The Chartered Institute of Taxation of Sri Lanka

Incorporated by the Parliamentary Act No. 21 of 2000 as amended by the Act No. 13 of 2023.

Kahawatta Plantation PLC V Commissioner General of Inland Revenue

DATE OF JUDGEMENT	CASE NO.	PARTIES	JUDGEMENT BY	LEGAL PROVISION	LEGISLATION
2025-02-28	**CA-TAX-17-2022**	**Kahawatta Plantations PLC Vs. Commissioner General of Inland Revenue**	**Hon. Mayadunne Corea, J.**	**Exemptions under item (b) (xxiii)** ***"unprocessed agricultural, horticultural or fishing products produced in Sri Lanka, including the local supply of unprocessed agricultural, horticultural or fishing products where value added tax has not been collected or paid to the Department of Inland Revenue on or after 1/7/2007"*** **and (a) (xxii) (iv) of Part II of the First Schedule to the Value Added Tax Act**	**Value Added Tax Act, No. 14 of 2022 (as amended)**

Contention of the Appellant

- The said trees fall within the said provision and are unprocessed agricultural products.
- The growth and harvesting of Albizia trees constituted a supply of live trees, being unprocessed agricultural produce, and was therefore an exempt supply for VAT purposes.
- In the alternative, the Appellant submitted in writing that the timber logs sold constituted sawn wood and therefore fell within the exemption under item (a)(xxii)(iv) of Part II of the First Schedule to the VAT Act.

Contention of the Respondent

- The sale was for trees logged and processed as logs which do not fall qualify for exemption as unprocessed agricultural produce.

Questions of Fact

(i) Whether the agreement between the buyer and the Appellant is to sell live trees (unprocessed produce in the nature of live trees) or processed products (logs)?

Prepared by:

(i) Usha K. Sivagurunathan, FCA, Attorney-at Law, LLM in Corporate and Commercial Law, Queen Mary, University of London. Chief Executive Officer, the Chartered Institute of Taxation of Sri Lanka.

(ii) Sidrah Yooseph, Student at Law-LLB (Hons), Legal Intern, the Chartered Institute of Taxation of Sri Lanka.

20th day of December, 2025

The Chartered Institute of Taxation of Sri Lanka

Incorporated by the Parliamentary Act No. 21 of 2000 as amended by the Act No. 13 of 2023.

Kahawatta Plantation PLC V Commissioner General of Inland Revenue

Opinion of the Court

Appellant's contention that the Appellant is only supplying live trees and the process commences after the title is passed to the buyer, cannot be accepted because if the buyer is to get title to the living trees, then removing the said trees is within the discretion of the buyer. It cannot be under the guidelines and specifications of the Appellant. Further it is up to the buyer to choose his way of removing the trees in the form the buyer wants. It is not for the seller to imposed conditions as cutting it into logs according to the specifications of the seller.

(ii) Did the Tax Appeals Commission err in law when it failed to consider the alternative possibility that the supplies made by the Appellant constituted sawn wood and was therefore an exempt supply under and in terms of item (a) (xxii) (iv) of Part II of the First Schedule to the Value Added Tax Act, No. 14 of 2002 (as amended)?

Opinion of the Court

……it is pertinent to note that if the Appellant is pleading under the exemptions for sawn wood, then the said wood does not consist of living trees. Thus, to fall into the definition of sawn wood, the wood has to undergo a stage of processing.

If the Appellant is pleading that they fall under the latter exemption then they cannot maintain the position taken that the sale was of unprocessed agricultural produce. In the view of this Court, the moment the Appellant pleads under this exemption, it is admitted that the supply was not unprocessed wood……..

(iii) Is the amount assessed, as confirmed by the Tax Appeals Commission, excessive and without lawful justification?

The amount assessed is based on the non-applicability of the exemptions.

Prepared by:

(i) Usha K. Sivagurunathan, FCA, Attorney-at Law, LLM in Corporate and Commercial Law, Queen Mary, University of London. Chief Executive Officer, the Chartered Institute of Taxation of Sri Lanka.

(ii) Sidrah Yooseph, Student at Law-LLB (Hons), Legal Intern, the Chartered Institute of Taxation of Sri Lanka.

20th day of December, 2025