

Update on proposal to abolish SVAT

September 2023

Tax Alert

A notification regarding the Cabinet Decisions dated 11 September 2023 has been published in the website of the Department of Government Information. As per the notification, the abolition of the Simplified Value Added Scheme (SVAT) which was proposed to come into effect on 01.01.2024 [as per the Value Added Tax (Amendment) Bill 2023 issued on 31.08.2023] has been deferred to **01.04.2025**.

Below is the extract of the notification in relation to the abolition of the SVAT Scheme:

10. Amendments made at the committee stage in relation to the draft Value - added Tax Act No. 14 of 2002.

The concurrence of the Cabinet of Ministers has been granted to submit to the Parliament the draft bill prepared by the Legal Draftsman in order to revise the Value – Added Tax Act No. 14 of 2002 including the repeal of simplified value - added tax scheme (SVAT) with effect from 01.01.2024. The representations made by the relevant parties point out that drastic issues may erupt in finance flow in relation to individuals especially the exporters who have been registered under the system at present if the simplified value – added tariff system is repealed without a strong value – added tax repayment system. Therefore, it is apparent that it is appropriate to repeal the simplified value – added tax system step by step until a strong tax repaying mechanism is established. Accordingly, the Cabinet of Ministers approved the proposal furnished by the Hon. President in his capacity as the Minister of Finance, Economic Stabilization and National Policies to submit a proposal for revision of the date of implementation of the relevant provisions to repeal the simplified value – added tax as 01.04.2025 when it was taken for discussion at the committee stage of the Parliament for discussing the value – added tax (amended) bill.

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