



DEPARTMENT OF INLAND REVENUE

VALUE ADDED TAX (VAT)

Amendments to the Value Added Tax Act No. 14 of 2002

Taxpayers are hereby informed that, as announced in the Budget 2009, the following changes to Value Added Tax (VAT) take effect on respective dates specified, pending formal amendments being made to the Value Added Tax Act No. 14 of 2002.

1. Exemptions:

(a) **The supply of -**

- (i) locally manufactured tea machinery, with effect from **01.10.2008**.
- (ii) locally manufactured surgical gauze used for surgeries, with effect from **01.01.2009**.

(b) **The importation of -**

- (i) buses on or after **09.07.2008** to replace the buses destroyed due to terrorist activities.
- (ii) brass sheets, brass ingots , thread, dyes, paraffin wax and shellac for the manufacture of brassware by the National Craft Council with the approval of Ministry of Rural Industries and self employment promotion with effect from **01.01.2009**.
- (iii) chemical naptha by the Ceylon Petroleum Corporation to be supplied to Ceylon Electricity Board for the generation of electricity with effect from **01.01.2009**.

(c) The import or supply of solar panel modules and accessories for the generation of solar power energy specified under HS Code Nos. 8501.31.10, 8541.40.10, 8513.10.10, 9405.10.10, 9405.10.20, 9405.20.10, 9405.20.20, 9405.40.30, 9504.40.40, 9032.89.10 and 8539.31.20 with effect from **01.01.2009**.

(d) Construction work of Gama Naguma , Maga Naguma, Samurdhi, and community irrigation projects, carried out through the participation of the community with effect from **01.01.2009**.

(e) Supply of financial services by Lady Lochore Loan Fund from VAT financial services with effect from **01.01.2009**.

2. Changes to the deduction of Input Tax :

(a) **Deduction of input tax credit on a customs declaration related to import of goods :**

Effective from 01.01.2009, the present period of one year for the claim of input tax credit on customs declarations related to importation of goods, is extended for a period of two years.

(b) **Restriction of input credits:**

Effective from 01.01.2009, the deduction of input tax credit in relation to VAT paid at 20% is restricted to 12%.

3. Expansion of VAT suspension through Export Development Board:

With effect from 01.06.2008, the facility of suspension scheme of deemed exporters (through Export Development Board), is extended to certain specific services provided to exporters.

4. The limit for the Registration for VAT:

(Effective from 01.01.2009)

(a) **Normal VAT:**

The limit the registration for VAT is increased to Rs. 650,000/= per taxable period; or Rs. 2.5 Million per year.

(b) **Optional VAT:**

The limit of the registration for optional VAT is increased to Rs. 3 Million (maximum).

5. Rates Changes:

(Effective from 01.01.2009)

(a) **Basic Rate of 5%:**

(i) The goods which are liable to tax under the provisions of Special Commodity Levy Act No. 48 of 2007 is removed from the Basic Rate Schedule; and

(ii) The rest of the goods in that Schedule is taxed at the standard rate of 12%.

(b) **The reduction of the Standard Rate:**

The Standard Rate of 15% is reduced to 12%.

For any further clarifications, please contact :

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Commissioner General of Inland Revenue



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