



## Inland Revenue Department

### Notice to Taxpayers

#### Input Tax Credit for Value Added Tax (VAT) Arising on Importation or Local Purchase of Motor Vehicles

Local sale and importation of motor vehicles have been subjected to the VAT with effect from January 01, 2024.

Furthermore, importation of motor vehicles to Sri Lanka has been permitted by the Extraordinary Gazette No. 2421/44 dated January 31, 2025.

The section 26 of the Value Added Tax Act specifies the limitations that have been imposed on input tax credit claims on VAT paid on the occasion of importation or local purchase of motor vehicle by a person registered for the VAT.

Accordingly, motor vehicles for which input tax credit is allowed have been indicated below.

- Motorcycle
- Bicycle
- Motor coaches used by an employer to transport employees
- Motor vehicles used in tourism
- Motor vehicles used in goods transportation
- Hiring motor vehicles
- A motor vehicle which is a part of the trade stock of a registered person who carries on a business of vehicle sale.

VAT arising on all other vehicles used in traveling purpose except the above-mentioned motor vehicles will not be allowed to deduct as an input tax credit.

Also motor vehicles used for travel purposes, for which input tax credit is not allowed, should not be sold or purchased using a suspended tax invoice under the Simplified Value Added Tax (SVAT) Scheme.

For further clarification, please contact the following officers.

Commissioner (Tax Policy and Legislation) – 0112135412

Senior Deputy Commissioner (Tax Policy and Legislation) – 0112135434

**Commissioner General of Inland Revenue**



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