

Value Added Tax

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Introduction

Value Added Tax (VAT) is introduced by the Act No.14 of 2002 and is in force from 1st August, 2002. VAT Act replaced the Goods and Services Tax (GST) which was almost similar tax on the consumption of goods and services.

The tax is borne by the final or the ultimate consumer of Goods or services. It is an indirect tax and the Government will receive at the end, through all the intermediary suppliers in the chain of production and distribution, an amount equal to the amount paid by the final consumer.

Chargeability for Value Added Tax excluding chargeability on Financial Services

- Manufactures
- Importers
- Services providers
- Suppliers who supply goods under tender agreement
- Wholesale and retail trade

Who are liable for Registration?

Every person who carries on a taxable activity

- If his taxable supply of goods or services or supply of goods and services,
- has exceeded Rs.3,750,000 per quarter, or
- has exceeded 15,000,000 per annum, or
- likely to exceed Rs.3,750,000 in the succeeding quarter or Rs 15 Million in the succeeding twelve months period
- A person or partnership engaged in the business of wholesale or retail trade, whose quarterly turnover/supplies exceeds Rs. 100 Million (including exempt or excluded supplies)

VAT Rates

- Standard Rate 15%
- Zero Rate

Registration for VAT

Firstly, a TIN Certificate should be applied & obtained from the Tax Payer Services Unit at 1st Floor (South Wing) of the Inland Revenue Building, Chittampalam A. Gardiner Mawatha, and Colombo 02. Thereafter, VAT registration can be applied from the VAT Branch at 2nd floor (South Wing) of the Inland Revenue Building, Chittampalam A. Gardiner Mawatha, Colombo 02.

Application should be made through VAT Form 11, not later than fifteen days from the date on which became liable for registration.

Documents required for registration

- TIN Certificate
- Certificate of Business Registration
- In case of limited liability company
- Memorandum & Articles of association
- List of Directors
- Certificate of incorporation
- Copies of NIC of the proprietors/Directors of the business
- Particulars of sales to prove the turnover & monthly Bank statements to prove cash receipts.
- Documents to prove that exports were made continuously by such exporters
- For 22(7) registration - Project Plan
- a copy of agreement with Board of Investment(if any)
- deed or rent/lease agreement of property
- sources of funds to the project to be proved for non BOI projects
- a list of intended purchases – local & imports

Responsibilities of a registered person

- Display the Certificate of Registration at a clearly visible place in the business premises.
- Issue tax invoices (to other registered persons).
- Keep accounts for relevant periods.
- Pay taxes and furnish returns on or before due dates.
- Inform the Department any change in the following without delay.
 - (i) Name,
 - (ii) Business Place,
 - (iii) Ownership,
 - (iv) Nature of business etc.

VAT Payments

- Any person or partnership who supplies services other than Financial Services or imports and supplies of goods or engaged in the business of wholesale or retail, is required to make the payment as follows:
 - for the period 1st day – 15th day of a month - on or before end of the month
 - for the period 16th day - end of a month - on or before 15th day of the following month
 - Any other Person or Partnership (other than above)who supplies goods manufactured by such Person or Partnership who engaged in supply of Financial Service is required to make the payment for the particular month on or before 20th day of the following month.

Furnishing VAT Returns

Due date:

- On or before the last day of the month after the expiry of each taxable period (may be monthly or quarterly)

Hand Over to:

- Returns for Special Projects and Strategic Development Projects should be handed over to the Senior Commissioner (VAT) on the 2nd floor of Inland Revenue building,
- Returns for VAT on Financial Services should be handed over to the Banking and Financial Services Unit, on the 4th floor of Inland Revenue building,

All other VAT Returns should be handed over to the DPRA Unit, 7th Floor (North Wing) of Inland Revenue building,



2020 Jan Q6

The following information was extracted for the month of December 2019 from the books of What More (Pvt) Ltd., a company registered for value Added Tax (VAT):

	Rs.
Sales (Exclusive of VAT)	11,250,600
VAT liable local purchases made during the month (Inclusive for VAT)	5,949,985
VAT liable services obtained during the month (Inclusive for VAT)	1,312,035
Credit balance of VAT control account as at 01 st December 2019	225,700

The applicable VAT rate is 15%.

Assume that all purchases and services are supported with Tax Invoices.

You are required to:

Prepare that VAT Control Account for the month of December 2019.

(05 marks)

2019 Jul Q1.8

1.8 Insight (Pvt) Ltd. Is a Value Added Tax (VAT) registered company. The following information was extracted from the books of Insight (Pvt) Ltd. For the month of March 2019.

	Rs.
Sales (exclusive of VAT)	367,000
Credit purchases (exclusive of VAT)	196,000
Cash Purchases (inclusive of VAT)	3,450
Credit balance of VAT control account as at 01 st March 2019	1,220

The applicable VAT rate is 15%.

Calculate the VAT payable balance as at 31st March 2019.

(04 marks)

2014 Jul Q4 (B)

B) The following details were extracted from the books of High-Tech (Pvt) Ltd. For the month of October 2013:

Date	Description	Rs.
2013/10/01	Opening credit balance of VAT control account	1,840
2013/10/02	Cash purchases including VAT	56,000
2013/10/03	Credit purchases including VAT	168,000
2013/10/05	Cash sales including VAT	392,000
2013/10/15	Telephone bill including VAT of Rs.840/-	7,840
2013/10/23	Credit sales including VAT	196,000

(VAT rate is 12%)

You are required to prepare, the VAT control Account.

(04 marks)