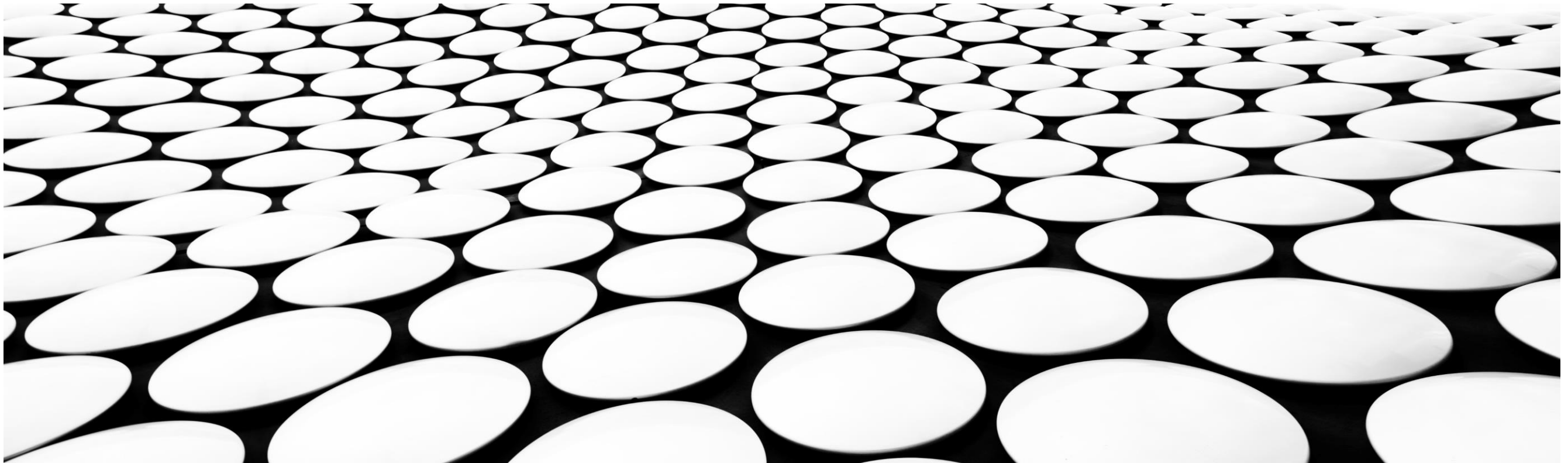


VALUE ADDED TAX

NEW REQUIREMENTS ON EXPORTERS



FOREWORD

This concise document intends to give an alarm to exporters that as per the new requirements introduced under the Value Added Tax (Amendment) Act, No. 9 of 2021 exporters (subject to certain exceptions) are required to receive export proceeds within six months from the end of the relevant taxable period in order to be eligible for the zero rated status under section 7 of the Value Added Tax Act.

Further, such input taxes attributable to export of goods and services are also not claimable if the respective export proceeds are not received within the stipulated period of six months.

However, this document should not be construed as an official advice by us. Therefore, before making any decisions based on this document, please seek necessary professional advice in this regard.

Section	Zero rated supplies	New Requirement (Export proceeds should receive within 6 months from the end of the Taxable Period)	Consequences of non compliance with the new requirement
7(1)(a)	Goods shall be zero rated where the supplier of such goods has exported such goods. (excluding goods supplied by any construction contractor to be utilized on a construction project carried out by him outside Sri Lanka)	Applicable	Input taxes will be disallowed. (Note)
7(1)(b)	Services shall be zero rated where the supply of such services are directly connected with –		
7(1)(b)(i)	any movable or immovable property outside Sri Lanka;	Applicable	Input taxes will be disallowed. (Note)
7(1)(b)(ii)	the repair of any foreign ship, aircraft or any merchant ship registered in Sri Lanka, or the refurbishment of marine cargo containers;	Not applicable	No change
7(1)(b)(iia)	ny goods imported into Sri Lanka for the purpose of re-export under entre-port trade;	Applicable	Input taxes will be disallowed. (Note)

Section	Zero rated supplies	New Requirement (Export proceeds should receive within 6 months from the end of the Taxable Period)	Consequences of non compliance with the new requirement
7(I)(b)(iii)	a copyright, patent, license, trade mark or similar intellectual property right, to the extent that such right is for use outside Sri Lanka;	Applicable	Input taxes will be disallowed. (Note)
7(I)(b)(iv)	international transportation (including transshipment) of goods or passengers as are specified in the Gazette notification number I267/5 dated December 17, 2002.	Not applicable	No change
7(I)(b)(v)	computer software development, in respect of software developed by the developer for use wholly outside Sri Lanka, and for which payment is received in foreign currency through a bank if, and only if, documentary evidence is produced to the satisfaction of the Commissioner – General of the supply of such services;	Applicable	Input taxes will be disallowed. (Note)
7(I)(b)(vi)	client support services provided, on or after April 1, 2001 over the internet or the telephone by an enterprise set up exclusively for the provision of such services to one or more identified clients outside Sri Lanka, for which payment is received in foreign currency, through a bank;	Applicable	Input taxes will be disallowed. (Note)

Section	Zero rated supplies	New Requirement (Export proceeds should receive within 6 months from the end of the Taxable Period)	Consequences of non compliance with the new requirement
7(1)(b)(vii)	the provision of services to overseas buyers by a garment buying office registered with the Textile Quota Board established under the Textile Quota Board Act, No.33 of 1996 or the Simplified Value Added Tax Scheme, as the case may be, where payment for such service is received in foreign currency, through a bank in Sri Lanka in so far as such services are identified by the Commissioner General as being services essential for facilitating the export of garments to such overseas buyers.	Applicable	Input taxes will be disallowed. (Note)
7(1)(c)	Any other service, being a service not referred to in paragraph (b) , provided by any person in Sri Lanka to another person outside Sri Lanka to be consumed or utilized outside Sri Lanka shall be zero rated provided that payment for such service in full has been received in foreign currency from outside Sri Lanka through a bank in Sri Lanka.	Applicable	Input taxes will be disallowed. (Note)

Note : Input taxes attributable to such supplies will be disallowed including suspended input under SVAT Scheme and deferred input at the point of importation under deferment facility.



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