



INLAND REVENUE DEPARTMENT

Notice to the Taxpayers

Value Added Tax (VAT) Exemptions (Available on or after 01.01.2024)

Exemption of goods and services under the Value Added Tax Act, No. 14 of 2002 [as last amended by the Value Added Tax (Amendment) Act, No. 32 of 2023]

The PART II of First Schedule to the Value Added Tax Act, No. 14 of 2002 as amended by the Value Added Tax (Amendment) Act, No. 32 of 2023 will be terminated with effect from 31.12.2023. Accordingly, goods and services exempted from VAT with effect from 01.01.2024 are referred to in PART III of First Schedule to the Value Added Tax Act, No. 14 of 2002.

Such exempted goods and services are listed below.

(a)	The supply or import of-
(i)	Wheat and Wheat Flour;
(ii)	Infant Milk Powder;
(iii)	Pharmaceutical Products, Drugs (other than cosmetics), the end use of which are confined to therapeutic or prophylactic effect and purchased on a prescription of a physician and raw materials for the production or manufacture of such products or drugs;
(iv)	Ayurvedic Preparations belong to the Ayurveda Pharmacopoeia or Ayurvedic Preparations (other than cosmetic preparations) or Unani, Siddha or Homeopathic Preparations (other than cosmetic preparations) identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes and Raw Materials for such preparations, with the recommendation of the Commissioner for Ayurveda appointed under section 3 of the Ayurveda Act, No. 31 of 1961
(v)	Crude Petroleum Oil, Kerosene, Aviation Fuel, Oil for Ships or Fuel Oil specified under the Harmonized Commodity Description Number 2710.19.60 for Custom purposes;
(vi)	Artificial Limb, Crutches, Wheel Chairs, Hearing Aids, Accessories for such aids or Appliances which are worn or carried or implanted in the human body to compensate for a defect or disability, White Canes for the blind, Braille Typewriters and Parts, Braille Writing Papers, Braille Writing Boards and any

		other articles which are used by disabled persons which are approved by the Minister taking into consideration the degree of relief requested by such persons, on an application made for that purposes;
	(vii)	Bio Fertilizer, Artemia Eggs and Peat Moss, classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;
	(viii)	Agricultural Seeds, Agricultural Plants, Shrimp Feed inclusive of Prawn Feed and Animal Feed but excluding Poultry Feed;
	(ix)	Yarn used for textile industry as identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;
	(x)	Dyes used for the handloom industry as identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;
(b)	The supply of-	
	(i)	Educational Services provided by any person or partnership;
	(ii)	Public passengers transport services (other than air transport, water transport or transport of tourists, excursion tours and taxi services);
	(iii)	Electricity including distribution;
	(iv)	Services in relation to burials and cremations by any institution or person;
	(v)	Services at a restaurant situated beyond the immigration counter at the Bandaranaike International Air Port;
	(vi)	Goods and services to the mission of any state or any organization to which the provisions of the Diplomatic Privileges Act, No. 9 of 1996 applies or to any diplomatic personnel of such mission or organization who is entitled to such benefits: provided that, reciprocal benefits are available to their counter parts from Sri Lanka and identified as such by the Commissioner General;
	(vii)	Goods or services funded directly by foreign organizations for the relief of sudden distress caused by natural or human disasters or to any activity having regard to the interest of the national economy, as approved by the Minister;
	(viii)	the following Financial Services: -
	(A)	the operation of any current, deposit or savings account;
	(B)	the exchange of currency;
	(C)	the issue payment collection or transfer of ownership of any note, order for payment, cheque or letter of credit;
	(D)	the issue, allotment, transfer of ownership, drawing, acceptance or endorsement of any debt security, being any interest in or right to be paid money owing by any person;
	(E)	the issue, allotment or transfer of ownership of any equity security, debt security or participatory security;

		(F)	the underwriting or sub-underwriting the issue of any equity security, debt security or participatory security;
		(G)	the provision of any loan, advance or credit;
		(H)	the provision-
		(i)	of the facility of installment credit finance in a hire purchase conditional sale or credit sale agreement for which facility a separate charge is made and disclosed to the person to whom the supply is made;
		(ii)	of goods under any hire purchase agreement or conditional sale agreement, which have been used in Sri Lanka for a period not less than twelve months as at the date of such agreement;
		(iii)	of leasing facilities under any finance lease agreement;
		(I)	the life insurance, “Agrahara” insurance and crop and livestock insurance;
		(J)	the transfer of non-performing loans of a licensed commercial bank by way of transfer of such loans to any other person in terms of a restructuring scheme or other scheme of such bank as approved by the Central Bank of Sri Lanka with the concurrence of the Minister;
	(ix)	All healthcare services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges;	
	(x)	Imported any article subject to the Special Commodity Levy under the Special Commodity Levy Act, No. 48 of 2007 subject to the condition that such articles are sold without any processing except adaption for sale;	
	(xi)	Locally Manufactured Handloom Textiles;	
	(xii)	Rice, Rice Flour and Bread so far as such products are manufactured locally;	
	(xiii)	Unprocessed Agricultural, Horticultural or fishing products produced in Sri Lanka;	
	(xiv)	Locally manufactured Surgical Gauze used for surgery;	
	(xv)	Fabric which are subject to a cess at a specific rate classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes, in lieu of chargeability of any other tax on importation at the point of entry into the country, by the Director-General of Customs as specified in a <i>Gazette</i> Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979;	
	(xvi)	Services by the Department of Commerce, the Board of Investment of Sri Lanka or the Sri Lanka Ports Authority, in so far as such services are provided to any exporter or to provider of services which are zero rated services, for the purpose of tax under this Act;	
	(xvii)	Services by a person in Sri Lanka to any other person outside Sri Lanka to be consumed or utilized by such other person outside Sri Lanka for which the payment is made in Sri Lanka rupees;	

	(xviii)	Services, which result in the improvement of quality, character or value of any yarn, fabric or garment so far as such services are provided to persons other than exporters of such products;
	(xix)	Geriatric Services and Child Care Services;
	(xx)	Goods or services to any project identified as a Strategic Development Project in terms of section 3(4) of the Strategic Development Project Act, No. 14 of 2008;
	(xxi)	(a) Goods or services to any specified project identified by the Minister, taking into consideration the economic benefit to the country, on which the tax is borne by the Government; or (b) Goods and services to any infrastructure development project funded through foreign loans or donations directly to the Government Ministries, approved by the Minister on the recommendation of secretary of the respective Government Ministry;
	(xxii)	Goods or services by the Central Bank of Sri Lanka established by the Central Bank of Sri Lanka Act, No. 16 of 2023;
	(xxiii)	Any services by any public corporation to the extent of provision of such services on behalf of the Government of Sri Lanka, free of charge out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government;
	(xxiv)	Locally manufactured goods to Duty Free Shops for payment in foreign currency;
(c)	The Import of -	
	(i)	Any article entitled to duty free clearance under the Passenger's Baggage (exemptions) Regulations made under section 107 of the Customs Ordinance (Chapter 235) or any article cleared duty free on a re-importation certificate as provided for in Schedule "A" of the Customs Ordinance (Chapter 235) or any article cleared ex-bond for use as ship stores;
	(ii)	(A) Goods to be used as exhibition material or as material in any technical demonstration and which are re-exported after the completion of such project, exhibition or demonstration, as the case may be, or (B) Plant, machinery or equipment which are imported to be used in projects and re-exported after the completion of the project, and in respect of which tax is differed in terms of paragraph (b) of the second proviso to subsection (3) of section 2;
	(iii)	Aircraft Engines or Aircraft Spare Parts identified under specified Harmonized Commodity Description and Coding System Numbers for Custom purposes;
	(iv)	Chemical Naphtha by the Ceylon Petroleum Corporation to be supplied to Ceylon Electricity Board for the generation of electricity;
	(v)	(A) Goods for any specified project identified by the Minister, taking into consideration the economic benefit to the country, on which the tax is borne by the Government; or

		(B) Goods, for a project identified as a strategic development project under the provisions of the Strategic Development Project Act, No.14 of 2008, during the project implementation period, subject to the conditions specified therein; or (C) Goods for any infrastructure development project funded through foreign loans or donations directly to any Ministry of the Government of Sri Lanka, as approved by the Minister on the recommendation of secretary of the respective Government Ministry;
	(vi)	Goods to a mission of any state or any organization to which the provisions of the Diplomatic Privileges Act, No. 9 of 1996 applies or to any diplomatic personnel of such mission or organization who is entitled to such benefits, provided that, reciprocal benefits are available to the counter parts from Sri Lanka and identified as such by the Commissioner General;
	(vii)	Goods from any foreign organization or out of the funds from such organization for the relief of sudden distress caused by natural or human disasters or to any activity having regard to the interest of the national economy, as approved by the Minister.
(d)	The import and supply of goods at Duty Free Shops for payment in foreign currency.	

Commissioner General of Inland Revenue

