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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

VALUE ADDED TAX ACT, No. 14 OF 2002

BY virtue of the powers vested in me under sub-section (1B) of section 26 of the Value Added Tax Act, No. 14 of 2002 as last amended by the Value Added Tax (Amendment) Act, No. 04 of 2025 (hereinafter referred to as “VAT Act”), I, Rukdevi Perpetua Himali Fernando, Commissioner General of Inland Revenue do by this order specify matters relating to and the manner in which tax is calculated and payable in respect of Value Added Tax on Supply of services by a Non-resident person through an electronic platform to a person in Sri Lanka as set out in the Schedule hereto with effect from October 01, 2025.

RUKDEVI PERPETUA HIMALI FERNANDO,
Commissioner General of Inland Revenue.

Inland Revenue Department,
Colombo 02,
June 30, 2025.

Schedule

Procedure for Collecting and Paying Value Added Tax on the Supply of Services by a Non-resident Person through an Electronic Platform in Sri Lanka.

1. Supply of Services through an Electronic Platform



- 1.1. Value Added Tax (hereinafter referred to as “VAT”) shall be charged and levied on the Supply of Services by a non-resident person through an electronic platform to a person in Sri Lanka, with effects from October 01, 2025 as stipulated in the VAT Act.
- 1.2. The applicable Value Added Tax rate is the rate set out in the Subsection (1) of Section 2 of the VAT Act. The currently applicable VAT rate is 18%.
- 1.3. **The following services supply through an Electronic Platform are treated as taxable supply, but not limited to:**
 - i. Cloud Computing: Hosting, storage and computing power services,
 - ii. Software as a service (SaaS): Web-based applications,
 - iii. E-commerce Services: Online stores, payment gateways, and order fulfilment services,
 - iv. Digital Marketing and advertising: SEO, social media marketing, PPC ads, and email marketing,
 - v. Cybersecurity Services: Threat detection, firewall protection, and data encryption,
 - vi. IT Support & Managed Services: Remote tech support, IT consulting, and helpdesk solutions,
 - vii. Streaming Services: Video, music, live content platforms,
 - viii. Financial Technology (FinTech): online banking, payment processors (PayPal, Stripe, and crypto currency exchanges),
 - ix. E-commerce Platforms,
 - x. Social Media Platforms,
 - xi. On-Demand Service Platforms,
 - xii. Content Sharing Platforms,
 - xiii. Cloud collaboration platforms,
 - xiv. Marketplace Platforms,
 - xv. Gaming Platforms,
 - xvi. Blockchain & NFT Platforms: OpenSea, Binance, Ethereum-based Apps,
 - xvii. Subscription to membership websites,
 - xviii. Use of apps for hotel reservation, ticket booking.

Note: Even if a service is not listed above, it may still be subject to VAT if it falls within the scope described under item 1.1

2. VAT Registration Requirements

- 2.1. Before registering with VAT, Non-resident person requires to obtain a Taxpayer Identification Number (TIN)
- 2.2. Obtaining TIN and VAT Registration can be done through the e-service (use IRD’s web portal www.ird.gov.lk).
- 2.3. A non - resident person who supplies services through an electronic platform to consumers in Sri Lanka must register for VAT, if the value of services supplied exceeds the threshold of Rs. 60,000,000 (Sixty Million Sri Lankan Rupees) within the last twelve months, or Rs. 15,000,000 (Fifteen Million Sri Lankan Rupees) within the last three months, as stipulated by the VAT Act.
- 2.4. Non-resident persons are responsible for collecting and remitting the VAT on their supply of services through an electronic platform not later than the twentieth day of the month following the end of the taxable period.
- 2.5. Non-resident persons should file VAT returns not later than the last day of the month after expiry of each taxable period (Quarterly basis).

3. Registration Certificate

- 3.1 Subject to the fulfillment of requirements mentioned under item 2, the non-resident person shall submit an application for registration in the relevant form through e-service. The nonresident person shall provide information to the Commissioner-General as may be required.
- 3.2 The Commissioner-General may register an applicant whom the Commissioner-General considers to have fulfilled the requirements for registration and assign the person a Registration Number.
- 3.3 The Commissioner General shall issue a registration certificate to the non-resident person who receives a registration number.
- 3.4 Where the Commissioner-General refuses to register a person who has applied for registration, the Commissioner- General shall serve the person with written notice of the refusal of making the decision with reasons.

4. VAT Rate and Calculation

- 4.1 The current standard VAT rate in Sri Lanka is 18%.
- 4.2 VAT is calculated as: $VAT = (\text{Total Value of Service}) \times 18\%$
- 4.3 The value of supply of service should clearly indicate whether VAT is included or added separately.
- 4.4 The registered non-resident person should issue VAT Invoice (Tax Invoices) by mentioning the information specified under section 20 of the VAT Act,

5. Value of Supply of Service

- 5.1 The value of the supply of services should be determined primarily in accordance with Section 5 of the VAT Act.
- 5.2 The “Value of Supply” in the context of services provided by Non-resident person through an electronic platform refers to the total consideration (*i.e.*, payment) received or receivable by the non-resident supplier or electronic platform operator for the services supplied to person in Sri Lanka, excluding Value Added Tax (VAT) charged under the VAT Act.
- 5.3 For the avoidance of doubt, it is hereby declared that when a non-resident person provides services through an electronic platform by facilitating the supply of goods or services between a consumer in Sri Lanka and the supplier (hereinafter referred to as the “original service supplier” for services), the value of the non-resident person’s supply excludes the value of the goods or services supplied by the original service supplier, regardless of whether the total consideration has been collected by the non-resident person. In such cases, the supply of goods or supply of services (as defined in Section 83 of the VAT Act) should occur directly between the consumer in Sri Lanka and the supplier of the goods or the original service supplier, as the case may be, excluding the services provided by the non-resident person.

6. Collection and Remittance of VAT

- 6.1 Non-resident person who provides supply of services through an electronic platform shall charge VAT from consumers at the time of supply (Section 4 of the VAT Act) of service.
- 6.2 Whether the non-resident person has collected VAT during a month or not, the amount due on the supply of services must be remitted to the designated bank accounts of the Commissioner General of Inland Revenue no later than the twentieth day of the month following the end of the taxable period.
- 6.3 Payments should be made either in Sri Lankan Rupees (LKR) or any other approved currencies by Central Bank of Sri Lanka.

7. Return Filing and Record Keeping

- 7.1 Non-resident person must ensure VAT is properly accounted for and recorded in their financial statements.
- 7.2 VAT registered entities must maintain records of all supply of services through an electronic platform to customer in Sri Lanka.
- 7.3 Supply of services records should include the information required in VAT schedule 01 (Output tax) which is available in Inland Revenue Department (IRD) web portal
- 7.4 The records may be maintained outside the territory of Sri Lanka and such records must be retained for a minimum period of five (5) years for the purpose of audit and compliance.
- 7.5 Service Providers may be required to submit additional supporting documents if requested by the IRD during compliance verification.
- 7.6 Any changes in business operations, such as address or nature of services, must be promptly updated with the IRD.
- 7.7 Filing of VAT returns must be done electronically with relevant VAT schedules through the IRD’s e-service facility as set out in the section 21 of the VAT Act.
- 7.8 The VAT return filing period (Taxable period) shall be a period of three months (quarterly) and VAT Return should be filed not later than the last day of the month after expiry of each taxable period.

8. Penalties for Non-Compliance

- 8.1 The penalties shall be imposed on late payments under section 27 of the VAT Act,
- 8.2 The IRD reserves the right to enforce collection measures for outstanding VAT liabilities as set out in the Chapter VIII of the VAT Act.
- 8.3 Continuous non-compliance may lead to service restrictions or blacklisting from providing service in Sri Lanka.

9. Cancellation of Registration

- 9.1 Registration shall be cancelled when ceases to provide services by non-resident person through an electronic platform to persons in Sri Lanka.
- 9.2 The non-resident person who has ceased provide services through an electronic platform to persons in Sri Lanka is required to notify Commissioner General of Inland Revenue within thirty days from the date of such occurrence.
- 9.3 Where the Commissioner General of Inland Revenue is satisfied on the request of cancellation of registration, Commissioner General may cancel the registration. As well as the registration of any person may also be cancelled by Commissioner General of Inland Revenue if it is found that the registered non-resident person is not liable or eligible to be registered.
- 9.4 Commissioner General of Inland Revenue shall notify the approval and the effective date of cancellation.

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