

NATION BUILDING TAX (NBT)

Nation Building Tax (NBT) was imposed with effect from 01st February 2009. This article is based on the Nation Building Tax Act No. 9 of 2009 and subsequent amendments up to 31st August 2018.

❖ **Who is liable to pay? (Section 2)**

NBT is payable by every person who:

- (1) Imports any article (other than any excepted article and any article in the personal baggage) into Sri Lanka ; or.
- (2) Carries on the business of manufacturing of any article other than any excepted article; or.
- (3) Carries on the business of wholesale or retail sales of any article other than by the manufacturer of that article, or.
- (4) Carries on the business of providing a service of any description, including the business of banking or finance, other than any excepted service.

NBT is payable, if the liable turnover of any quarter exceeds,

- Rs.25,000,000/- for processing of any locally procured agricultural produce in the preparation for sale.
- Rs.3,000,000/- for others.

Note: Above threshold is not applicable for imports.

❖ **What is Liable Turnover?**

- (1) For import of any article - Same basis as ascertained for the purpose of VAT.
- (2) For manufacture of any article - Sum receivable whether received or not from the sale of any article manufactured in Sri Lanka in that quarter **other** than excepted article.
- (3) For providing any service other than financial services - Sum receivable whether received or not, from the provision of any service in Sri Lanka, other than any excepted service.
- (4) For whole sale or retail sale of any article - Sum receivable whether received or not from the sale in that quarter other than following:
 - (i) Pharmaceuticals.
 - (ii) Any article which is subject to the Special Commodity Levy where such article is sold by the importer of such article without any processing except for adaption for sale.
 - (iii) Gems or jewelry, if sold on the payment of foreign currency by any person authorized by the Central Bank of Sri Lanka to accept payment in foreign currency.
 - (iv) Any printed book.
 - (v) Any article sold to any exporter for export.
 - (vi) Fresh milk, green leaf, cinnamon or rubber (latex, crape or sheet rubber) purchased from any manufacturer or producer thereof.

- (vii) Petrol, diesel or kerosene sold in a filling station.
 - (viii) Retail sale of any article at duty free shops for payment in foreign currency.
 - (ix) LP Gas.
 - (x) Any motor vehicle by an importer of such vehicles which are sold by the importer himself.
 - (xi) Cigarettes by an importer of such cigarettes which are sold by the importer himself.
- (5) Also note that when calculating the liable turnover (other than imports), followings shall be deducted.
- (i) Any bad debts incurred (However, when the bad debts are recovered it need to be included in the turnover).
 - (ii) Any VAT paid.
 - (iii) Any excise duty paid other than excise duty paid at the point of customs.
 - (iv) Rebate paid under the Export Development Rebate in relation to any international event as approved by the Minister of Finance.
 - (v) Any turnover from the supply of any goods or services in relation to any international event approved by the Minister of Finance.

❖ **What is the applicable Rate of NBT ?**

- (1) On the liable turnover (other than wholesale or retail trade) - 2%.
- (2) On the liable turnover from the wholesale or retail sale of any article:
 - (a) $\frac{3}{4}$ of the liable turnover of any distributor - Nil.
 - (b) $\frac{1}{2}$ of the liable turnover other than any turnover of a distributor - Nil.
 - (c) The balance liable turnover - 2%.

❖ **Who is entitled to claim input tax credit?**

Manufacturers who utilizes wholly or partly any goods purchased from a manufacturer registered for NBT or imported by himself, in the manufacture of goods liable to NBT, are entitled to tax credit in respect of NBT paid on such goods in proportion to the value of NBT liable goods manufactured by him.

Excepted articles and services

A list of excepted articles and services is provided in the first Schedule to the Act. Few items are mentioned below:

Excepted Articles	Excepted Services
<ul style="list-style-type: none">Any article exported by the manufacturer of such article.	Supply of locally developed software.
<ul style="list-style-type: none">Fertilizer.	Medical services.
<ul style="list-style-type: none">Pharmaceuticals.	Supply of water.
<ul style="list-style-type: none">L P Gas.	Transport of goods or passengers.
<ul style="list-style-type: none">Printed books, magazines.	Services of insurance agent.

❖ What are the due dates for Payment of Tax?

NBT is payable on self-assessment basis in three monthly installments. The due dates are as follows:

Installment	Payment Date
<ul style="list-style-type: none">1st Installment	On or before the 20 th day of the second month of that relevant quarter.
<ul style="list-style-type: none">2nd Installment	On or before the 20 th day of the third month of that relevant quarter.
<ul style="list-style-type: none">3rd Installment	On or before the 20 th day of the month immediately succeeding the end of that relevant quarter.

❖ What is the due date to submit the return?

Return of NBT should be furnished on or before 20th day of the immediately succeeding the end of that relevant quarter.

❖ Computation of Tax:

Example 01:

Sunera (Pvt) Ltd. is engaged in the business of wholesale and retail sale of stationery items. Sales for the quarter ended 31st December 2017 amounts to Rs.7,500,000/-.

Calculate Nation Building Tax (NBT) liability for the quarter ended 31st December 2017.

Answer:

	Rs.
Liabe turnover	7,500,000
Less: 50%	(3,750,000)
Balance liabe turnover	3,750,000
NBT @ 2%	75,000

Example 02:

Sunny (Pvt) Ltd. acts as a distributor to a well-known biscuits manufacturer. Total Sales of the company for the quarter ended 31st December 2017 is Rs.14,500,000/-.

Calculate Nation Building Tax (NBT) liability for the quarter ended 31 December 2017.

Answer:

	Rs.
Liabale turnover	14,500,000
Less: 75%	(10,875,000)
Balance liabale turnover	3,625,000
NBT @ 2%	72,500

Example 03:

Dora (Pvt) Ltd. is engaged in manufacturing soft toys for the local market. The turnover of quarter ended 31st March 2018 is Rs.4,500,000/-. The company has paid NBT of Rs.52,000/- on imported raw materials.

Calculate Nation Building Tax (NBT) Payable for the quarter ended 31 March 2018.

Answer :

	Rs.
Liabale turnover - Manufacturing (4,500,000 x 2%)	90,000
Credit for input tax	(52,000)
NBT Payable	38,000

Example 04:

Southern Craft is a handicraft manufacturer. The following information has been provided for the quarter ended 31st December 2017:

- (1) Sales to local shops - Rs.7,525,000/-.
- (2) Export sales – Rs.13,975,000/-.
- (3) NBT paid on raw materials: Rs.165,000/-.
- (4) NBT paid on services: Rs.12,000/-.
- (5) Monthly installments of NBT paid Rs.30,000/-.

Calculate Nation Building Tax (NBT) Payable for the quarter ended 31st December 2017.

Answer:

	(Rs.)		(Rs.)
Liabile turnover - Local sales	7,525,000	2%	150,500
- Exports	13,975,000	Exempt	-
	21,500,000		150,500
Credit on Input tax:			
NBT paid on services- not deductible			-
NBT paid on raw materials	165,000		
Allowable amount for liable products	$\frac{165,000}{21,500,000} \times 7,525,000$		(57,750)
Tax Payable			92,750
Monthly installments paid			(30,000)
Balance NBT payable			62,750

Example 05:

Easy life (Pvt) Ltd. is a company engaged in the business of selling electronic equipments. In addition to that, the company is providing repair services. Following information was extracted from the books of the company for the quarter ended 31st March 2018:

(1) Turnover of the company is as follows:

Sale of products manufactured by the company - Rs.2,850,000/-.

Sale of products imported by the company - Rs.5,600,000/-.

Repair services - Rs.1,450,000/-.

(2) The amounts of Nation Building Tax (NBT) paid by the company are as follows:

On imported products - Rs.42,800/-.

On local purchases of raw materials used to manufacture - Rs.12,000/-.

On Office Expenses - Rs.5,400/-.

(3) Rs.50,000/- has been paid as monthly installments of NBT for the quarter ended 31st March 2018.

Assess the balance amount of Nation Building Tax payable for the quarter ended 31st March 2018.

Answer :

	(Rs.)		(Rs.)
Liabile turnover:			
Manufactured	2,850,000	2%	57,000
imported	5,600,000 * (50%) = 2,800,000	2%	56,000
Service	1,450,000	2%	29,000
			142,000
Credit for input tax:			
On raw materials			(12,000)
On imported products - not allowable	not allowable		-
On Office Expenses - not allowable	not allowable		-
Tax Payable			130,000
Monthly installments			(50,000)
Balance NBT payable			80,000
