

CA Sri Lanka - Strategic Level

Strategic Tax Planning (SL - 25 - 4)

Tutorial 8 – Value Added Tax (II)

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RISK BASED REFUND SCHEM

Objective : Expedite the cash refunds and streamlining the VAT system

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Risk Based Refund Scheme :- a scheme of refund processing whereby refund claims are processed subject to risk assessment, based on predefined criteria to identify the likelihood of inaccuracy, non compliance and overall behavior and reliability of eligible persons.

The eligible persons are categorized as low risk eligible persons, medium risk eligible persons or high-risk eligible persons based on the above criteria.

The eligible persons categorized as low or medium risk will be eligible to receive refunds without pre verification of the claim. However, such refunds shall remain subject to pre-verification by the officials, where necessary.

The eligible persons classified as high risk shall be eligible to receive refunds only after the completion of pre-verification.

Risk Based Refund Scheme

► Eligible persons :

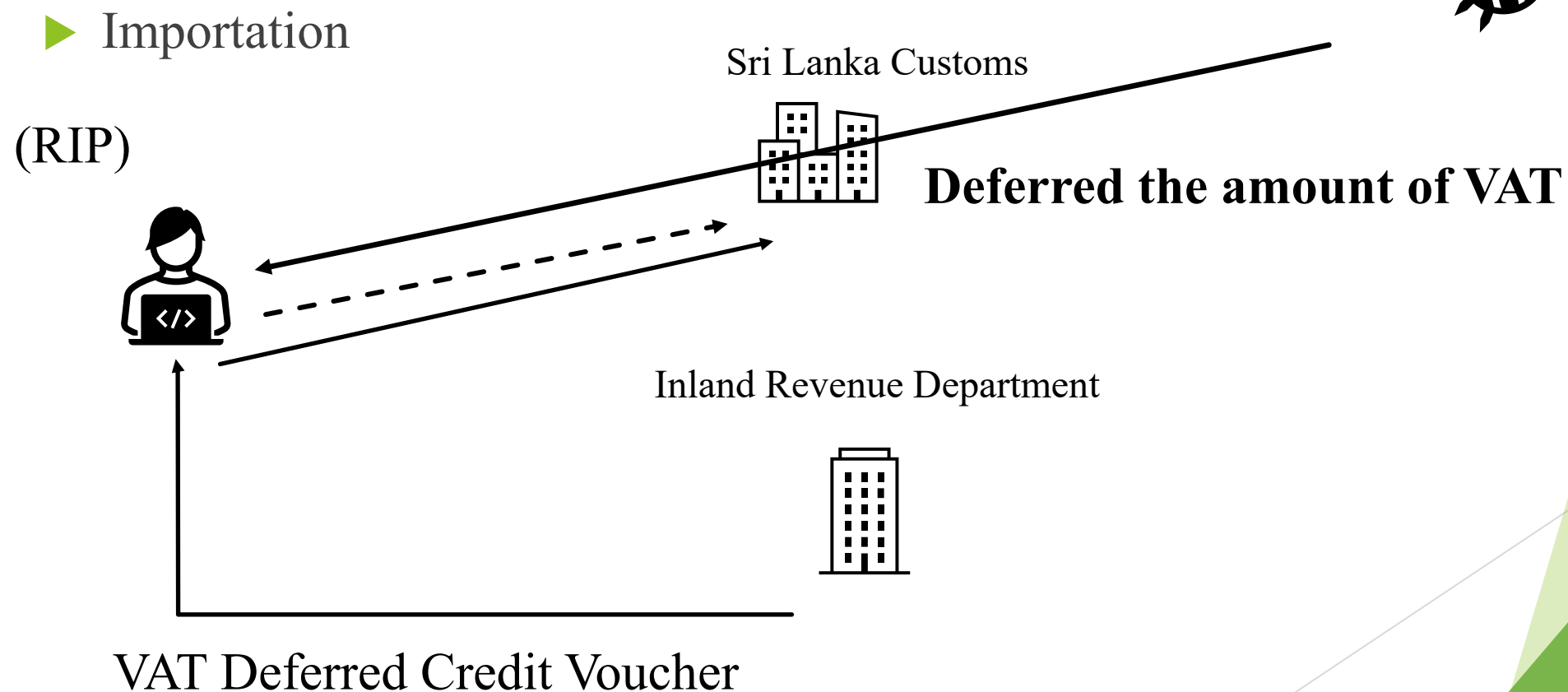
The following persons are eligible to claim VAT refunds under this Scheme.

- i. Eligible Exporter - whose value of zero-rated supplies as defined under section 7 of this Act, during the preceding calendar year was greater than fifty percent of the total value of supplies made by that person during the same period.
- ii. Supplier to Strategic Development Project - a registered person whose value of supplies of goods or services was more than fifty per centum of his under Subsection (4) of total supplies for that taxable period, to any Strategic Development the Strategic Development Project Act.
- iii. Supplier to Specified Project - a registered person whose value of supplies of goods or services was more than fifty per centum of his total supplies for that taxable period, to any specified project identified by the Minister
- iv. Project approved by the Commissioner General of Inland Revenue under section 22 (7) of the VAT Act during the project implementation period.

Risk Based Refund Scheme

- ▶ if the excess is in respect of any taxable period, such excess shall be refunded –
 - i. after furnishing a proper return containing all particulars; and
 - ii. not later than forty-five days from the last day of the month after expiry of such taxable period or from the date of furnishing a proper return

VALUE ADDED TAX DEFERMENT SCHEME



Value Added Tax

Tourist VAT Refund Scheme of Sri Lanka

Tourist VAT Refund system is introduced by Inland Revenue Department Sri Lanka, to refund VAT which is charged when purchasing goods, by Tourists who visit Sri Lanka.

The 'Tourist VAT Refund Scheme' (TVRS) is implemented with effect from September 11, 2018, in terms under section 58A of the Value Added Tax Act, No. 14 of 2002 (Amended by Act) and by Gazette notifications of the Commissioner General of Inland Revenue and Minister of Finance accordingly.

Eligibility for a refund under the TVRS

To eligible for TVRS Tourists have to fulfill the following criteria:

1. Should be a Non-Citizen and Non-Resident of Sri Lanka.
2. Visa type - Visitor Visa issued by the Controller General of Immigration and Emigration of Sri Lanka.
3. Should be not less than eighteen years old as of the date visit Sri Lanka.
4. Should have stayed in Sri Lanka less than ninety days at the date of refund claim.

Value Added Tax

Tourist VAT Refund Scheme of Sri Lanka Conditions applied for TVRS

- ▶ A Tourist required to have a minimum of LKR 50,000 worth of VAT liable purchases (exclusive of VAT) from any of the authorized retailers, consisting of a maximum of Three (3) commercial invoices issued on the same day by the same retailer and have to obtain a tourist VAT refund Invoice (TVRI) from the same authorized retailers by providing the commercial invoices along with passport.
- ▶ A Tourist should apply for VAT refund using a TVRS application form.
- ▶ Goods should be taken out of Sri Lanka either in baggage or hand luggage.

(The goods declared in the invoices should be available for physical verification at the Customs point)

Place to purchase goods

The goods must be purchased from Authorized Retailer, who registered under this scheme. To identify the shops, logos will be displayed in their shops.

Value Added Tax

Tourist VAT Refund Scheme of Sri Lanka Conditions applied for TVRS

Goods eligible to claim under TVRS

- ▶ All goods on which VAT is charged ("Standard-Rated Goods") are eligible for refund except;
- ▶ Goods that are prohibited on aircraft for safety reasons (
- ▶ Goods that are prohibited and restricted outwards under Sri Lanka Customs Ordinance Act.
- ▶ VAT exempted goods(where VAT was not paid)
- ▶ Goods that have been wholly / partly consumed in Sri Lanka.(for example: foods, Beverages)
- ▶ Services consumed.(for example: hotel Charges)
- ▶ Goods purchased online and taking out of Sri Lanka.
- ▶ Goods that are not presented for inspection with the required application form at the TVRS Counter.

Place to Claim refund under TVRS

The TVRS Counter located at the departure lounge, Bandaranaike International Airport, Katunayake.