

# Value added Tax (VAT)

## Part 03

### AAT Level III

#### Corporate & Personal Taxation (CPT)

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## Business Taxation VALUE ADDED TAX Contd.

Mahinda Danawardana

### Value Added Tax Cont.

Important areas to looked at.

- **Financial service VAT.**
- **Tourist VAT Refund Scheme.**

## Value Added Tax Cont.

- **VAT on Financial Services. ( From 2003)**
- This VAT liability applicable for those who supply **financial services**
- Accordingly we must know who are the person coming under this providing of financial services.

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## Value Added Tax Cont.

- **Person coming under Financial Service VAT**
- 1. Licenced commercial banks coming under Banking Act No 30<sup>th</sup> of 1988.
- 2. Registered financial companies coming under Finance Companies Act No 78<sup>th</sup> of 1988.
- 3. Licenced specialized banks coming under Banking Act No 30<sup>th</sup> of 1988.

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## Value Added Tax Cont.

- **Person not coming under Financial services VAT.**

- 1. Co-Operative societies.
- 2. Central Bank of Sri Lanka.
- 3. Lady Lahore Loan Fund.
- 4. Unit Trust.
- 5. Mutual Fund.

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## Value Added Tax Cont.

- **Services that are coming under financial services.**

- 1. The operation of any current, deposit or savings account,
- 2. The exchange of currency,
- 3. The issue, payment, collection or transfer of any note, orders, for payment, cheque or letter of credits,
- 4. The issue, allotment transfer any debt security (Debentures etc),
- 5. The issue, allotment, transfer of any equity (Shares),
- 6. Underwriting,
- 7. The provision of any loan, advance or credit,
- 8. The provision of hire purchase facilities.

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## Value Added Tax Cont.

- Financial Services VAT rate 15%.
- Tax payment to be made on monthly basis on or before 20<sup>th</sup> day of next month.

Ex. February 2021 tax payment to be made on or before 20<sup>th</sup> March 2021.

- Financial Services VAT return (Tax period is one year) shall be submitted on or before 30<sup>th</sup> April of next year.

Ex. 2020/2021 Tax return on or before 30<sup>th</sup> April 2021.

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## Value Added Tax Cont.

- Calculation of Financial service value addition and VAT.

Detail	Amount / Rate
Adjusted tax profit	*****
Add : Emoluments / Bank staff Salaries	****
VALUE ADDITION FOR FSV	*****
Financial Service VAT	15/115
VAT on Financial service	****

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## Value Added Tax Cont.

- **Tourist VAT Refund Scheme.**

- To whom it is applicable.

- This scheme applicable for non resident ,non citizen people over 18 years of age and who visit Sri Lanka as tourist on tourist visa less than 90 days.

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## Value Added Tax Cont.

- **Condition on the claim of VAT.**

- 1. There should be an invoice not less than Rs . 50,000/=.
- 2. There can not be more than three invoices per day.
- 3. Tourist should have the TVRI by producing pass port and commercial invoice.
- 4. Tourist must claim the VAT by applying TVRS form.
- 5. They should carry this goods through by hand baggage or hand bag from Sri Lanka.

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## Value Added Tax Cont.

- Goods eligible for VAT refund under this scheme.
- All the goods purchased and withdrawing from Sri Lanka which purchased at slandered VAT rate other than following non eligible goods.

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## Value Added Tax Cont.

- **Non eligible goods.**
  1. Goods that are prohibited on aircrafts for safety reasons.
  2. Goods that are prohibited by Sri Lanka Custom ordinance.
  3. VAT exempted goods ( Since VAT has not been paid).
  4. Goods wholly or partly consumed in Sri Lanka.
  5. Services consumed.
  6. Goods purchased online.
  7. Goods that are not presented with TVRS form.

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## Value Added Tax Cont.

- **Claim process.**
- These claims only possible at Bandaranayke International port.
- Steps are as follows.
- 1. Goods that are eligible shall produce with TVRS form ,TVRI , Commercial invoice and with valid pass port.
- 2. After custom verification documents shall submit to TVRS – IRD counter.
- 3. Submit the payment voucher to BOC branch located in side the departure lounge and tourist will receive VAT refund in cash.

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