other than the goods in the negative list published by the Secretary to the Treasury, during the project implementation period which shall not exceed three years from the commencement of the project, provided that such project makes taxable supplies upon the completion of the project (effective from 1.1.2005);	<i>(Remarks- exemption is removed. This is a redundant provision, as there were no such projects identified by CGIR)</i>

(x)	samples of garments for business purposes by any garment buying office in Sri Lanka registered with the Textile Quota Board established under the Textile Quota Board Act, No. 33 of 1996, so long as such item is not sold;	<i>(Remarks- exemption is removed)</i>
(xi)	Any ship;	<i>(Remarks- exemption is removed)</i>
(xii)	Unprocessed timber logs.	<i>(Remarks- exemption is removed)</i>
(xiii)	any machinery or equipment by the Ceylon Electricity Board or an Institution which has entered into an agreement with the Ceylon Electricity Board to supply electricity required for the purpose of generating electricity identified under specified Harmonized Commodity of Description Numbers for custom purposes, approved by the Minister;	<i>(Remarks- exemption is removed)</i>
(xiv)	any film which is produced in Sri Lanka and sent abroad for further processing or printing, with the approval of the Chairman of the National Film Corporation	<i>(Remarks- exemption is removed)</i>
(xv)	any bus by the holder of any valid passenger service permit issued by the National Transport Commission or any Provincial Road Passenger Transport Authority for the replacement of a bus which is being used for the transport of passengers and which has been so used for not less than five years at the time of such import;	<i>(Remarks- exemption is removed)</i>
(xvi)	Machinery prior to January 1, 2014, identified under the specified Harmonized of Commodity Description Numbers for Custom purposes, for modernization of factories by the factory	<i>(Remarks- exemption was removed on 01.01.2014. not a new removal)</i>

		owner with the approval of the Commissioner-General of Inland Revenue;	
	(xvii)	poultry keeping machinery, poultry incubators and brooders, the import of cattle, buffaloes, poultry, pigs, goats, sheep for breeding purposes and the seimen and embryos of such animals for breeding purposes, under the specified Harmonized of Commodity Description Numbers for the Custom purposes, with the approval of the Commissioner-General of Inland Revenue;	<i>(Remarks- exemption is removed)</i>
	(xviii)	finished leather to be used for the shoe manufacturing industry, on the recommendation of the Secretary to the Ministry of Industrial Development subject to approval by the Minister in charge of the subject of Finance;	<i>(Remarks- exemption is removed)</i>
	(xix)	(a) plant, machinery or equipment of high value to be used for any project; or	(ii) (A) goods to be used as exhibition material or as material in any technical demonstration and which are re-exported after the completion of such project, exhibition or demonstration, as the case may be; or
		(b) goods to be used as exhibition material or as material in any technical demonstration.	(B) plant, machinery or equipment which are imported to be used in projects and re-exported after the completion of the project,
		and which are re-exported after the completion of such project, exhibition or demonstration , as the case may be and in respect of which tax is differed in terms of paragraph (b) of the second proviso to subsection (3) of section 2 (effective from 17/7/2007);	and in respect of which tax is differed in terms of paragraph (b) of the second proviso to subsection (3) of section 2; <i>(Remarks- the exemption is continued , no change)</i>
	(xx)	aircraft engines or aircraft spare parts identified under specified Harmonized Commodity Description and Coding System Numbers for Custom purposes (effective from 17/7/2007 but prior to 16.8.2018);	(iii) aircraft engines or aircraft spare parts identified under specified Harmonized Commodity Description and Coding System Numbers for Custom purposes; <i>(Remarks – This exemption was closed with effect from 16.08.2018 but the exemption has been reintroduced???)</i>

(xxi)	rattans under HS Code No. 1401.20 (effective from 1/7/2007);	<i>(Remarks- exemption is removed)</i>
(xxii)	plant and machinery by an undertaking qualified for a tax holiday under section 24C of the Inland Revenue Act No 10 of 2006, for use by such undertaking for the purpose of manufacturing or for the provision of services (effective from 1/1/2008);	<i>(Remarks- exemption is removed. Anyway, this provision is redundant, as those tax holidays are not granted now)</i>
(xxiii)	goods, for a project identified as a strategic development project under the provisions of the Strategic Development Project Act, No.14 of 2008, during the project implementation period, subject to the conditions specified therein or with the approval of the Minister of Finance any special project referred to in paragraph (f);	(B) goods, for a project identified as a strategic development project under the provisions of the Strategic Development Project Act, No.14 of 2008, during the project implementation period, subject to the conditions specified therein; <i>(Remarks – The exemption is continued under paragraph (c) (B) of PART III of the First Schedule)</i>
(xxiv)	Any bus with the approval of National Transport Commission or any Provincial Road Passenger Transport Authority by the owner of such bus to replace any bus destroyed due to terrorist activities (effective from 9/7/2008);	<i>(Remarks- exemption is removed)</i>
(xxv)	Brass sheets, brass ingots, thread, dyes paraffin wax or shellac for manufacture of brassware by the National Craft Council with the approval of Minister of Rural Industries and Self-Employment Promotion (effective from 1.1.2009);	<i>(Remarks- exemption is removed)</i>
(xxvi)	Chemical naphtha by the Ceylon Petroleum Corporation to be supplied to Ceylon Electricity Board for the generation of electricity (effective from 1/1/2009);	(iv) chemical naphtha by the Ceylon Petroleum Corporation to be supplied to Ceylon Electricity Board for the generation of electricity; <i>(Remarks – the exemption is continued- no change)</i>
(xxvii)	packing materials exclusively for the use of packing of pharmaceuticals or ayurvedic medicines manufactured in Sri Lanka and which are imported by the manufacturer of	<i>(Remarks- exemption is removed)</i>

		such pharmaceuticals or ayurvedic medicines, so far as such packing materials are not manufactured in Sri Lanka as approved by the Secretary to the Ministry of the Minister to whom the subject of Health is assigned or the Commissioner of the Department of Ayurveda, as the case may be, for this purpose;	
(xxviii)		Cine films, cinematographic films exposed or developed, magnetic cine sound recorders, cinematographic cameras, projector parts and accessories, prior to 16.8.2018, apparatus and equipment for cinematographic laboratories, electric filament or discharge lamps, arc lamp carbon, speakers, amplifiers, digital stereo processors and accessories, cinema media players and digital readers,, identified under the Harmonized Commodity Description and Coding System Numbers , for custom purposes with the approval of the Chairman , National Film Corporation;	<i>(Remarks- exemption is removed)</i>
(xxix)		aircraft simulators and parts specified under Harmonized Commodity Description and Coding System Numbers for Custom purposes with effect from January 1, 2011 but prior to 16.8.2018;	<i>(Remarks- exemption is removed)</i>
(xxx)		samples in relation to a business worth not more than rupees	<i>(Remarks- exemption is removed)</i>
	(a)	twenty five thousand, on such imports made prior to January 1 , 2015; and	
	(b)	fifty thousand on such imports for any period on or after January 1, 2015,	
		subject to such terms and conditions as specified by the Director-General of Customs;	

(xxxii)	<p>pharmaceutical machinery and spare parts for the pharmaceutical machinery which are not manufactured in Sri Lanka, classified under the Harmonized commodity Description and Coding System Numbers for Custom proposes, imported by pharmaceutical manufacturers and recommended by the Secretary to the Ministry of Health, including pharmaceutical machinery or parts imported after June 1, 2011 under the same conditions on which Value Added Tax has been deferred;</p>	<p><i>(Remarks- exemption is removed)</i></p>
(xxxiii)	<p>machinery for the manufacture of bio mass briquettes and pallets so far as such machinery is imported by the manufacturer of such products classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, including such machinery imported after June 1, 2011 under the same conditions on which Value Added Tax has been deferred;</p>	<p><i>(Remarks- exemption is removed)</i></p>
(xxxiii)	<p>green houses, poly tunnels and materials for the construction of green houses, by any grower of agricultural products or plants of any type, prior to 16.8.2018, subject to the condition that such items are not manufactured in Sri Lanka, and approved by the Director-General, Department of Fiscal Policy on the recommendation of the Secretary to the Ministry of Agriculture;</p>	<p><i>(Remarks- exemption is removed)</i></p>
(xxxiv)	<p>plant, machinery or equipment by any enterprise qualified for a tax exemption under section 16 D and 17 A of the Inland Revenue Act, No.10 of 2006, for the use by such enterprise for the purposes specified in the agreement entered into with the Board of</p>	<p><i>(Remarks- exemption is removed. Anyway, this exemption is redundant as those tax holidays are not granted now, hence this is not a new removal of exemption)</i></p>

	Investment of Sri Lanka on which tax is deferred during the project implementation period, subject to the fulfillment of the conditions specified in the agreement, during the project implementation period;	
(xxxv)	any goods, (other than motor vehicles and goods for personal use) required for the purpose of provision of services being international transportation which is consigned to Sri Lankan Air Lines Limited, Mihin Lanka (Pvt) Ltd. or Air Lanka Catering Services Ltd;	<i>(Remarks- exemption is removed)</i>
(xxxvi)	fabric, specified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes, prior to 16.8.2018 for the sale in the domestic market without any value addition, subject to the chargeability of a Cess at a specific rate referred to in sub-item (ii) of item (xxxvii) of paragraph (b) of PART II of the First Schedule.	<i>(Remarks- exemption is removed, however, as per the Gazette issued the rate is 0%, hence the exemption on importation has to be continued and this has been exempted under local sale as well. So the rationale would be to cover the tax under Cess and not to impose VAT. Kindly, see the previous remarks for import or supply of fabric under paragraphs (a) and (b)above)</i>
(xxxvi i)	gully bowsers, semi-trailers for road tractors, any machinery or equipment used for garbage disposal activities carried out by any local authority, for the purpose of provision of such services to the public, as approved by the Secretary to the relevant Ministry;	<i>(Remarks- exemption is removed)</i>
(xxxvi ii)	machinery, equipment or spare parts imported by Sri Lanka Ports Authority to be used exclusively within the ports of the Sri Lanka Ports Authority.	<i>(Remarks- exemption is removed)</i>
(d)	the import and supply of goods at duty free shops for payment in foreign currency.	(d) The import and supply of goods at duty free shops for payment in foreign currency. <i>(Remarks – the exemption is continued, no change)</i>
(e)	the supply of locally manufactured goods to duty free shops for payment in foreign currency.	(xxiv) Locally manufactured goods to duty free shops for payment in foreign currency. <i>(Remarks – the exemption is continued , no change)</i>

(f) the supply of -		
(i)	goods or services to any project identified as a Strategic Development Project in terms of section 3(4) of the Strategic Development Project Act No 14 of 2008 (effective from 1/1/2008); or	(xx) goods or services to any project identified as a Strategic Development Project in terms of section 3(4) of the Strategic Development Project Act, No. 14 of 2008;
(ii)	(a) goods or services to any specified project identified by the Minister in charge of the subject of Finance, taking into consideration the economic benefit to the country, on which the tax is borne by the Government with effect from January 1, 2008); or	(xxi) (a) goods or services to any specified project identified by the Minister, taking into consideration the economic benefit to the country, on which the tax is borne by the Government; or (b) goods and services to any infrastructure development project funded through foreign loans or donations directly to the Ministries of the Government of Sri Lanka, approved by the Minister on the recommendation of the Secretary of the respective Ministry; <i>Remarks - In addition , the import is also exempted under sub-paragraph (A) of item (v) of paragraph (c) of PART III of the First Schedule</i>
	(b) goods or services to any infrastructure development project funded through foreign loans or donations directly to the Government Ministries (with effect from January 1, 2011);	(A) The import of goods for any specified project identified by the Minister, taking into consideration the economic benefit to the country, on which the tax is borne by the Government; <i>Remarks – covered imports under paragraph (c) (vi) (C) of PART III of the First Schedule but local supply of goods or services have been removed</i> (C) goods for any infrastructure development project funded through foreign loans or donations directly to any Ministry of the Government of Sri Lanka, as approved by the Minister on the recommendation of the Secretary of the respective Ministry;
	and every such project shall be approved by the Minister of Finance, and Notification of such approval shall be published in the Gazette;	
(iii)	any goods or services provided prior to November 1, 2016, by any society registered under the Co-operative Societies Law, No. 5 of 1972, or under the respective Statutes enacted by the Provincial Councils providing for such	(Remarks – this exemption was closed with effect from 01,11,2016 , So this I not a new removal)

		registration, or Lak Sathosa registered under the Companies Act, No. 7 of 2007;	
		(g) The supply of services, being construction services for Gama Naguma, Maga Naguma, Samurdhi Projects or for community irrigation projects, carried out through the participation of the community and approved by Secretary to the Minister of the Minister in charge of the subject of Nation Building and State Infrastructure Development (effective from 1/1/2009).	<i>(Remarks- exemption is removed)</i>
		(h) goods or services by an institution set up by the Ministry of Defence for the rehabilitation of disabled soldiers, in so far as the activities are carried out by the participation of such soldiers. (with effect from January 1, 2011).	<i>(Remarks- exemption is removed)</i>
		(i) The supply of goods or services by the Central Bank of Sri Lanka established by the Monetary Law Act (Chapter 422);	(xxii) goods or services by the Central Bank of Sri Lanka established by the Central Bank of Sri Lanka Act, No. 16 of 2023; <i>(Remarks – exemption is continued, No change)</i>
		(j) the supply of any services by any public corporation to the extent of provision of such services on behalf of the Government of Sri Lanka, free of charge out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government.	(xxiii) Any services by any public corporation to the extent of provision of such services on behalf of the Government of Sri Lanka, free of charge out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government; <i>(Remarks – exemption is continued, No change)</i>
		(k) the supply of goods or services by any individual who is a citizen of Sri Lanka and who carries on any business of manufacturing of any article other than any liquor or tobacco product or supply of any services after returning from a foreign employment for a period of five years reckoned from the beginning of the year of assessment in which such business commences if such individual-	<i>(Remarks—this exemption is not applicable as there was a time frame.)</i>
	(i)	returns from such foreign employment on or after January 1, 2013; and	
	(ii)	invests his earnings from such foreign employment to commence such business.	
		(l) with effect from October 25, 2014, the import or supply of –	<i>(Remarks- exemption is removed. The rationale of the exemption is that with effect from 25.10.2014, Excise tax was imposed by removing VAT and other indirect taxes.</i>

		<i>Vehicles. Now on top of that again VAT has been imposed. It is not sure as to whether Excise tax will be removed as VAT is changed ?????</i>
(a)	(i) any motor vehicle identified under the Harmonized Commodity Description and Coding Numbers for custom purposes and liable to the Excise (Special Provisions) Duty under the Excise (Special Provisions) Act, No. 13 of 1989 on the importation of such vehicle or any motor vehicle liable to the same duty on the manufacture of any such vehicle;	
	(ii) any motor vehicle remain unsold as at October 25, 2014, which would otherwise have been liable to the same duty on the importation or manufacture of the same, if imported or manufactured after October 25, 2014,	
	other than any vehicle supplied under a financial leasing agreement entered into prior to October 25, 2014, which are disposed after the repossession of the same by the lessor on which input tax had been claimed;	
(b)	cigarettes identified under the Harmonized Commodity Description and Coding System Numbers for custom purposes and liable to the Excise (Special Provisions) Duty under Excise (Special Provisions) Act, No. 13 of 1989 and cess under Sri Lanka Export Development Act, No. 40 of 1979 on the importation or manufacture of the same including cigarettes in the stocks remain unsold as at October 25, 2014 but prior to November 1, 2016, which would have been liable to the same duty on the importation or manufacture the same, if imported or manufactured after October 25, 2014; or	<i>The cigarettes also had the same rationale, but in 2016 the exemption on cigarettes was removed. So this paragraph is already redundant)</i>
(c)	liquor prior to November 1, 2016, identified under the Harmonized Commodity Description and Coding System Numbers for	

	<p>custom purposes and subject to the Customs Duty and cess on the importation or Excise Duty on manufacture of the same including liquor imported or manufactured prior to October 25, 2014 remain unsold as at October 25, 2014 which would have been liable to the same duty and cess on importation or Excise Duty on manufacture of the same, if imported or manufactured after October 25, 2014.</p>	
(m)	<p>with effect from the date of commencement of this (Amendment) Act (i.e. 9 of 2021 i.e. May 13, 2021) , local supply of any goods [other than goods referred to in paragraph (c)], which would have been exempted on importation, if imported.</p>	<p><i>(Remarks – this condition has been removed, accordingly there may be different exemptions at the import point and may not be applied on local supply unless specifically stated.)</i></p>
<p>General remarks :</p>		
<p><i>(i) if stocks are available as at 31.12.2023 of exempt items , on sales on or after 01.01.2024 , prices will be increased since there is no input tax on the stocks purchased prior to 01.01.2024. (As the Government has not introduced any transitional adjustments for such stocks as such stocks were purchased without VAT). However, on new purchases from 01.01.2024, even though input is claimable still the prices will be increased since VAT is added to the price.</i></p>		
<p><i>(ii) There will be disputes is identifying unprocessed agricultural/ horticultural produce and fish etc., which are prepared for the market with a semi-process such as coconut based products which has a lot of semi –processed products , rubber (latex) , fish chilled and prepared for the market , flower arrangements etc. It is important to have guidelines to avoid unnecessary complications if assessments are issued later without proper clarifications the subsequent process is costly.</i></p>		
<p><i>(iii) Certain exemptions are identified under HS Code Numbers for Custom purposes. Such HS Code Numbers are not incorporated to the VAT Act, since it is subject to changes. However, it is important to publish such HS Code Number to taxpayers to know the exact items and subsequent changes of the Code Nos can be identified if the description of the article is published. This is important when goods are purchased from importers, the seller should know as to charge VAT or not. Especially when they purchase from persons not registered for VAT (below the threshold) but the article is a liable one.</i></p>		
<p><i>Note: the exemption list prior to 01.01.2024 is in different colours as those exemptions were introduced under different Amendment Acts. You may follow the consolidated version of the VAT Act to identify the amendments in which such amendments were introduced. It should also be noted that certain removal of exemptions are not new but removed previously. The comparison provides those information as well.</i></p>		