



INLAND REVENUE DEPARTMENT

Notice to Taxpayers

Implementation of Changes to the Value Added Tax (VAT) as passed in Parliament on March 24, 2022

Changes to VAT will be implemented as per the Bill to amend Value Added Tax Act No. 14 of 2002 (VAT Act) and subsequent Committee Stage Amendments (CSA) as passed in Parliament on March 24, 2022 with effect from the date of certification of the Bill or the date stated in respective clauses of the Bill and CSA and would become law once the Hon. Speaker certifies the Bill which will be incorporated into the final enactment.

According to the Bill presented in Parliament together with the CSA, the significant changes are set out below.

1. VAT rate on supply of Financial Services

VAT rate on the supply of financial services by a specified institution or other person has been increased from 15% to 18% with effect from January 01, 2022

Any specified institution or other person which has paid VAT on financial services at the rate of 15% for the period from January 01, 2022 to the period ending on the date of the certification of the Amendment Act is required to pay the balance tax amount on or before the twentieth day of the succeeding month of the certification of the Amendment Act (i.e. April 20, 2022). If the tax is so paid, such specified institution or person shall not be deemed to be a defaulter in terms of the provisions of the VAT Act.

2. Restructure of exemption granted to address COVID 19 pandemic

Exemption granted in item (xxxi) of Paragraph (a) of Part II of the First Schedule, on supply or import of machinery and equipment including medical, surgical and dental instruments, apparatus, accessories and parts thereof, hospital or medical furniture and drugs, chemical and similar items, as recommended by the Secretary to the Ministry of the Minister assigned with the subject of Health, as required for the provision of health services to address the COVID 19 pandemic, with effect from May 20, 2020 has been terminated with effect from December 31 2021.

However, an amendment is made to provide such exemption only if such machinery, equipment, drugs and chemicals are donated to a government hospital or the Ministry of Health for the provision of health services to address any pandemic or public health emergency, approved by the Minister of Finance on the recommendation of the secretary to the Ministry of Health.

3. Removal of changes proposed in the Bill

Changes proposed in the Bill to exempt cigarettes and liquor on the condition of imposition of Special Goods and Services Tax is removed and restated the status quo.

Commissioner General of Inland Revenue



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