

Value added Tax (VAT)

Part 01

AAT Level III

Corporate & Personal Taxation (CPT)

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Business Taxation 18 VALUE ADDED TAX

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Value Added Tax (VAT)

- **Imposition of Value Added Tax (VAT)**
- *No.14th of 2002 Value Added Tax Act* and amendments Act there after.

Value Added Tax (VAT)

- Accordingly VAT shall be charged
- At the time of supply on every taxable supply of good and services, in the taxable period by a registered person on their taxable activity in Sri Lanka.
- On the importation of goods into Sri Lanka , by any person.

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Value Added Tax (VAT)

- Therefore in order to get the basic understanding of VAT following terms to be understood.
- Taxable supply
- Supply of goods
- Supply of services
- Taxable period
- Registered person
- Taxable activity

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Value Added Tax (VAT)

- **Taxable supply.**
- The meaning here is any supply of goods or services made in Sri Lanka which is chargeable for VAT but it does not include any exempt supply.
- VAT shall be charged on the standard rate or zero rate as the case may be applicable
- Standard rate up to 30/11/2019 15%
- Standard rate 1/12/2019 onwards 8%

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Value Added Tax (VAT)

- **Supply of goods**
- Supply is not defined in the VAT Act. With our basic understanding it is to be supplying something and it is making available to consume.
- Here monetary (money) consideration is not vital. But the taxable transaction is important to arise liability of VAT.
- Goods – means all kind of movable or immovable property but does not include money and supply of software.

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Value Added Tax (VAT)

- **Supply of goods.**
 - When passing one's exclusive ownership to another according to the any written law happening through any of following.
 - The sale of goods by public auction.
 - The transfer of goods under a hire purchase agreement.
 - The sale of goods in satisfaction of a debt
 - The transfer of goods from a taxable activity to a non taxable activity.

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Value Added Tax (VAT)

- **Supply of services.**
 - The meaning here is any sort of supply and which is not supply of goods and include any loss incurred in a taxable activity for which an indemnity is due.

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Value Added Tax (VAT)

- **Taxable period.**
- Here we can see two period shall apply according to the case may be.
- 1. a period of one month – where any person registered in SVAT scheme and got registered identified status(RIP) (exporter or a zero rated supplier)
- 2. where any person has started business /project to comply with section 22(7) of the VAT Act.

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Value Added Tax (VAT)

- **Period of three months applicable for;**
- Any person other than for whom one month period is not applicable.
- Any person opts to have three month period with the approval of CGIR.
- Accordingly taxable period will commence – 1st January, 1st April, 1st July, 1st October of each year.

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Value Added Tax (VAT)

- **Registered person.**
- Any person who got the registration under VAT Act due the happening any of following is identified as VAT registered person and thereby such person liable to adhere VAT rulings.
- Due to having taxable supply over the threshold limit. And registered by applying voluntarily.
- Commissioner General has registered a person forcefully.
- On importation of goods in to Sri Lanka other than exempted or excluded articles. (Automatic or temporally)

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Value Added Tax (VAT)

- **Liable threshold limit. (Current)**
- Monthly liable supply over 25 Mn or
- Quarterly liable supply over 75 Mn or
- Annual liable supply over 300 Mn

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Value Added Tax (VAT)

- **Taxable activity.**
- Any activity carried as trade business profession or vocation other than employment.
- A provision of facilities to its members or to others for consideration in a club, association or organization.
- Any activity done in connection with above by commencing or cessation of any activity.
- The hiring or leasing of movable property or the renting or leasing of immovable property
- The exploitation of any intangible property which registered in Sri Lanka.

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Value Added Tax (VAT)

- **Assessing the VAT payable.**

Description	Amount
Out Put Tax	
Value of supply * applicable rate	****
Less : Input Tax applicable to out put	(****)
Balance payable/Excess	****

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Value Added Tax (VAT)

- 1. A registered person VAT liable supply Rs 83,000,000. for the quarter ended 30/9/2020. They purchased Rs. 61,000,000 materials to make this sale from another VAT registered person . Calculate VAT payable for the quarter ended.
- 2. If the same supplier make VAT liable supply for the quarter Rs . 83,000,000 and purchased Rs. 54,000,000. from VAT registered person and 7,000,000. from suppliers not registered for VAT. Calculate VAT payable for the quarter ended.

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Value Added Tax (VAT)

- 3. A registered person VAT liable supply Rs 73,000,000. for the quarter ended 30/9/2020 and exempted supply Rs 8,000,000. They purchased Rs. 61,000,000 materials to make this sale from another VAT registered person . Calculate VAT payable for the quarter ended.
- 4. If the same supplier make VAT liable supply for the quarter Rs . 73,000,000 and exempted supply 8,000,000 and purchased Rs. 54,000,000. from VAT registered person and 7,000,000. from suppliers not registered for VAT. Calculate VAT payable for the quarter ended.

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Value Added Tax (VAT)

- Further we need to understand following terms.
- Value of supply
- Applicable VAT rates
- Time of supply
- Input tax credit
- Claim of bad debts
- Cash basis accounting
- Tax debit note and credit note
- SVAT scheme
- Exempted goods and services will continue....

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