



Tax Flash News

The Operation of Risk Based Refund Scheme

KPMG in Sri Lanka

October 2025

Tax Flash News

The Inland Revenue Department (IRD) has issued the regulation as per Section 22 (5) (f) of the Value Added Tax Act No 14 of 2002 and Amendments thereto (VAT Act) pertaining to the introduction of the Risk Based Refund Scheme, which is effective from 01 October 2025.

The new framework and transitional provisions are detailed in the IRD Gazette Notification No. 2456/02 dated 29 September 2025.

Eligible persons are entitled for refunds within 45 days from the due date to lodge the VAT Return. The VAT Return will have to be lodged electronically via the RAMIS.

Salient features of the Gazette Notification are mentioned below :

1. Eligible persons:

- **Eligible Exporters:**
 - A registered person whose value of zero-rated supplies as defined under Section 07 of the VAT Act, during the preceding calendar year was greater than 50% of the total value of supplies made by that person during the same period.
 - Eligibility is determined based on the VAT Return data of the calendar year 2024 and reviewed annually thereafter.
- Suppliers to Strategic Development Projects.
- Suppliers to Specified Projects under VAT schedules.
- Projects approved under Section 22(7) of VAT Act.

2. Risk Based Refund Scheme – Risk categorization:

- The Risk Based Refund Scheme is a structured mechanism that categorizes refund applicants based on their risk profiles, as low, medium or high. This is determined by compliance history, accuracy of filing, reliability, overall behavior, etc.
- Following are the risk rating applicable

Low risk taxpayers	Refunds processed without pre-verification
Medium risk taxpayers	
High-risk taxpayers	Refunds only after the completion of pre-verification

- The risk rating shall be effective from the taxable period commencing from the 01 October 2025.
- CGIR will review the risk ratings (low, medium, high) every 06 months or whenever its necessary.

3. Responsibilities of the eligible persons:

- Maintain accurate and updated profiles in RAMIS (including bank accounts, email, and authorized contact persons).
- To provide all documents, information, access and facilities to enable the CGIR or the Authorized Officials to conduct site inspection .
- Submit schedules via the schedule capture screen in e-services or CSV files verified with the schedule verification tool.
- To correctly prepare, validate and upload all relevant particulars and schedules to the RAMIS.
- Provide documents promptly to avoid refund delays or rejection.
- If operating multiple projects, distinct and separate records to be maintained to identify input tax attributable to each projects.



4. Transitional Adjustments

- The previous SVAT Gazette Notification No 1986/9 dated 27 September 2016 is repealed with effect from 01 October 2025
- The key deadlines in relation to the SVAT phase out process is mentioned below



- Where a debit note or credit note is issued on or after 01 October 2025, within 06 months of the suspended tax invoice issued for suspended supplies between 01 April 2025 to 30 September 2025:
 - Details must be reported in Schedule SVAT 05a (debit notes) or SVAT 05b (credit notes) in Excel format.
 - A soft copy must be submitted to the IRD unit where the TIN is allocated.
- Adjustments to VAT Returns:
 - The related debit/credit note must be reflected by amending the VAT return and updating applicable SVAT schedules (SVAT 04, SVAT 06, SVAT 07) for the period in which the original suspended tax invoice was declared.
 - This amendment is only for SVAT adjustment purposes and will not alter the original filing date of the VAT return.
 - The statutory time bar on assessments remains unaffected.