



INLAND REVENUE DEPARTMENT

Implementation of Proposals on Value Added Tax (VAT) and Nation Building Tax (NBT) on the Instruction of the Ministry of Finance

As instructed by the Ministry of Finance and published in the website of the Ministry, the Value Added Tax (VAT) and Nation Building Tax (NBT) proposals made by Budget 2016 shall be revised and implemented with effect from 02.05.2016 as appended;

Value Added Tax (VAT)

1. Revision of VAT rate

VAT rate is increased to 15 % including the VAT on Financial Services.

2. Liable limit for VAT Registration

The liable limit for registration of VAT by a person carries on any taxable activity is reduced to Rs. 3 million for taxable period of three months or 12 million in the twelve months period including Financial Services and wholesale & retail trade.

Accordingly, any person or partnership whose taxable supplies exceed Rs. 3 Mn for any taxable period of three months should obtain a registration for VAT.

The registration could also be done online by visiting the Inland Revenue website.

3. Wholesale and retail trade

VAT liability on wholesale and retail supply of goods continues other than the supply of exempt goods (goods specified in PART II of the FIRST SCHEDULE to the VAT Act) from January 01, 2016.

Accordingly, deemed VAT liability on exempt goods is not applicable.

However, liable threshold for VAT registration for wholesale & retail trade for any consecutive period of 3 months in a calendar year is reduced from Rs. 100 million to Rs. 3 million for taxable period of three months or 12 million in the twelve months period.

4. Removal of Exemption

The following exemptions are removed and liable for VAT with effect from May 2, 2016:

- Supply of telecommunication services
- Import or supply of telecom equipment or machinery, high-tech equipment including copper cables for telecom industry.
- The issue of licenses to local telecom operators by TRC
- Supply of healthcare services
- The supply of goods or services to any specified project approved on or after 02.05.2016 other than housing projects.

Nation Building Tax (NBT)

1. NBT Rate

NBT rate should be continued at the rate of 2 %.

2. Liable Threshold

The present threshold of liable turnover of NBT per quarter of Rs. 3.75 Mn or 25 Mn for certain industries (other than the turnover of any locally procured agricultural produce in the preparation for sale), is reduced to Rs. 3 Mn.

Accordingly, any person or partnership whose liable turnover from any business including the turnover of following businesses is not less than Rs. 3 million for any quarter is liable for NBT.

- Operating a hotel, guest house, restaurant or other similar business
- Providing educational services locally
- Supply of labour

3. Removal of Exemption

The following exemptions are removed and liable for NBT with effect from May 02, 2016:

- Telecommunication Service
- Supply of electricity (including the supply to the national grid)
- Lubricants (petroleum and petroleum products other than petrol, diesel or kerosene)
- The supply of goods or services to any specified project approved on or after 02.05.2016 other than housing projects.

For any further clarification, please contact our call center by dialing 1944 or visit our Web Site - www.ird.gov.lk

Commissioner General of Inland Revenue



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