



Inland Revenue Department

- Frequently Asked Questions -



This FAQ document seeks to address commonly asked questions regarding the upcoming changes to VAT and SVAT. This is last updated on 1 Aug 2025.

General

What are the upcoming changes to VAT and SVAT?

Changes will be made to enhance VAT-related processes with effect from 1 July 2025. In addition, the formal repeal of the SVAT scheme will be effective from 1 October 2025. A summary of the key changes is provided below.

Phase 1 Release: 1 Jul 2025 - takes effect from the taxable period beginning in 1 Jul 2025

Changes to VAT Schedule Record Capturing

- Earlier timeline for uploading of schedule records (*start capturing schedule records from the start of the taxable period*).
- Schedule records to be captured directly via e-services.

Phase 2 Release: 1 Aug 2025 - takes effect from the taxable period beginning in 1 Jul 2025

Changes to Return Filing and Refund Request

- Move to 100% e-filing from the taxable period commencing on 1 July 2025.
- Changes in acknowledgement process.
- Request refund directly within the same return submission.
- On-return posting and collection action to be processed immediately by IRD after return submission.

Phase 3 Release: 1 Oct 2025 - takes effect from the taxable period beginning in 1 Oct 2025

Changes in SVAT Scheme

- Abolition of the SVAT scheme – all existing SVAT registrations will be cancelled, and affected taxpayers under the SVAT scheme to transition to the standard VAT system.
- SVAT credit vouchers and suspended tax invoices will no longer be used.

Refund Processing Enhancements

- Introduction of risk-based refund scheme.
 - New refund process for eligible exporters and projects (*refunds issued within 45 days from the return submission due date for the return submitted on or before due date*).
- Note: If Notice 2 is issued for any reason, 45 days will be counted from the date of compliance with the Notice 2.*

Filing Frequency for Eligible Exporters and Projects

- Eligible exporters and projects will be moved automatically from quarterly to monthly taxable period. Existing monthly eligible exporters and projects will remain in the monthly filing frequency.



Inland Revenue Department

- Frequently Asked Questions -



VAT Schedule Record Capturing & Return Filing and Refund Request

Can I still manually submit schedule and returns?

From 1 Jul 2025, taxpayers should submit all schedules and returns through e-services only. Prior approval from IRD is required for manual submission.

When can I start capturing or uploading schedule records?

You can start capturing or upload schedule records from the 1st day of the taxable period. For example, you will be able to start capturing schedule records on 1 Jul 2025 for the taxable period beginning on 1 Jul 2025.

Can I still upload the schedule records in CSV format (Excel)?

Yes, you can still upload schedule records during filing of returns. However, we recommend you capture schedule records directly via e-services as there are in-built data validation which will help you reduce potential errors.

How do I capture schedule records via e-services?

Please refer to the "**How to file returns – Value Added Tax**" **quick guide** that is available from the IRD portal for more instructions.

How do I request for refunds?

You no longer need to submit a separate Refund Mode Instruction (RMI) to request for refunds. You can request for refunds directly when submitting a return. Please refer to the "**How to file returns – Value Added Tax**" **quick guide** that is available from the IRD portal for more instructions.

Why am I not receiving accurate and timely updates, such as notices?

Please make sure to update your contact details in your profile. To do so:

1. Go to www.ird.gov.lk and login to **e-Services**.
2. Select **Taxpayer Registration** → **Change Taxpayer Detail Request** and **Change Tax Type Detail Request** from the top menu.
3. Update your **taxpayer information** in both pages as required.



Inland Revenue Department

- Frequently Asked Questions -



Risk-Based Refund System

What is the Risk-Based Refund System?

The new Risk-Based Refund System aims to facilitate timely and efficient VAT refunds, particularly targeting direct exporters and other eligible parties. Under this new system, refunds will be issued within 45 days from the due date of the return submission, depending on the taxpayer's risk classification.

Note: If Notice 2 is issued for any reason, 45 days will be counted from the date of compliance with the Notice 2.

How will my risk rating be calculated?

Eligible taxpayers will be evaluated using a scientific, statistically sound risk-rating methodology. Based on this assessment, exporters will be classified into three categories: Low, Medium or High risk.

This classification will determine how refunds are processed:

- **Low and Medium Risk taxpayers:** Refunds will be processed and issued more quickly without prior verification. Verification of tax returns will be carried out post refund.
- **High Risk taxpayers:** Refunds will be subject to pre-verification before being processed and issued.

Who is eligible for VAT refunds under the new system?

You will be eligible for VAT refunds under the new system if you meet either of the following conditions:

- **Exporters:** Your direct export value must exceed 50% of your total supply in the preceding calendar year.
- **Projects:** Your project is approved under Section 22(7) of the VAT Act.
- **Suppliers to projects:** You are a supplier to Special Projects (SP) and Strategic Development Projects (SDP), where such supplies constitute more than 50% of your total supplies.

What steps has the Inland Revenue Department (IRD) taken to ensure the successful implementation of the Risk-Based Refund System (RBRS)?

The transition to a risk-based framework is intended to modernise the tax administration system in line with international best practices. These reforms aim to enhance efficiency, promote compliance, and ensuring the timely disbursement of VAT refunds to genuine exporters and eligible entities.

To ensure the successful implementation of the RBRS, The Inland Revenue Department (IRD) has undertaken the following measures:

1. Identified systemic barriers to timely VAT refunds under the existing framework.
2. Amended the VAT Act to provide the legal foundation for the abolition of SVAT scheme and the establishment of the new refund system.
3. Developed a comprehensive risk-rating methodology based on well-defined risk indicators.
4. Enhanced the RAMIS system in three phases, with two phases already completed. Accordingly, taxpayers can capture schedule records in the beginning of the taxable period with effect from the taxable period 1 Jul 2025 and e-filing of the return from the taxable period 1 Jul 2025.
5. Established specialised units Refund Processing Unit & Refund Verification Unit.
6. Designed and deployed communication strategies to raise taxpayer awareness, including the conduct of targeted awareness sessions.



Inland Revenue Department

- Frequently Asked Questions -



Abolition of SVAT

Why is the SVAT scheme being abolished?

The SVAT scheme, which allowed business-to-business VAT obligations to be settled through credit vouchers and documentation instead of monetary transactions, will be abolished with effect from 1 Oct 2025. This is part of Sri Lanka's tax reform initiatives to align with international best practices.

Moving forward:

- All SVAT registrations, including those under Registered Identified Purchaser (RIP) and Registered Identified Supplier (RIS) statuses, will be cancelled.
- Taxpayers currently on SVAT scheme will have to transition to the standard VAT system. This includes submitting VAT schedule records with VAT Return form instead of SVAT schedules.
- RIS taxpayers currently on SVAT scheme will have to collect VAT in currency and issue standard tax invoices for their taxable supplies.
- RIP taxpayers currently on SVAT scheme will have to pay VAT in currency and receive standard tax invoices from suppliers.

More information on SVAT will be shared in upcoming communications and/or engagements.

What will happen to the Registered Identified Supplier (RIS) status after the SVAT scheme is repealed?

The Registered Identified Supplier (RIS) status will be terminated with effect from 1 Oct 2025. RIS entities will be treated as a standard VAT registrant and must:

- Stop issuing Suspended Tax Invoices to purchasers.
- Stop accepting SVAT Credit Vouchers from purchasers.
- Charge VAT on local supplies at the standard rate and issue standard tax invoices to purchasers.
- Remit the VAT collected during a month to the Inland Revenue Department on or before the 20th day of the following month.
- Note the following changes to submission of schedule and returns:
 - Schedules SVAT 04, SVAT 05, SVAT 05a, SVAT 05b, and SVAT 07 will no longer be applicable.
 - When completing the VAT return:
 - Cages "C", "2A", and "R2" will be removed from the VAT return.
 - Corresponding supplies shall be reported under Cages "A" and "0" as taxable supplies.

I am a Registered Identified Supplier (RIS). What are the final SVAT activities and deadlines that I must take note of?

All SVAT schedule submissions will be disabled after 31 Oct 2025. For all taxable periods before 1 Oct 2025, you must submit the following by these deadlines:

- **Schedule SVAT 04:** Submit all suspended supplies by 15 Oct 2025.
- **Resubmissions:** If Form SVAT 04 is rejected by the RIP (with reasons), resubmit the revised form by 31 Oct 2025.
- **Schedules SVAT 05, 05a, 05b, and 07:** Upload by 31 Oct 2025.

Please note that the SVAT scheme will be abolished with effect from 1 Oct 2025.



Inland Revenue Department

- Frequently Asked Questions -



Abolition of SVAT

What will happen to the Registered Identified Purchaser (RIP) status after the SVAT scheme is repealed?

The Registered Identified Purchaser (RIP) status will be terminated with effect from 1 Oct 2025. RIP entities will be treated as a standard VAT registrant and must:

- Stop issuing SVAT Credit Vouchers to suppliers.
- Pay VAT on local purchases directly to the suppliers.
- Request a Tax invoice from supplier.
- When filing the VAT return:
 - Cages J, J1, K, K1 & 8A will no longer be available in the VAT return.
 - Corresponding purchases must be entered in Cages I & 6 as Input tax on local purchases.

I am a Registered Identified Purchaser (RIP). What are the final SVAT activities and deadlines that I must take note of?

For all taxable periods before 1 Oct 2025, you must submit the following by these deadlines:

- **SVAT credit vouchers:** Can be issued for purchases up to 30 Sep 2025.
- **Form SVAT 04:** Must be approved by 20 Oct 2025.
- **Schedule SVAT 06:** Submit by 31 Oct 2025.
- **Unused SVAT credit voucher books:** Handover by 10 Nov 2025 to the Medium Corporate Default Tax Collection Unit, 9th Floor, Inland Revenue Building.

Please note that the SVAT scheme will be abolished with effect from 1 Oct 2025.

How can I handle adjustments for transactions made before the SVAT repeal using Credit/Debit note?

If you need to issue credit or debit notes for adjustments to transactions that are entered before 1 Oct 2025, follow these steps within 6 months from the original invoice date:

- Amend the VAT return and the relevant SVAT schedules for the respective taxable period in which the SVAT supply or purchase was declared.
- Submit the amended documents to your TIN assigned Unit.

These steps ensure that any corrections related to pre-repeal SVAT transactions are properly recorded.

How do I know if SVAT or standard VAT applies to a transaction during the transition period?

Whether SVAT or standard VAT applies depends on the time of supply, as defined under VAT regulations.

- **SVAT:** Transactions with a time of supply before 1 Oct 2025.
- **VAT:** Transactions with a time of supply on or after 1 Oct 2025.



Inland Revenue Department

- Frequently Asked Questions -



Support Options

I'm facing issues or have queries. Where can I get assistance?

1. Check out the **quick guides and other resources** on www.ird.gov.lk
2. Call 1944 to speak to a customer service representative at our **call center**.
 - Monday to Friday, 9am to 7pm
 - Saturday, 9am to 1pm
3. Walk in to the **Consultation and Promotion Unit** to seek assistance.
 - Inland Revenue Department, Sir Chittampalam A Gardiner Mawatha, Colombo 02 or Regional Offices
 - Monday to Friday, 8.30am to 4pm (excluding public holidays)