

## REVISION – VALUE ADDED TAX

### Question 1

Premier Lanka (Pvt) Limited (PLPL) is a registered person for Value Added Tax (VAT), and it has been engaged in several undertakings. It has a manufacturing plant in Katunayake, and manufactures a product which is liable for VAT. Product is sold locally and in the export market. The company is also a registered person for Simplified Value Added Tax (SVAT) as Registered Identified Purchaser (RIP).

There were a few occasions where the company had purchased goods from one country and shipped such goods directly to another country without bringing them into Sri Lanka. This supply has been disclosed as zero rated supplies in VAT returns for the period ended in June 2018 signed by the finance controller who holds a membership of a professional body.

As a part of marketing strategy the company is considering a proposal to implement an extended deferred payment programme for certain categories of its local clients. Financial cost is considered when pricing the products under this programme. As per the company's financial reporting policy, the interest element included in the price will be recognized separately in the financial statements.

A breakup of the total supplies (exclusive of VAT) for the quarter ended 31 March 2022 is as follows.

Manufactured and sold to the local market	Rs. 115,965,000
Manufactured and sold to the export market	Rs. 186,420,000
Purchased locally and sold to export market	Rs. 123,454,000
Manufactured and sold to exporters (RIPs)	Rs. 25,830,000

There was no unabsorbed input tax brought forward from the taxable period ended 31 December 2021. However, there is a brought forward input tax from the taxable period ended 31 December 2020 amounting to Rs. 4,346,000. All input VAT in respect of tax invoices received is Rs. 8,356,000. All due credit vouchers relating to suspended supplies have been received.

Required:

- (a) Compute the output tax, allowable input tax and balance tax payable/refund receivable for the quarter ended 31 March 2022 and the carry forward input tax if any, for the taxable period ended 30 June 2022. (10 marks)
- (b) List two (02) documents (other than SVAT invoice) that should be prepared by PLPL and submitted to its RIPs in order to obtain SVAT Credit Vouchers. (2 marks)

(c) Though the goods purchased from one country and directly shipped to another country was disclosed as zero rated, an assessment has been issued by the Inland Revenue Department disregarding the input tax applicable to these supplies.

(i) In your, opinion state the category under which those items should have been disclosed. (2 marks)

(ii) Explain whether PLPL has committed an offence under sections 66 and 67 of the Value Added Tax Act. (2 marks)

(d) The directors of the company are concerned whether there is any impact on any taxes administrated by the Commissioner General of Inland Revenue due to the proposal of deferred payment programme under consideration in respect of finance cost. You as a finance manager of the company;

Prepare a brief memo to board of directors on the above concern, highlighting regulations and guidelines issued by tax authorities. (9 marks)



JMC vLearning  
"your virtual learning partner"