



Notice to Registered Persons for SVAT

Abolition of Simplified Value Added Tax (SVAT) Scheme and Introduction of Risk-Based Refund Scheme (RBRS)

In terms of the Value Added Tax Act, No. 14 of 2002 (as amended), **SVAT Scheme** will be **abolished** with effect from **1st October 2025**, and **replaced** by a **Risk-Based Refund Scheme**.

The **Risk-Based Refund Scheme** aims to facilitate timely and efficient VAT refunds, for **eligible exporters** and **projects**. Under this scheme, refunds will be issued within 45 days from the date of the VAT return submission subject to submission of proper VAT return and relevant schedules, depending on the **VAT Registrant's risk categorization**.

If any notice (Notice 2) is issued for **non-submission of schedules** or **schedule errors**, 45 days will be counted from the date of compliance with the Notice 2.

Refunds will be issued to VAT registrants for taxable periods commencing **on or after 1st October 2025**, based on a risk – based rating system. **Eligible VAT Registrants** will be evaluated based on their **compliance behavior, including timely registration, accurate reporting, and on time payments**, using a scientific, statistically sound risk-rating methodology. Based on this assessment, eligible VAT Registrants will be **classified into three categories** : Low, Medium or High risk. This classification will determine how refunds are processed:

- ❖ **Low and Medium Risk taxpayers:** Refunds will be processed and issued more quickly without prior verification. Audit of tax returns will be carried out post refund.
- ❖ **High Risk taxpayers:** Refunds will be issued subject to pre-verification before being processed.

Eligible VAT Registrants for VAT refunds under the new scheme

- ❖ **Exporters:** Direct export value should exceed 50% of total supply in the preceding calendar year.
- ❖ **Projects:** Approved projects under Section 22(7) of the VAT Act.
- ❖ **Suppliers to projects:** Supplier to Special Projects (SP) approved by the Minister and Strategic Development Projects (SDP), where such supplies constitute more than 50% of total supplies.

For further information, refer to the FAQ using the below link :

https://www.ird.gov.lk/en/Lists/Latest%20News%20%20Notices/Attachments/702/VAT31072025_SVAT_Repeal_FAQs_QG.pdf

Commissioner General of Inland Revenue



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