

IN THE COURT OF APPEAL OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI
LANKA

In the matter of an appeal by way of Stated Case on a question of law for the opinion of the Court of Appeal under and in terms of Section 11A of the Tax Appeals Commission Act No. 23 of 2011(as amended).

Ace Containers (Private) Limited,
Aitken Spence Tower II,
315,
Vauxhall Street,
Colombo 02.

APPELLANT

CA CASE NO: CA/ TAX/ 59/2025

Tax Appeals Commission No:

TAC/VAT/013/2023

Vs.

Commissioner General of Inland Revenue,
Department of Inland Revenue,
Inland Revenue Building,
Sir Chittampalam A. Gardiner Mawatha,
Colombo 02

RESPONDENT

Before: **B. Sasi Mahendran, J.**
 Adithya Patabendige, J.

Counsel: Lilan Wicramaratne for the Appellant.
 Zuri Zain, DSG for the Respondents.

Supported On: 11.09.2026

Order On: 24.09.2026

B. Sasi Mahendran,

This is a Case Stated submitted for the opinion of this Court by the Tax Appeals Commission (hereinafter referred to as “TAC”) under Section 11A of Act No.23 of 2011 (as amended). The Appellant, Ace Containers (Private) Limited, is a limited liability company incorporated in Sri Lanka and carries on the business of operating a Container Yard / Depot in Mabile, and provides a comprehensive range of Logistic Services.

The Case Stated consists of nine questions of law, formulated by the TAC, and forwarded to the Court of Appeal for its opinion.

The Questions of Law, reproduced verbatim, are as follows,

1. Did the Tax Appeals Commission misdirect itself in fact and law when it concluded that the Service Agreement of the Appellant marked as 'AI did not contain provisions relating to discounts or free services offered by the Appellant to its Customer?
2. Did the Tax Appeals Commission err in law when it came to the conclusion that the discounts offered by the Appellant to its Customer by way of free services are not established under any agreement with the Customer or by established practice?
3. Did the Tax Appeals Commission err in fact and law when it concluded that the Appellant has issued Tax Credit notes without the consent of its Customer?
4. Did the Tax Appeals Commission err in law when it concluded that tax credit notes cannot be used to adjust the taxable value of supply arising from the discounts?
5. Did the Tax Appeals Commission err in law by failing to hold that the value of supply under the Value Added Tax No. 14 of 2002 (as amended) (VAT Act) can accommodate discounts offered by way of free services?
6. Did the Tax Appeals Commission err in law in interpreting the term 'open market value pursuant to Section 83 of the VAT Act?
7. Did the Tax Appeal Commission err in law when it concluded that discounts offered by the Appellant by way of free services are liable for VAT as free services have not been mentioned in the First Schedule of the VAT Act?

8. Did the Tax Appeals Commission err in law when it failed to hold that VAT can only be imposed on the actual consideration paid by the Customer?
9. In view of the facts and circumstances of the case did the Respondent and the Tax Appeals Commission err in law when it came to the conclusion that he/it did?

When the matter was mentioned on 18th May 2026, both counsel informed the Court that a similar matter was settled by the TAC; therefore, they moved for further time to submit the terms of settlement.

On 7th September 2026, both the Appellant and the Respondent filed a joint motion, bringing to the attention of this Court that the parties had reached an agreement to settle this matter on the following terms:

- I. Notice of Assessment dated 29th April 2022 to be annulled.
- II. Assessment to be amended by allowing the value of the tax credit notes claimed by the Appellant.
- III. Set aside the determination of the Commissioner General of Inland Revenue dated 09th August 2023 and the determination of the Tax Appeals Commission dated 10th December 2024.

As the parties have settled the matter, it is not necessary for this Court to determine the questions of law raised by the Appellant.

Accordingly, proceedings are terminated.

The appeal is dismissed *pro forma*, without costs.

The Registrar is directed to forward a copy of this order, together with the relevant documents, to the Tax Appeals Commission for necessary action in terms of Section 6 of the Tax Appeal Commission Act (as amended).

JUDGE OF THE COURT OF APPEAL

Adithya Patabendige, J.

I AGREE

JUDGE OF THE COURT OF APPEAL