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அரசு கணக்குகள் திணைக்களம்
Department of State Accounts

මගේ අංකය
எனது இல.
My No.

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

29.10.2019

State Accounts Circular No: - 270/2019

All the Secretaries to the Ministries
Heads of the Departments
District Secretaries,

Accounting of the Value Added Tax

It has been observed that several issues have emerged in implementing the State Accounts Circular No. 248/2016 issued on 06.01.2016 providing instructions for the Accounting of the Value Added Tax since certain institutions have not applied the accounting instructions stipulated in the aforesaid circular, with the provisions relating to tax calculations of the Value Added Tax Act (No. 14 of 2002).

Specially, the objective of this Circular was to Account the tax value of input tax and output tax through a main ledger account, and to insert the allowable input tax value that should be remitted at the end of the year or that can be carried forward to set off in coming years in final financial statements.

Accordingly, the Ministries and Departments registered for value added tax, shall calculate the allowable input and output taxes in accordance with the provision of the Value Added Tax Act (No. 14 of 2002) and account them in the Annual Financial Statements as follows;

1. VAT Control Account No. 9185 is being maintained in the Treasury ledger for accounting of value added tax.
2. In terms of the provisions stipulated in the Value Added Tax Act, allowable input tax shall be debited and output tax shall be credited to this account.
3. Accordingly, in accounting the expenditure, allowable input tax shall be surcharged to the said expenditure account and, allowable input tax excluded expenditure shall be accounted. However, when making expenses with regard to the acquisition of non-financial assets from object codes 2101 to 2108, instead of surcharging

allowable input tax to the respective object codes as mentioned above, allowable input tax excluded expenditure shall be debited to the related object codes and, allowable input tax amount shall be debited to the VAT Control Account. Specially, since the surcharges made to related vote objects are accounted as their asset disposals, when non-financial assets are accounted through New CIGAS and therefore this alternative method has been introduced with the objective of preventing accounting errors occur when surcharging allowable input tax to said vote objects.

4. In events of paying value added tax on monthly or quarterly basis, if the payable output tax value is higher than the allowable input tax value during the relevant period, that excess output tax amount shall be debited to the VAT Control Account and, remitted to the Department of Inland Revenue, and if the allowable input tax value is higher, that value can be considered as a part of the allowable input tax for the next remittance period and can be carried forward in the VAT Control Account.

Accordingly, the State Accounts Circular No. 248/2016 on accounting the value added tax is hereby rescinded.

Sgd: R.M.A. Ratnayake
Director General

Copies:

01. Auditor General
02. Commissioner General of Inland Revenue } F.Y.I.