



REVIEW OF SIMPLIFIED VALUE ADDED TAX SCHEME

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Out line of the presentation

- **Procedure and issues relating to:**
 - Registration
 - The status accorded to : RIP , RIS or RIP/RIS
 - Change of address
 - Change of status
 - Issuing of credit vouchers
 - change of collectors
 - Change of signatories
 - Instructions to RIPs and RISs
 - Documents to be submitted
 - Issuing confirmation letters

• **Registration**

- Form SVAT 01
- Documents needed (original document and a copy of the same)
 - TIN certificate
 - VAT certificate
- Only VAT registered persons can get the registration
- Optional VAT payers are not qualified
- Business registration , (proprietorship, partnership, company) and photo copies of relevant persons' National Identity card
- If applicable
 - copy of the BOI registration
 - copy of the TQB registration
 - copy of the EDB registration
 - copy of the Special project approval
 - copy of the Strategic development project approval
 - copy of the 22(7) approval
- In the case of service exporters, relevant documentary proof
- Back dated registration is considered for a period not more than 14 days
- For registration, you are requested to come only on Wednesdays

- Status will be accorded. RIP, RIS or RIP/RIS (after verifying the VAT return which is in the IRD computer System)
- Registered Identified Purchaser (RIP)
- Exporters (more than 50%)
 - Article exporter -
 - Service exporter
- Raw materials to exporters - indirect exporter
- Value added services to exporters – indirect exporter
- Special projects
- Strategic development projects (**as per amendment**)
- 22(7) Projects
- If he has suspended supplies more than 50% of his taxable supplies, he will be accorded RIP Status (**as per new amendment**)
- In respect of newly registered persons for VAT
- Letter from the CDU relating to exports
- **If he is a RIP**
 - Indicate two names to whom SVCV is handed over with photo copies of the NIC
 - Such names can not be changed unless a written request by the same applicant

RIP can purchase without paying VAT (Suspended purchase).

- He can purchase with VAT from non registered persons for SVAT
- He can have taxable supplies, or/and suspended supplies, but it should be less than 50% of its total taxable supplies
- If he is a RIS
 - supply is to be made without collecting VAT from any RIP (Suspended supply)
 - He can have other taxable supplies
 - Raw materials to exporters - indirect exporter, but less than 50%
 - Value added services to exporters – indirect exporter but less than 50%
 - Other than raw material supplied or value added service provided to exporters (less than 50%)
- **Change of address**
- Copy of the new TIN certificate
- Copy of the new VAT certificate
- Form 13 of Registrar of companies
 - Senior assessor will recommend , Deputy commissioner will
 - approve and give instructions

• **Change of Status**

Status of a registered person for SVAT can be changed

New application form is not required

Request is to be made - sign by the applicant for SVAT

- Supplier to purchaser - prove zero rated supply as more than 50% of its taxable supplies

At least two VAT returns have to be submitted

Customs details from CDU

Original SVAT certificate

Whether all SVAT documents have been handed over

Whether Documents have been sent by mail

documents for credit voucher collectors

- Supplier to purchaser - prove suspended supply is more than 50%

Credit vouchers have to be submitted to prove that his

suspended supply is more than 50% of his taxable supplies

At least two VAT returns have to be submitted

Original SVAT certificate

Whether all SVAT documents have been handed over

Whether Documents have been sent by mail

documents for credit voucher collectors

- Purchaser to supplier – handover credit voucher books

- **Cancellation of status**

- If he is a RIP
- Make a request
- Handover all credit voucher books
- Whether all reports have been sent
- Whether all due VAT returns have been submitted
- Senior Assessor recommends ,
- Deputy Commissioner instructs to cancel
- Published in the website

If the cancellation is done by the department itself due to non compliance,
the name of the SVAT registered person will be blacklisted

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- **What is a Credit Voucher - SVCV**

- Credit vouchers are given by the department - Only to RIPs
- Serial order
- 50 SVCV in a book with copies
- Will provide SVCV in continues sheet in future
- Two persons have to sign
- Therefore , names of five persons are to be given with copies of NIC and specimen signature with designation
- SVCV are given only to persons mentioned in the application (NIC and details are already available in the system)

- **Subsequent change of names of collectors**

- Make a request by the applicant
- If Same applicant is not in the business, another person can sign
- , but he has to prove that he is a responsible person
- In future , that problem may not arise (SVAT 01 has been modified)
- Signatures can be seen through the system
- **Issuing SVCVs - on Mondays, Wednesdays and Fridays**

- **Subsequent change of names of signatories**

- Make a request by the applicant
- With all new names, NIC copies, designations and specimen signatures
- If Same applicant is not in the business, another person can sign
 - , but he has to prove that he is a responsible person
 - In future , that problem may not arise (SVAT 01 has been modified)
- CGIR may refuse in issuing of SVCV –
 - Non compliance of the guideline
 - Received complaints / Negligence of the purchaser in giving SVCV
 - Not submitting reports
 - Not sending mails

In a subsequent collection of credit vouchers

- Application is available in the web site
- Tax clearance certificate
- Clearance certificate from the Audit Assessor
 - Whether submitted all SVAT reports and Schedules (return compliance is now monitored through the system)
 - Whether there is any complain about non submission of SVCV in time (complain register is maintained)
 - Whether there is any cancel credit vouchers
 - Clearance certificate from the mail administrator
 - when re- request , hand over CV books already used, or
 - If not finished , show the book and collect a new one

-CV application

- **Specific instructions to all Registered Identified Purchasers and Registered Identified Suppliers**

- goods and services can be made under suspended terms other than goods exempt from VAT
- For that , Supplier has to make sure that the purchaser is a RIP
- If so , supply can be made under suspended terms
- Supplier has to issue a SVAT invoice
- Prepare SVAT 04 , 05 in real time
- Soon after the end of the month, supplier has to give SVAT 04 and 05 to their respective purchasers
- **Banks, Water Board, Sri Lanka Insurance, Road Development Authority are not required to give SVAT 04 and 05**
- Forms can be sent through electronically

• [SVAT 04](#) , [SVAT 05](#)

- Purchaser has to duly acknowledge it and returned to the RIS for submission to the CGIR giving credit voucher number in SVAT 05
- One credit voucher for aggregated value of purchases made during a calendar month – regular customers
- RIP has to issue a credit voucher - within 14 days. RIS has to collect the credit voucher - within 14 days
- Carbonized copy should be kept
- Use cheque writer machine
- Will provide SVCV in continues sheet in future
- If SVAT 04 and 05 have not been submitted
 - Do not wait until the forms are submitted by suppliers,
 - Finance division has to check with internal officials
 - If invoice is available, write the CV if there is no dispute.
- Show it under suspended purchase for that respective month and keep aside the SVCV
- Issue with regard to NFE Manufactures

If there is any sales returned

- Issue credit note and submit SVAT 05(b) to respective purchaser
 - during the month
 - In a subsequent month
 - When sending mails minus figure can be entered in SVAT 07 giving the same credit voucher number relating to the original invoice - (at this moment only)
 - If no supplies at all in subsequent months, cancel the CV already issued and disclose it in SVAT 06(a) , and
 - amend the relevant return and SVAT forms by the Purchaser and the supplier

In future , new form will be introduced to give information in a summery sheet

•Other issues

- Goods in Transit issue
 - Consider the time of supply, If delivery is at the end of the month , issue invoice within 10 days – in the subsequent month
- Discount received or given
- Freight forwarders
- Courier services
- Insurance

Who is a NFE Manufacturer (extracted from the modified guide line)

If RIP is a direct exporter who received materials or services on Non foreign exchange (NFE) or non cash basis from local suppliers (RIS) on behalf of the foreign buyer to whom the final product is exported, such RIP is named as NFE Manufacturer and is issued a “NFE Suspended tax invoice” by the RIS. Thereafter, the NFE Manufacturer shall issue a “NFE credit voucher” obtained from the Commissioner General of Inland Revenue to such supplier (RIS), provided that such supplies are utilized only for the purpose of manufacture and export of goods to the foreign buyer. RIP shall have supporting documents SVAT 06(b) and SVAT 06(c) for information. All other instructions and procedures will apply in the same manner as applicable to Suspended VAT invoices and normal credit vouchers.

NFE Supplier (extracted from the modified guide line)

- If RISs supply materials or services to RIP on Non foreign exchange (NFE) basis or non cash basis on behalf of the foreign buyer, such RIS is named as NFE Supplier. Such RIS shall issue a NFE suspended VAT invoice (as specified in Form SVAT 02(a)) without any delay to RIP for such supply or service, provided that:
- RIS shall have a delivery request from RIP to deliver such supplies or services. Such delivery request should essentially contain description of purchased items, quantity and names and addresses of foreign buyers to whom the final product is intended to be exported;
- RIS shall have a purchase order from foreign purchaser with the instruction to deliver the goods/services to RIP. Name and address of the issuer of such purchase order, description and quantity should essentially be identical to details mentioned in the delivery request in (a) above; and
- RIS shall receive foreign remittance as settlement of such supplies directly from foreign purchaser and not from any other source (eg. not allowed to set off any third party liability of RIS with the consent of foreign purchaser).
- RIS (NFE Supplier) shall submit forms SVAT 07(a) and SVAT 07(b) in respect of such supplies. RIS shall have all supporting documents for information which contents in the said forms. All other instructions and procedures will be applied in the same manner as applicable to normal credit voucher/Suspended VAT invoice.

•In VAT Return

- Enter Suspended purchase in cage “J” and the relevant tax in cage “K”
- Disallowable inputs enter in cage “8” , no penalty waivers on any assessment issued by the department on disallowable items
- If purchase has not been used for the specified purpose -
 - exempt supply / excluded supply- adjustment is to be made
 - taxable supply
 - any other purpose , - it should be treated as a taxable supply with a margin
 - If not no penalty waivers on any assessment issued by the department on such treatment
- Records should be maintained. Reconciliation has to be prepared to prove that suspended purchase has been used for the given purpose
- In this regard , Regulation issued under TIEP Scheme will be modified and issued for SVAT
- Enter suspended supply in cage “ D “ and respective tax in cage “D I **considering the time of supply**
- Enter tax Credit in “R” only for credit vouchers received
- Validity of credit vouchers

Refunds are not made to purchasers under any circumstances other than the refunds

- invoices and cus-decs received up to March 31, 2011,
- upfront payment made after 01.04.2011 to the DG of Customs
- If purchase with VAT from any other person who is not a RIS, and if it appears that the VAT has been remitted to CGIR

• **If any purchase with VAT from any RIS will not be considered for refunds**

- Suspended tax in Cage K is not refundable to any purchaser
- Suspended tax in Cage D1 is not refundable to any supplier

• **Qualify for refunds - as per the new amendment**

• The excess input of any RIP and whose suspended supply is more than 50% of its total taxable supplies for a taxable period will be refunded subject to the conditions and the limitations specified in the Guidelines published for the Simplified VAT Scheme.

- In the case of an importer who supplies more than 50% of supplies to RIPs the restriction of issuing refunds will be relaxed and such persons are entitled for refunds up to the input claim on the supplies to RIPs which can not be set off against output tax subject to the conditions specified in the Guidelines
- Transfer from NRN category to RFN category
- Supply of service by the Department of commerce is exempt
- Supply of service to article exporters or service exporters by BOI or SLPA will be exempted

- **General Instructions**

- Negligence of the supplier in issuing SVAT 02 or reports to be submitted to the department, provisions of VAT act will apply

- Submission of VAT Returns - to DP & RU

Specified Projects - to VAT Unit

All RIP monthly basis

All RIP/RIS (Zero rated supply and/or Suspended Taxable supply is more than 50% of the total taxable supplies)

All RIS quarterly basis

If any RIP/RIS is in NRN category, it has to be changed to RFN category_

- Forms and details in relation to a taxable period should be submitted to Simplified VAT Unit on or before 30th of the following month
- Guidelines is subjected to amendment from time to time

•Documents to be submitted

- **SVAT 02 - Suspended Tax Invoice**
 - system generated - in a text format with field information
 - Manual - more than 10 scan and send
 - - less than 10 handover to SVAT Unit
 - , invoice can be seen From SVAT Assistant System
- **SVAT 03 - Total output declaration,**
hand over , and pdf copy or scan copy should be submitted by purchaser and supplier both
- **SVAT 04, 05, 05(a) and 05(b) - Supplementary declarations(both party confirmation) submit** by the supplier
 - Handover the above documents , and
 - pdf or scan copy of such documents should be mailed
 - above forms in the given format should be mailed

SVAT 03, 04, 05, 05(a), 05(b)

SVAT 03, 04, 05, 05(a), 05(b) , - mail formats

- **SVAT 06-** Summary of total purchases on invoice wise-, submit by purchaser
 - Handover the above documents , and
 - pdf or scan copy of such documents should be mailed
 - **above forms in the given format should be mailed**
- **SVAT 06(a)** Cancelation of credit vouchers
 - Handover the above documents , and
 - pdf or scan copy of such documents should be mailed
 - **above forms in the given format should be mailed**
- **SVAT 07-** Summary of total suspended supplies - submit by Supplier
 - Handover the above documents , and
 - pdf or scan copy of such documents should be mailed
 - **above forms in the given format should be mailed**

• SVAT 06 , 06(a) , 07

• SVAT 06 , 06(a) , 07

- **Issuing confirmation letters - to IRD Units**

- In order to address to issues
 - -claimed inputs on bogus invoices
 - claim inputs again and again on the same invoice
 - respective tax is not paid by the supplier
 - taxable supplies could be converted into suspended supplies
- Confirmation is issued
- In order to get released credit voucher to be given to Customs
- At the moment, there are few issues
 - not sent mail by the other party
- In future, it would be all right

Issuing confirmation letters to Customs under TIEP Scheme

CDP -I

Request letter - download it from the Web site

- **SVAT Assistant**

- Form 03,04,05.... Should be scanned as one document
- File should be less than kb 2000
- If the document is in Jpge mode , kb 2000 is not an issue
- High quality is not required
- Floppy disk is not acceptable
- Always send documents in A4 papers

- **Audits**

- **Desk Audit**

- All SVCV will be compared with SVAT 06 which has been handed over to the SVAT Unit
- Mail SVAT 06 with handed over SVAT 06
- Mail SVAT 07 with handed over SVAT 07
- SVAT 03,06,07 with VAT Return (Return will be modified)
- All SVCV received should be submitted to IRD to prove the suspended supply, if he is requested to do so
- Any discrepancy will be treated as standard supply
- Record should be maintained

- **Cadastral survey**

- **Field Inspection**

- **Investigation**

THANK YOU