



DEPARTMENT OF INLAND REVENUE

NATION BUILDING TAX (NBT)

Nation Building Tax Bill was passed by Parliament on January 7, 2009 giving legal effect to the Proposal for the imposition of Nation Building Tax (NBT) as announced in 2009 Budget. Accordingly, the NBT imposed is applicable with effect from February 1, 2009.

Main features of this tax, in terms of the law and procedure, are as set out below:

1) SCOPE

NBT is payable by every person (individual, company, body of persons) or partnership who or which:

- (a) imports any article (other than any article in the personal baggage) into Sri Lanka; or
- (b) carries on the business of manufacture of any article: or
- (c) carries on the business of providing any service.

“Article” does not include any excepted article, and “Service” does not include any excepted service.

2) CHARGABILITY

NBT is payable on the “liable turnover” for every quarter (period of three months) commencing respectively on the first day of January, April, July or October of any calendar year.

However, the 1st quarter of the year 2009 comprises only two months commencing from February 1, 2009.

3) RATE

1% on the liable turnover

4) LIABLE TURNOVER

“Liable Turnover” in relation to:

- (a) any person or partnership who or which imports any article into Sri Lanka means, the value of such article ascertained under section 6 of the Value Added Tax Act for the purpose of VAT.
- (b) any quarter and to any person or partnership -
 - (i) carrying on the business of manufacture of any article means, the sum receivable, whether received or not, from the sale in Sri Lanka in that quarter, of articles manufactured by such person or partnership;
 - (ii) carrying on the business of providing any service means, the sum receivable, whether received or not, from the provision of such service in Sri Lanka, in that quarter.

However, any of the following components does not form part of liable turnover:

- the VAT component (with regard to persons registered for VAT);
- bad debts incurred (However, bad debts previously written off and recovered subsequently to be taken into account);
- any excise duty under the Excise Duty (Special Provisions) Act No 13 of 1989, paid in that quarter.

Any person or partnership referred to in paragraph (b) above will not be liable to pay NBT for any quarter, if:

- the liable turnover of such person or partnership for that quarter does not exceed Rs. 650,000; or
- such person has paid in that quarter, optional VAT under Chapter III b of the VAT Act.

5) REGISTRATION

(i) Importers

The TIN (number) already registered for importation of goods can be used for NBT purposes as well. (A new registration for NBT is not required.)

(ii) **Manufacturers / Service providers**

Registration is required, if the turnover for a quarter exceeds Rs.650,000. However, every taxpayer already registered for VAT will be registered for NBT as well on the basis of available information, and notified to such taxpayers the NBT number. Where any taxpayer registered for VAT is not liable to pay NBT, such taxpayer, may communicate details to NBT Unit (13th floor, Inland Revenue Building)

Other persons or partnerships, please apply for NBT registration before March 15, 2009 giving the name, postal Address, turnover for the quarter ended 31, March, 2009 (which can be estimated on the basis of previous years) and the Tax payer Identification Number (TIN). If currently a TIN has not been allocated, an application should be made to the Taxpayer Service Unit (Ground Floor, Inland Revenue Building), and get a TIN assigned, before seeking the registration for NBT.

6) PAYMENTS

NBT is payable for every quarter on self assessment basis in three monthly instalments. An instalment for a quarter is an amount not less than one third of the NBT payable for that quarter. The due dates are as follows.

First instalment of a quarter - on or before the 20th day of the second month of that quarter

Second instalment - on or before 20th day of the third month of that quarter

Final payment - on or before 20th day of the month immediately succeeding the end of that quarter

However, for the quarter ended on 31st March 2009, the turnover of the period from February 1 2009 to the end of that quarter will be treated as the turnover for the whole quarter.

7) SET OFF OF NBT PAID

Any manufacturer who is registered for NBT is entitled to deduct from the NBT payable for any quarter, the NBT paid in relation to any article imported by such manufacturer or any article purchased from another manufacturer registered for NBT being any article which is used exclusively in the business of manufacture.

Undeducted balance, if any, can be carried forward to be deducted from the NBT payable for the subsequent quarter. However, any part of NBT cannot be refunded.

Where a NBT registered manufacturer sells any article manufactured by him to another manufacturer, please ensure that the NBT number is entered in the invoice, to facilitate tax credit.

8) RETURN OF NBT

Return of NBT for every quarter should be furnished on or before 20th day of the month immediately succeeding the end of that quarter.

9) EXCEPTED ARTICLES AND EXCEPTED SERVICES

Turnover from any excepted article or excepted service is not liable to NBT. Such excepted articles and excepted services are as specified below:

Excepted articles

- (i) any article exported by the manufacture of such article;
- (ii) any article not being plant, machinery or fixtures imported by any person exclusively for use in, or for, the manufacture of any article for export;
- (iii) any article sold to any person to whom this Act applies being an exporter, if the Commissioner General is satisfied, on the production of a letter of credit opened in any bank in Sri Lanka in respect of the export of that article or other documentary evidence that such article has in fact been exported from Sri Lanka;
- (iv) any article which is imported, if proved to the satisfaction of the Commissioner General of Inland Revenue, that such article is imported to Sri Lanka for –
 - (i) display at an exhibition;

- (ii) the temporary use in Sri Lanka in any project approved by the Minister;
 - (iii) for the purposes of repairs to that article to be carried out in Sri Lanka; or
 - (iv) any other similar purpose, and is to be re-shipped, within a period of one year from the date of importation of such article to Sri Lanka;
- (v) any article imported, if proved to the satisfaction of the Director General of Customs, that such article was, prior to its importation, taken out of Sri Lanka for repairs;
- (vi) any cinematographic film or teledrama produced in Sri Lanka and taken out of Sri Lanka for further processing or printing with the approval of the National Film Corporation;
- (vii) any spare part imported by any airline or shipping company, if proved to the satisfaction of the Commissioner General, that such spare part is to be used for the maintenance of any aircraft of ship, used in international traffic and owned or chartered by such airline or shipping company;
- (viii) any article sold, to the United Nations Organization or to any specialized agency of such organization or to the diplomatic mission of any foreign Government or to any member of the diplomatic staff of such mission or to any other person approved by the Minister on the recommendation of the Minister of Foreign Affairs as being of the status of a diplomatic mission;
- (ix) any article imported if such article is subject to the Special Commodity Levy charged under the Special Commodity Levy Act No. 48 of 2007;
- (x) fertilizer;
- (xi) petroleum and petroleum products;
- (xii) LP Gas;
- (xiii) pharmaceuticals; and
- (xiv) tea supplied by the manufactures being a manufacturer registered with the Sri Lanka Tea Board established by the Sri Lanka Tea Board Law, No. 14 of 1975, to any registered broker for sale at the Colombo Tea Auctions.

Excepted services

- (i) the business of Banking or Finance;
- (ii) supply of electricity;
- (iii) medical services;
- (iv) supply of water;
- (v) transport of goods or passengers;
- (vi) leasing of movable properties;
- (vii) service of a construction contractor, not being a sub-contractor, insofar as such services are in respect of constructing any building, road, bridge, water supply, drainage or sewerage system, harbour, airport or any infrastructure project in telecommunication or electricity;
- (viii) services provided to any exporter of any article, being services directly related to improving the quality and character of such article;
- (ix) the services of sewing garments provided to any exporter of such garments.
- (x) services of a freight forwarder, shipping agent licensed under the Licensing of Shipping Agents Act No. 10 of 1972 or courier insofar as such services are in respect of the export of any article from Sri Lanka;
- (xi) services provided by a public corporation, insofar as such services are in respect of the export of any article from Sri Lanka;
- (xii) operating a hotel, guest house, restaurant or other similar business, if such hotel, guest house, restaurant or other similar business if such business is registered with the Ceylon Tourist Board;
- (xiii) the services of an auctioneer, broker, insurance agent or commission agent of any local produce;
- (xiv) the services of a travel agent in respect of inbound tours, if such person is registered with the Ceylon Tourist Board;

- (xv) services of a computer software developer in respect of software developed by such person for use wholly outside Sri Lanka and for which payment is received in foreign currency through a bank;
- (xvi) services provided over the Internet, using custom-built software, by an enterprise, exclusively for the provision of such services being services enabling or facilitating the sale of goods, or for the provision of services, by a person in Sri Lanka to person outside Sri Lanka, for payment in foreign currency;
- (xvii) client support services provided over the internet or telephone, by an enterprise, exclusively for the provision of such services, to one or more identified clients outside Sri Lanka, for payment in foreign currency;
- (xviii) the business of life insurance;
- (xix) distribution or production and supply, of any cinematographic films primarily for exhibition in cinemas;
- (xx) exhibiting films in a cinema;
- (xxi) any service provided to the United Nations Organization or to any specialized agency of such organization or to the diplomatic mission of any foreign Government or to any member of the diplomatic staff of such mission or to any other person approved by the Minister of the recommendation of the Minister of Foreign Affairs as being of the status of a diplomatic mission.
- (xxii) any service rendered in or outside Sri Lanka to any person or partnership outside Sri Lanka for payment in foreign currency if such foreign currency is remitted to Sri Lanka through a bank.

For any further clarification, please contact:

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Taxpayer Service Unit - Tel. 011-2434314, 2329116
Secretariat - Tel. 011-2327872, 2343174, 478986,
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Commissioner General of Inland Revenue



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