



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**VALUE ADDED TAX (AMENDMENT)
ACT, No. 14 OF 2026**

[Certified on 30th of June, 2026]

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Value Added Tax (Amendment)
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AN ACT TO AMEND THE VALUE ADDED TAX
ACT, NO. 14 OF 2002

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. This Act may be cited as the Value Added Tax (Amendment) Act, No. 14 of 2026. Short title

2. Section 2 of the Value Added Tax Act, No. 14 of 2002 (in this Act referred to as the “principal enactment”) is hereby amended, in paragraph (c) of subsection (1) thereof, by the substitution for the words “with effect from October 1, 2025”, of the words “with effect from July 1, 2026”. Amendment of section 2 of the Act, No.14 of 2002

3. Section 5 of the principal enactment is hereby amended as follows: - Amendment of section 5 of the principal enactment.

(1) in subsection (8) thereof, by the substitution for the words “as the case may be.” of the words, “as the case may be.”;

(2) by the addition immediately after subsection (8) thereof, of the following proviso: -

“Provided that, where a service is supplied for having a film exhibition on the issue of tickets, the “Entertainment tax” charged by a local authority under the Entertainment Tax Ordinance (Chapter 267) shall be deducted in addition to the deductions made under this subsection.”.

Amendment of section 7 of the principal enactment.

4. Section 7 of the principal enactment is hereby amended in subsection (1) of that section as follows: -

- (1) in subparagraph (vii) of paragraph (b) thereof, by the substitution for the words “such overseas buyers.”, of the words and figures “such overseas buyers, prior to October 1, 2025;”;
- (2) by the addition immediately after subparagraph (vii) of paragraph (b) thereof, of the following: -

“(viii) the provision of services to overseas buyers by a garment buying office registered under the provisions of the Industrial Promotion Act, No. 46 of 1990, so far as such services are provided to a person outside Sri Lanka for payment in foreign currency, with effect from October 1, 2025.”.

Amendment of section 21 of the principal enactment.

5. Section 21 of the principal enactment is hereby amended as follows: -

- (1) in the proviso to paragraph (a) of subsection (1) of that section, by the substitution for the words “Commissioner-General deems appropriate.”, of the words “Commissioner-General deems appropriate.”; and
- (2) by the addition immediately after the proviso to paragraph (a) of subsection (1) of that section, of the following new proviso: -

“Provided further, that any registered person may furnish schedules referred to

in paragraph (b) from the commencement date of the relevant taxable period.”.

6. Section 22 of the principal enactment is hereby amended by the addition immediately after paragraph (vi) of subsection (6) of that section of the following new paragraph: -

Amendment of section 22 of the principal enactment.

“(vii) if the payment of taxes on plants, machinery, equipment or vehicles imported for use in projects under the provisions of this Act has been deferred and such plants, machinery, equipment or vehicles have not been re-exported within one month of the completion of the project.”;

7. Section 25C of the principal enactment is hereby amended as follows: -

Amendment of section 25C of the principal enactment

(1) in subsection (1) of that section, by the repeal of the words from “Emoluments paid to all the employees” up to the words and figures “the Inland Revenue Act, No. 10 of 2006; and” and the substitution thereof of the following: -

“Emoluments payable to all the employees shall include -

(a) (i) for any taxable period prior to April 1, 2018, in the case of specified employees under Chapter XIV of the Inland Revenue Act, No. 10 of 2006, the gross remuneration payable to such employees,

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as reflected in the pay sheet maintained under section 119 of that Act; and

- (ii) for any taxable period commencing on or after April 1, 2018, any gains and profits which are required to be included under subsection (2) of section 5 of the Inland Revenue Act, No. 24 of 2017 but excluding the gains and profits specified in paragraph (b) of subsection (3) of section 5 of the said Act:

Provided that, where any registered specified institution or other person has furnished a return under section 25B for any taxable period ending prior to January 1, 2026, in compliance with item (i) of this subsection, such return shall be treated as having been furnished in compliance with this subsection.

For the purpose of this subsection the gain and profit shall be the fair market value.”.

- (2) in subsection (3) of that section –

- (a) by the substitution in paragraph (g) of that subsection, for the words and figures “on or after January 1, 2022, shall be eighteen *per centum*,” of the words and figures “on or after January 1, 2022 but ending on or before June 30, 2026, shall be eighteen *per centum*;”;

- (b) by the addition immediately after paragraph (g) of that subsection of the following: -

“(h) commencing on or after July 1, 2026, shall be twenty point five (20.5) *per centum*.”;

- (3) in subsection (5) of that section –

- (a) by the repeal of paragraph (e) of that subsection and the substitution therefor of the following:-

“(e) the profit or income on interest arising or accrued to any approved provident fund including the Employees Trust Fund or a Pension Fund or any thrift, savings or building society or welfare fund to which contributions are made by employees only or any approved gratuity fund, or the interest income (not being profits from a business) arising or accruing to any person other than a “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to the services provided by a finance company;”; and

- (b) in paragraph (f) of that subsection, by the substitution for the words “services provided by a finance company;” of the following: -

“services provided by a finance company.

For the avoidance of doubt, it is stated that the dividend income received by a person, who is not a specified institution or whose business income is not earned by supplying any services specified in paragraph (a), (b), (c), (d), (g) or (h) of section 25F, shall not be treated as profit from business;”.

Insertion of new
Chapter IIIC
in the principal
enactment

8. The following Chapter is hereby inserted immediately after Chapter IIIB of the principal enactment and shall have effect as Chapter IIIC of the principal enactment: -

“CHAPTER IIIC

**REGISTRATION AND PAYMENT OF
TAX ON DIGITAL SERVICES**

Persons
making digital
services to be
registered

25L. (1) Notwithstanding anything to the contrary in section 10, a non-resident person who supplies services through an electronic platform to a person in Sri Lanka (hereinafter referred to as the “digital services”) shall be required to be registered under this Act, if –

(a) on or after July 1, 2026, the total value of the supply of such services, within the twelve months period then ending has exceeded sixty million rupees or an equivalent to that in any other currency; or

(b) for any quarter commencing on or after July 1, 2026, the total value of the supply of such services, for a quarter exceeds or is likely to exceed fifteen million rupees or its equivalent in any other currency.

(2) Every person who is required to be registered under subsection (1), shall make an application for registration electronically in the form specified by the Commissioner-General not later than three months, from the date on which such person is required to be registered or from the date on which the Commissioner-General has specified such form, whichever comes later.

(3) Upon receipt of the application under subsection (2), the Commissioner-General shall register a non-resident person who complies with the requirements specified in subsection (1) (hereinafter referred to as the “registered non-resident digital service provider”) and issue a Certificate of Registration.

(4) The Certificate of Registration -

(a) shall include the name and address, country of residence, the effective date of registration and the Value Added Tax registration number and other relevant details of the registered non-resident digital service provider, as may be necessary to identify the person and the location; and

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(b) may be issued either electronically or in writing.

(5) Where two or more of the following conditions are satisfied, based on information available to, or obtained by, the non-resident digital service provider in the course of supplying such services, a recipient of digital services shall be deemed to be a person in Sri Lanka: -

(a) the billing, residential or business address of the recipient is in Sri Lanka;

(b) the payment for such digital services is made through a bank or financial institution in Sri Lanka;

(c) the payment instrument used for the transaction is issued in Sri Lanka; or

(d) the internet protocol address of the device used by the recipient is located in Sri Lanka.

Cancellation
of registration
of digital
service
providers

25M. (1) The Commissioner-General shall cancel the registration -

(a) where it is found that the registered non-resident person is not eligible to be registered under section 25L;

(b) where the supplying of services has ceased for more than six months; or

(c) where the total value of the supply of digital services does not exceed the value set out in section 25L for two consecutive taxable periods.

(2) Where the registered non-resident digital service provider has ceased to supply digital services or the total value of the supply of digital services is not exceeded the value set out in section 25L for two consecutive taxable periods and such service provider makes a request to the Commissioner-General to cancel the registration within thirty days from the date of such cessation or from the date of expiration of such consecutive taxable periods, as the case may be, and if the Commissioner-General is satisfied on the request made in that behalf, he may cancel the registration.

(3) Where a registration is cancelled under subsection (1), the Commissioner-General shall notify the digital service provider such cancellation with the effective date and the reasons for such cancellation.

Supply of digital services by non-resident persons to registered persons

25N. (1) Notwithstanding the provisions of section 2 and this Chapter, the tax imposed under paragraph (c) of subsection (1) of section 2, shall not be charged on or collected for the supply of services made by a non-resident person through an electronic platform, where the recipient of such services is a registered person under this Act:

Provided that, where a registered non-resident digital service provider has charged or

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collected tax for the supply of digital services, such service provider shall refund the tax so charged or collected to the recipient of such supply of services:

Provided further, where the service provider is unable to refund the tax so charged or collected as the tax had been remitted to the Commissioner-General, in such instance the following provisions shall be applicable to the tax so charged or collected: -

- (a) such tax if paid by a registered person to the registered non-resident digital service provider in respect of the supply of digital services shall be deemed to be input tax, and such registered person shall be entitled to deduct such input tax from the output tax, to the extent allowable under section 22 of this Act;
- (b) for the purpose of claiming input tax, an invoice issued by a registered non-resident digital service provider to such registered person, which separately specifies the Value Added Tax charged, shall be treated as a valid tax invoice.

(2) Where a supply of services is excluded from the charge of tax under subsection (1), the non-resident person making such supply shall, furnish to the Commissioner-General a simplified statement containing particulars of supplies made to registered persons in the

prescribed manner and within the prescribed period.

(3) The statement referred to in subsection (2) shall be limited to the following particulars only: -

- (a) the date of payment or the invoice date, as the case may be;
- (b) the taxpayer identification number of the recipient;
- (c) the name of the recipient;
- (d) the value of the supply;
- (e) invoice number; and
- (f) description of the service supplied.

(4) Where any person fails to comply with the provisions of subsection (2), the Commissioner-General may –

- (a) impose on such person a penalty of a sum not exceeding fifty thousand rupees, and give notice in writing or by electronic means to such person of the imposition of such penalty;
- (b) give notice in writing or by electronic means to such person to-
 - (i) pay such penalty; and

- (ii) comply with the provisions of subsection (2) within such period as may be specified in such notice.

(5) The Commissioner-General may reduce or annul any penalty imposed on any person under paragraph (a) of subsection (4) if such person proves to the satisfaction of the Commissioner-General that his failure to comply with the provisions of subsection (2) was due to circumstances beyond his control and that he has subsequently complied with such provisions.

The time, value and manner of supplying of digital services

250. (1) The time and value of supply of digital services shall be determined in accordance with the provisions of sections 4 and 5.

(2) The Commissioner-General may prescribe the manner of registration and keeping records for the purposes of this Chapter.

Payment of tax on digital services

25P. (1) The tax payable in respect of any taxable period by a registered non-resident digital service provider shall be paid to the Commissioner-General in accordance with section 26 -

- (a) by electronic remittance through the online system of the Department of Inland Revenue or through such other electronic payment facility as may

be approved by the Commissioner-General;

- (b) in Sri Lankan rupees or in such foreign currency as may be permitted by the Commissioner-General, remitted to a bank account designated for that purpose;
- (c) either directly by the non-resident digital service provider or through a representative appointed for that purpose.

(2) The Commissioner-General may specify the procedures and requirements for such payment.

Returns and communication

25Q. (1) Every registered non-resident digital service provider shall file a return for each taxable period as specified in section 21 by an electronic means.

(2) All notices, documents or other information shall be served to the non-resident person by an electronic means.

(3) Every registered non-resident digital service provider shall maintain accounts for the tax charged under this Act on an invoice basis.

(4) Any variation arising from the conversion of foreign currencies into Sri Lanka rupees shall be disregarded for the purpose of submission of returns, and such variance shall

not be deemed as a tax in default or refund for the purpose of this Act.”.

Insertion of new section 48C in the principal enactment

9. The following new section is hereby inserted immediately after section 48B of the principal enactment and shall have effect as section 48C of that enactment:-

“Write off tax in default in respect of tsunami relief projects

48C. The Commissioner-General shall write off tax in default under this Act of a registered person as per the records of the Commissioner-General, in respect of taxable supplies made with regard to the tsunami relief projects and where the payment of tax for such supplies under this Act had been undertaken by the Government of Sri Lanka.”.

Amendment of section 58 of the principal enactment

10. Section 58 of the principal enactment is hereby amended as follows: -

- (1) in the first proviso to subsection (1) of that section, by the substitution for the words and figures “referred to in paragraphs (a), (b), (c), (d) or (e) of subsection (5) of section 22”, of the words and figures “referred to in paragraphs (a), (b), (c), (d), (e) or (f) of subsection (5) of section 22”;
- (2) by the addition immediately after subsection (4) of that section, the following new subsection:-

“(5) Where any officer authorized by the Commissioner-General, has made a refund under Risk Based Refund Scheme in terms of subsection (5) of section 22 and in accordance with the guidelines issued by the Commissioner-General, shall be deemed to have acted with due authority

and such refund shall be deemed to have been, and to be validly made and such officer is indemnified against all actions civil or criminal, in respect of such refund.”.

11. The following new section is hereby inserted immediately after section 64A of the principal enactment and shall have effect as section 64B: -

Insertion of new section 64B in the principal enactment

“Use of secured point of sales machines

64B. (1) Every registered person shall use secured point of sale machines for all the transactions, issuance of invoices and to manage and maintain records in respect of the taxable activities carried out by him in the manner as may be prescribed, within three months from the date so prescribed.

(2) For the purpose of this section “secured point of sale machine” means an electronic device or system, approved by the Commissioner-General in the manner prescribed, which is used by a registered person for the purpose of recording the supplies of goods or services, generating invoices or receipts, and capturing transaction data in real time, so as to ensure proper accounting of turnover and the collection and remittance of the Value Added Tax in accordance with the provisions of this Act and any regulations made thereunder.”.

12. Section 66 of the principal enactment is hereby amended as follows:-

Amendment of section 66 of the principal enactment

- (1) by the renumbering of that section as subsection (1) of that section;

- (2) in the renumbered subsection (1) of that section by the substitution for all the words from “to attempt to evade “ to the end of that subsection, of the words “ to attempt to evade tax or willfully and fraudulently claims or attempt to claim a refund or assists any other person to willfully and fraudulently claim or attempt to claim a refund for which the person is not entitled, shall be guilty of an offence under this Act, and shall be liable, after summary trial before a Magistrate, to a fine of a sum or an imprisonment or both as specified in subsection (2) or subsection (3), as the case may be.”; and
- (3) by the addition immediately after the renumbered subsection (1) of that section, of the following new subsections: -

“(2) For any period prior to October 1, 2025-

- (a) a sum equal to twice the amount of tax so evaded or attempted to be evaded for which he is liable under this Act for the taxable period in respect of which the offence was committed; and
- (b) a sum not exceeding twenty five thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.

(3) For any period commencing on or after October 1, 2025-

- (a) a sum equal to twice the amount of tax so evaded or attempted

to be evaded for which he is liable under this Act or obtains or attempt to obtain a refund by fraud, misrepresentation, or by providing false or misleading information or documents, or by the concealment of any material fact for the taxable period in respect of which the offence was committed; and

(b) a sum not exceeding one million rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.”.

13. Section 67 of the principal enactment is hereby amended as follows:-

Amendment of
section 67 of the
principal
enactment

(1) by the insertion immediately after paragraph (n) of that section, of the following new paragraphs:-

“(o) obtains or attempts to obtain a refund of tax by fraud, misrepresentation, or the provision of false or misleading information or documents, or by the concealment of any material fact; or

(p) fails to furnish valid tax invoices or customs good declarations or other authenticated documents as required under section 21.”;

(2) in that section, by the substitution from the words, “shall be guilty of an offence under this Act,” to the end of that section of the following words and figures-

“shall be guilty of an offence under this Act, and-

- (i) for any period prior to October 1, 2025, shall be liable, on conviction after summary trial before a Magistrate, to a fine not exceeding twenty five thousand rupees, or to imprisonment of either description for a term not exceeding six months or both such fine and imprisonment: and
- (ii) for any period on or after October 1, 2025 shall be liable, on conviction after summary trial before a Magistrate, to a fine not exceeding one million rupees, or to imprisonment of either description for a term not exceeding six months or both such fine and imprisonment.”.

Replacement of section 68 of the principal enactment

14. Section 68 of the principal enactment is hereby repealed and the following section is substituted therefor: -

“Criminal proceedings

68. (1) The Commissioner-General may investigate any offence under this Act.

(2) The Attorney-General or a delegate authorized by the Attorney-General shall prosecute any person who commits an offence under this Act. Such criminal proceedings shall be initiated in the name of the Commissioner-General.

(3) Proceedings under this Act shall not affect criminal proceedings that may be brought under any other written law.

(4) Where, in respect of a single act, omission or course of conduct, a person is convicted for more than one offence under this Chapter -

- (a) the maximum term of imprisonment imposed for the offences shall not exceed a term of five years; and
- (b) the person shall not subsequently be prosecuted for additional offences in relation to the same act, omission or course of conduct.

(5) No penalty shall be payable under Chapter XII in respect of an act, omission or in the course of the conduct by a person where: -

- (a) the person has been convicted of an offence under this Act in respect of the same act, omission or course of conduct; or
- (b) the offence has been compounded by the Court with the consent of the Commissioner-General.

(6) Proceedings under this Act may commence where the offence alleged involves: -

- (a) the doing of an act, within twelve years from the doing of the act;
- (b) the failure to do an act, within twelve years from the date on which the act

was required to be done, or within three years from the date on which the Commissioner-General first becomes aware of such failure, whichever occurs prior; or

- (c) where the offence alleged involves the non-disclosure or misrepresentation of information relating to a person's liability to tax, within three years from the date on which the person's correct tax liability for the relevant taxable period is finally determined under this Act.”.

Amendment of section 73 of the principal enactment

15. Section 73 of the principal enactment is hereby amended by the insertion immediately after subsection (1) of that section of following new subsection: -

“(1A) Notwithstanding anything contrary in subsection (1), the name, address and tax registration number assigned to a registered person and the status of such tax registration shall be published by the Commissioner-General for the purpose of facilitating the administration and enforcement of the provisions of this Act and any other relevant written law, ensuring public transparency, enabling the identification of tax-compliant entities, and for the purpose of section 25N of this Act.”.

Amendment of section 83 of the principal enactment

16. Section 83 of the principal enactment is hereby amended as follows:-

- (1) by the insertion immediately after the definition of the expression of “educational services” of the following definition:-

““electronic platform” means, any online system, website, mobile application, or other digital interface operating through the internet that enables one or more service providers to supply services to service recipients;”;

- (2) by the repeal of the definition of the expression “eligible exporter” and the substitution therefor of the following definition: -

““eligible exporter” means, a registered person whose value of zero-rated supplies as specified under section 7, during the preceding calendar year was greater than fifty percent of the total value of supplies made by that person during the same period;”;

- (3) by the insertion immediately after the definition of the expression of “executor” of the following definition: -

““fixed place” means, a place that is at the disposal of a person and from which the person, using human and technical resources located at that place, regularly supplies services or receives and uses services for the purposes of that person’s business activities;”;

- (4) by the insertion immediately after the definition of the expression of “Minister” of the following definitions: -

““marketplace in relation to educational courses” means an educational or training program offered on a digital platform that serves as a centralized hub connecting multiple independent instructors or educational institutions with learners;

“non-resident person” means, any person who occasionally or otherwise undertakes transactions involving supply of services, whether as principal or agent, but who has no fixed place of business in Sri Lanka, and does not include a person registered under section 10, where such person carries on or carries out a taxable activity in Sri Lanka without a fixed place of business but having an agent to act on behalf of such person as referred to in section 55;”; and

(5) by the substitution, in paragraph (a) of subsection (3) of the definition of the expression “taxable period” as follows: -

- (a) in subparagraph (ii), for the words and figures “subsection (7) of section 22;”, of the words and figures “subsection (7) of section 22 during the project implementation period;”; and
- (b) in subparagraph (iii), for the words “First Schedule to this Act during the project implementation period or any specified project” of the words “First Schedule to this Act or any specified project”.

17. The First Schedule to the principal enactment is hereby amended in Part III thereof as follows: -

Amendment of
the First Schedule
of the principal
enactment

(1) in paragraph (a) of that Part, by the addition immediately after item (xi) of the following new item: -

“(xii) goods or services to any business identified and approved as a Business of Strategic Importance having regard to the national interest or in the advancement of the national economy, in accordance with the provisions of section 52 of the Colombo Port City Economic Commission Act, No. 11 of 2021 and the regulations made thereunder.”;

(2) by the addition immediately after paragraph (d) of that Part, the following new paragraph: -

“(e) supply of the following services through an electronic platform by a non-resident person-

- (i) educational services including online courses, seminars, training, digital education platforms, virtual classrooms, learning management systems and courses in marketplaces;
- (ii) healthcare services including online consultations, digital prescriptions, AI-assisted diagnostic, digital health tracking and telemedicine;
- (iii) services supplied to an organization or to the diplomatic missions to the extent specified under any relevant written laws or in accordance with any written agreement entered into with or on behalf of the Government of Sri Lanka.”.

18. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala Text to
prevail in case of
inconsistency

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