



# Tax Flash News

**VAT Regulation for  
Supply of Services  
by a Non-Resident  
through an  
Electronic Platform  
in Sri Lanka**

**July 2025**





# Tax Flash News

## VAT Regulation for Supply of Services by a Non-Resident through an Electronic Platform in Sri Lanka

The Inland Revenue Department (IRD) has introduced a new Value Added Tax (VAT) Regulation on **non-resident persons** supplying **services** to consumers in Sri Lanka **via** electronic **platforms**.

The Gazette Notification No 2443/30 dated 01 July 2025 has been issued and the said Regulation will be effective from 01 October 2025.

Effective 01 October 2025, this Regulation requires non-resident service providers to register for VAT, charge 18% VAT on applicable services, and remit tax to the IRD within specified timelines.

This document provides a synopsis of the above-mentioned Regulation by way of Frequently Asked Questions (FAQs) for easy navigation.

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## 1 What is this Regulation about?

This Regulation mandates that **non-resident persons** supplying **services via electronic platforms** to consumers in Sri Lanka to **register** for VAT, **charge 18% VAT**, and **remit** it to the Inland Revenue Department (IRD).

## 2 Who is required to comply?

Any **non-resident person** that provides services to customers in Sri Lanka through an electronic platform.

## 3 What types of services are covered?

The Regulation applies to a wide range of services (18 listed items), including :

- Cloud computing and SaaS
- E-commerce and online marketplace
- Streaming (video, music, live content)
- Digital marketing and advertising
- Cybersecurity and IT support
- FinTech services (e.g., PayPal, Stripe, crypto exchanges)
- Social media, gaming, block chain and NFT, and content-sharing platforms
- Subscription to member websites and booking apps

Above list is not exhaustive, any services which falls within the scope of the VAT Regulation maybe subject to VAT.

## 4 What are the VAT registration thresholds?

A non-resident person supplying services to **consumers in Sri Lanka** via an **electronic platform** must register for VAT if:

- The total supply of services in Sri Lanka
  - exceeds **LKR 60Mn in the past 12 months**, or
  - exceeds **LKR 15Mn in the past 3 months**

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## 5 How is the Value of Supply of Services computed?

- Value of Supply refers to **the total consideration** (payment received or receivable) by the non-resident supplier excluding VAT
- If non-resident person facilitates the supply of goods/services between a consumer in Sri Lanka and the supplier, the value of supply for VAT purposes will exclude the value of goods/services supplied by third-party (original) suppliers (regardless of whether the non-resident person has collected the total consideration).
- Must be determined in accordance with **Section 5** of the VAT Act

## 6 How is VAT calculated and charged?

- $\text{VAT} = \text{Total Value of Service} \times 18\%$
- VAT must be **clearly shown** on invoices (either included or added separately)
- A **VAT invoice** must be issued with all required details as per Section 20 of the VAT Act

## 7 When should VAT be paid?

- VAT must be remitted by the **20<sup>th</sup> of the month following the end of the taxable period**
- Payment can be made in Sri Lankan Rupees (LKR) or approved foreign currencies by the Central Bank of Sri Lanka

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## 8 What are the VAT Return filing requirements?

- Returns must be filed **quarterly**
- Deadline: **Last day of the month** after the end of each quarter
- **Electronic filing** via the IRD portal
- Record retention **for minimum of 5 years**

## 9 What are the consequences for non-compliance?

- **Penalties** for late payment (as per Section 27 of the VAT Act)
- **Enforcement actions** for unpaid VAT
- Continuous non-compliance may lead to **service restrictions or Blacklisting from providing services in Sri Lanka**

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