



# Value Added Tax [Amendment] Act No 44 of 2022

December 2022

## Tax Alert

The Value Added Tax (Amendment) Act No 44 of 2022 was certified by the Speaker on 14 December 2022. The Act will come into operation with effect from specific dates referred to under specific sections.

### VAT rate

VAT rate revisions of 12% and 15% introduced with effect from 01 June 2022 and 01 September 2022 respectively via the following Gazette Notifications:

VAT rate	Applicable period	Gazette Notification No & date
12%	1 June 2022 – 31 August 2022	2282/26 dated 31 May 2022
15%	1 September 2022 onwards	2295/08 dated 31 August 2022

The VAT rate revisions have been already implemented via the above Gazettes issued under Section 2A of the VAT Act.

## VAT threshold

The registration threshold of Rs. 300mn (Rs 75mn per quarter) is reduced to Rs. 80mn per annum (Rs 20mn per quarter) with effect from 01 October 2022. However, the requirement to register for VAT arises from 14 December 2022 (the date of certification by the Speaker).

Though the registration threshold has been reduced from the 01 October 2022, the requirement to register arises only from the 14 December 2022 for the taxpayers with taxable supplies of LKR 80mn per annum and/or LKR 20mn for the taxable period. As per the Law an application to register should be made not later than fifteen days from the date on which is so liable to be registered. Hence any person who is exceeding the revised threshold after 01 October 2022, would have to register for VAT on or before 28 December 2022. It should be noted that there is no transitional provisions introduced in the Amending Act for the stocks as at the date of the registration.

## VAT exemption removal

The exemption provided for the supply of any condominium residential accommodation will be removed with effect from 31 December 2022. Hence supply of condominium residential accommodation will be liable to VAT with effect from 01 January 2023.

The removal of exemption provided for the supply of any condominium residential accommodation was proposed to be removed in the VAT Bill from 30 September 2022 while the same was deferred to 30 November 2022 by way of the Supreme Court Special Determination. However, as per the VAT Amending Act, the exemption is withdrawn with effect from 31 December 2022. Notwithstanding the withdrawal of the exemption applicable to the residential condominium units, other residential accommodation continues to enjoy the exemption.

## Contact us

KPMG Tax Team

### Follow us on,



[www.kpmg.com/lk](http://www.kpmg.com/lk)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

The KPMG name and logo are registered trademarks of KPMG International.