

VAT on water: Smooth supply, main aim

by DON ASOKA WIJEWARDENA

The National Water Supply & Drainage Board has decided to impose a 10 per cent levy by way of the Value Added Tax (VAT) on domestic consumption of water which exceeds 25 units per month per household. This 10 per cent will be imposed from the very first unit that surpasses 25 units with effect from this month, September, the Deputy General Manager (Finance), National Water Supply & Drainage Board, Premakumar Fernando, told the 'Sunday Observer'. This has been enforced with a view to conserving water and maintain an uninterrupted supply for the consumer.

The DGM said that the Goods and Services Tax (GST) imposed by the previous regime was not levied on water but nevertheless the board had to pay 12.5 per cent by way of GST for overhead expenses incurred for supplying water to the gov-

ernment. However, the NWSDB did not have the facility to off-set that cost of 12.5 per cent GST and it decided to introduce a 10 per cent VAT on water effective from September 2002.

The Board, however, as before, will bear the cost of the first 25 units, which will be free of charge for the domestic consumer. Thereafter for every extra unit, a VAT of 10 per cent will be added to the water bill. One unit of water is equivalent to 1,000 litres. Therefore 25 units means 25,000 litres, which is supplied free for every household per month. In terms of gallons averagely every household sets 36 gallons per day free of charge.

DGM (Commercial) NWSDB, M. Mediawaka, said that most people were not aware of the benefits accrued from the VAT since a huge subsidy on water for domestic supply was borne by the government. "The present domestic water bill for 25

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units costs Rs. 207.50, which is free from VAT for the consumer," said the DGM.

Conservation of water and elimination of wastage is the primary objective of the NWSDB and, considering this factor it has taken an initiative beneficial to all its consumers. Of all, 83 per cent consume less than 25 units and they will not be affected by the VAT. The board has formulated a strategy to implement consumer awareness programs on the value of water and its scarcity and it hopes to increase the number of consumers using 25 units to 95 per cent.

The VAT will be imposed on commercial and industrial consumers as well but it will not have an effect on them as they will be able to claim it as an input credit.