

Simplified Value Added Tax

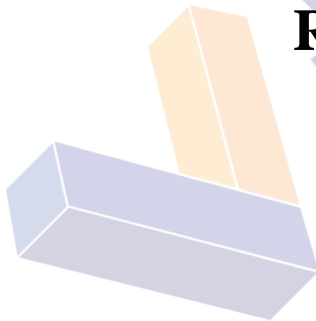
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Simplified Value Added Tax Scheme

- In order to simplify the VAT system in operation and to minimize the transactions with regard to VAT collection and refunding, a new system called Simplified VAT (SVAT) has been introduced with effect from 01.04.2011. According to this system persons who are entitled for refunds may register under this scheme as a Registered Identified Purchaser (RIP) and then they do not pay input VAT in cash and instead of such input VAT is suspended by raising and issuing of an SVCV to the respective Registered Identified Suppliers (RIS).

Registered Identified Purchaser (RIP)

Who can register as RIP,

- Exporters of articles as well as services (zero rated suppliers).
- Registered persons engaged in any strategic development project referred to in paragraph (f) (i) of part (II) of First Schedule to the Act.
- Registered person engaged in any specific project referred to in paragraph (f) (ii) of part (ii) of First Schedule to the Act.
- Suppliers who provide value added services to an exporter which results in the improvement of the quality, character or value of any goods manufactured for export.
- Persons registered under section 22 (7) of the act as project related items during the project implementation period.

Registered Identified Suppliers (RIS)

Who can register as RIS,

- Supplier of any goods or services to such registered persons who are registered under SVAT scheme are called as RIS.
- Under SVAT system the RIP's are eligible to purchase goods or services for carrying out any respective taxable activity without paying VAT while the RIS, are eligible to supply such goods and services to RIP's without charging VAT.



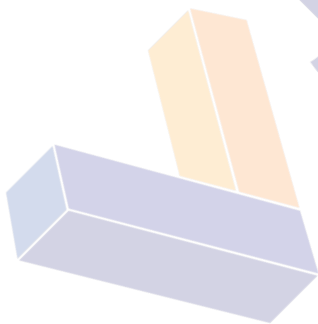
How does the S-VAT System Operate?

All RIP's are provided with simplified VAT credit vouchers (SVCV) serially numbered and issued by the Department of Inland Revenue. When RIP's purchase from RIS, those RIS should issue "Suspended VAT Invoice" (Which is not considered as a Tax Invoice) to the RIP. Then on or before 14 days from the end of the relevant month in respect of the purchase made, the RIP should issue a simplified VAT credit voucher (SVCV) to the RIS keeping a copy with him. These SVCV should be valid only up to the date of filling the VAT return. In the event the RIS has not claimed the SVCV the respective supplies relating such voucher will be deemed to be a taxable supply.

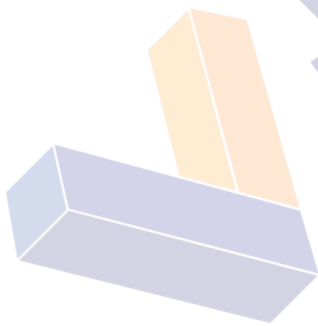
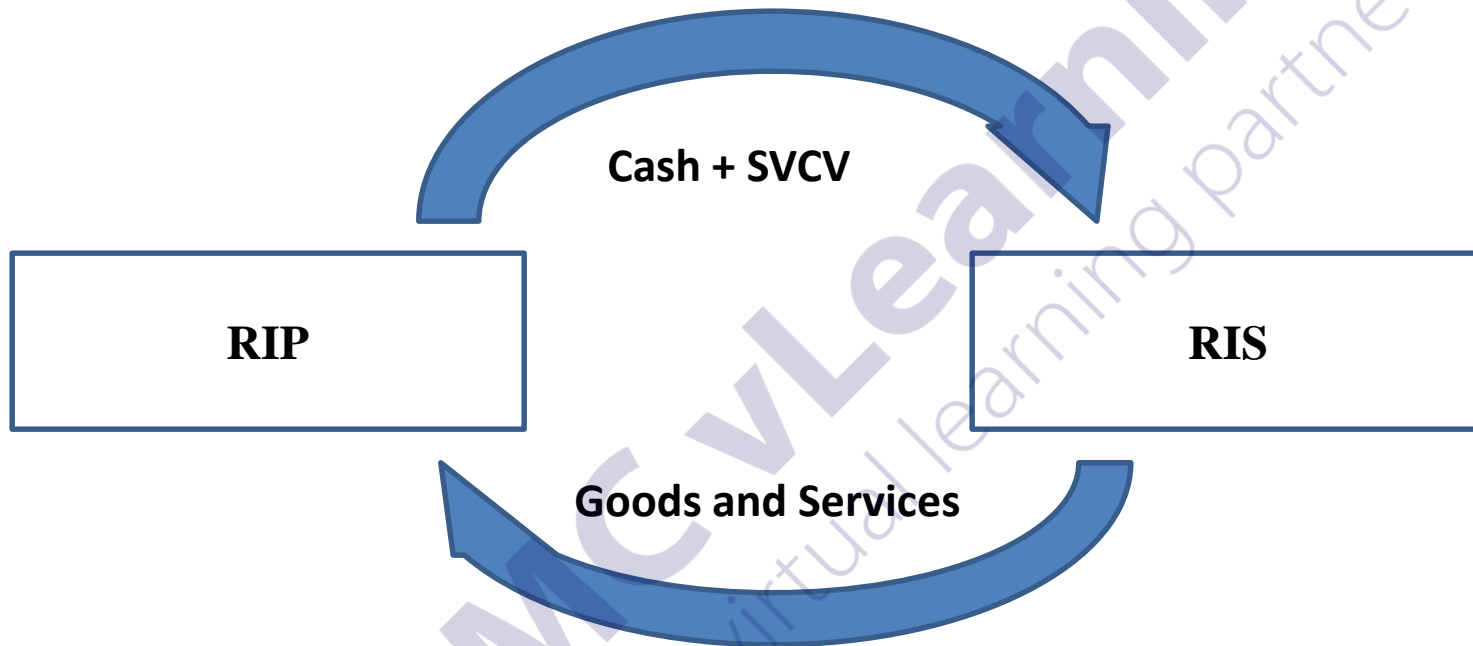


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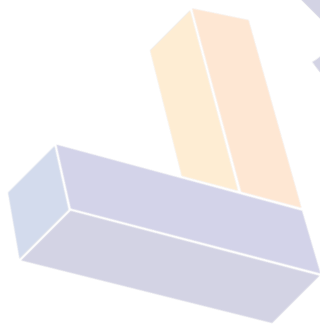
Under SVAT system the purchaser (RIP) is not physically paying the VAT component to the suppliers (RIS) but giving credit by way of documents. Hence no refund facility is available on such VAT. Furthermore if the purchaser (RIP) used such suspended purchases for any other purpose other than the specified purpose (respective taxable activity) it should be treated as a taxable supply. It is to be noted that the VAT exempted goods cannot be supplied under suspended VAT scheme.



How does the S-VAT System Operate?



THANK YOU



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