



## **Value Added Tax (Amendment) Act No.19 of 2019**

The Value Added Tax (Amendment) Act No.19 of 2019 ("VAT Amendment Act") was passed in Parliament on 23 October 2019 and was certified by the Honorable Speaker on 31 October 2019.

Under the VAT Amendment Act, the following amendments have been made to the Value Added Tax ("VAT") Act No.14 of 2002.

### 1. Value of goods at importation

The existing method of calculating the value of goods on import at the Customs will not be applicable for goods that will be prescribed by regulation by the minister. The manner of determining the value of the prescribed goods will be specified by regulation. The value so determined will be applicable after the regulation is approved by the Cabinet of Ministers and by the Parliament.

(Existing method – CIF Value + 10% of CIF + Customs Duty + Surcharge + Cess + PAL + Excise Duty)

### 2. VAT rate on the supply of goods for construction work performed outside Sri Lanka

Where a construction contractor supplies goods to be utilized on a construction project carried out by him outside Sri Lanka, such goods shall be deemed to be exported and accordingly the applicable VAT rate on such supply will be zero (0%).

### 3. Piece based rate on local sale of garments by BOI companies

Item	From 16 August 2018 to 31 October 2019	From 01 November 2019
Garments each	Rs.75/=	Rs.100/=
Six (6) piece of: Panties Socks Briefs Boxer shorts	Rs.75/=	Rs.75/=

### 4. Amendment of VAT Payment date

Item	From 01 January 2013 to 30 September 2019	Effective from 01 October 2019
Registered person – Other than manufacturers	On supply between: <ul style="list-style-type: none"> <li>1st to 15th of a month – on or before the end of the month</li> <li>16th to end of the month – on or before 15th of the following month</li> </ul>	For any month – On or before 20th of the following month

Accordingly, effective from 01 October 2019, the payment due date for any registered person will be the 20<sup>th</sup> of the following month.

## **5. Exemption of supply of residential accommodation**

The supply of a condominium housing unit is liable for VAT effective from 01 April 2019, unless exempted as below.

The exemption is applicable where;

- a) The price or market value of any single unit of the condominium housing unit does not exceed Rs.25 Mn (This limit has been increased from Rs.15 Mn introduced under the Value Added Tax (Amendment) Act No. 25 of 2018), or
- b) The sale agreement of a unit has been executed in terms of the Notaries Ordinance (Chapter 107) prior to the date of commencement of this Amendment Act or,
- c) A certificate of conformity has been issued by the relevant Local Authority in respect of the condominium housing project prior to the commencement of this Amendment Act

Sale of any houses (other than a condominium housing units) continue to be exempt from VAT.

## **VAT rate on the supply of condominium housing units**

The supply of condominium housing units will be liable for VAT at the rate of 6% with effect from 01 November 2019. This has been given effect by extraordinary gazette no. 2147/59 gazetted on 31 October 2019.

However the input VAT that can be claimed against the output will be limited to 5% (of the value of supplies received) even though input VAT may have been paid at a higher rate on the value of supplies received.

Accordingly, as per the notice published by the Department of Inland Revenue on 05 November 2019, the following compliances will be applicable for persons who are engaging in the supply of condominium housing units on being liable for VAT.

- a) Collection of VAT for the period from 01 April 2019 to 31 October 2019 at the rate of 15%
- b) Collection of VAT with effect from 01 November 2019, at the rate of 6%
  - i. Claiming of tax credit will be at 5% of input VAT on the purchases attributable to such supply by issuing tax invoice. Any input VAT excess over 5% should be disallowed and entered in Cage 8 of the VAT return.
  - ii. Where the purchases attributable to such supply has been purchased under SVAT Scheme at a rate higher than 5% on receiving a suspended tax invoice, such amount of input VAT on suspended purchases in excess of 5% should be disallowed (and paid back to the IRD) and entered in Cage 8A of the VAT return.

## **6. New Exemptions**

Effective from 01 November 2019, locally produced rice bran oil made out of locally produced rice will be exempt from VAT.



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