



Nation Building Tax (Amendment) Act No.20 of 2019

The Nation Building Tax (Amendment) Act No.20 of 2019 ("NBT Amendment Act") was passed in Parliament on 23 October 2019 and has been certified by the Honorable Speaker on the 31 October 2019.

Under the NBT Amendment Act, the following amendments have been made to the Nation Building Tax ("NBT") Act No. 09 of 2009. The effective date of the amendments will be 01 November 2019, unless different dates are specified.

1. Applicability of the Inland Revenue Act

The definition of a "specified motor vehicle" for the purposes of luxury tax introduced under Part VII of the Finance Act No.35 of 2018, has been amended as below.

The provisions of the Inland Revenue Act No.24 of 2017 will apply (with appropriate changes) for any period commencing on or after 01 April 2018 in respect of the following.

- Administration
- Record keeping and information collection
- Tax returns
- Assessments
- Objections and appeals
- Interest
- Recovery of Tax
- Penalties
- Criminal proceedings
- Regulations

For any period prior to 01 April 2018, the provisions of the Inland Revenue Act No.10 of 2006 will apply in respect of the above.

Accordingly, where a return for the relevant quarter has been furnished on or before the due date (i.e. 20th day of the month immediately succeeding the end of that quarter), the time bar will be applicable as follows.

- In respect of any taxable quarter prior to 01 April 2018 : within 18 months
- In respect of any taxable quarter on or after 01 April 2018 : within 30 months, from the due date for the relevant quarter

2. Removal of Exemptions Cigarettes

The NBT exemption which was available from 25 October 2014, on the importation, sale (by the importer) or manufacturer of cigarettes is removed.

3. Expansion of Exemption criteria

This levy charged under Part XII of the Finance Act No.35 of 2018 has been amended as indicated below.

Additional criteria has been stipulated under the NBT Amendment Act for existing exemptions as follows.

Importation of gem stones for cutting, polishing and re-export

The NBT Amendment Act stipulates the following conditions to be satisfied, in order to avail of the exemption on the importation of gem stones for cutting, polishing and re-export, granted under the Nation Building Tax (Amendment) Act, No. 20 of 2018.

- The importer of gem stones be registered with the National Gem and Jewellery Authority and
- Payment for such service of cut and polishing is made in foreign currency and remitted to Sri Lanka through a bank.

Services provided by a Hotel, guest, house, restaurant or other similar business registered with the Ceylon Tourist Board

Prior to 01 January 2011, NBT was exempted on the services provided by a hotel, guest house, restaurant or other similar business registered with the Ceylon Tourist Board.

Under the NBT Amendment Act, the above NBT exemption can be availed with effect from 01 November 2019, only if the payment for such services is received in foreign currency through a bank in Sri Lanka.

4. New exemptions

The following exemptions have been granted under the NBT Amendment Act.

Exempted articles:

- Locally manufactured palm oil using imported crude palm oil or imported palm oil in subject to Special Commodity Levy
- Importation of Lucerne (alfalfa) meal and pellets
- Importation of yachts and other vessels for pleasure or sports, rowing boats and canvas as classified under HS Code 8903.91.00
- Importation of any project related article by an enterprise which has entered into an agreement with the Board of Investment (BOI) of Sri Lanka under section 17 of the BOI Law No.4 of 1978, for the use in any project of such enterprise having a capital investment not less than USD 50 Million during the project implementation period and prior to the commencement of commercial operations

Exempted services:

- Construction Contractor

Construction contractors who were previously exempted from NBT, were made liable if the contract agreements were signed after 01 August 2017. Accordingly, only sub-contractors continued to enjoy the NBT exemption.

However, under the NBT Amendment Act, a construction contractor will also be exempted from 01 November 2019.



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