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உள்ளநாட்டு இறைவரித் திணைக்களம்
DEPARTMENT OF INLAND REVENUE

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செயலகம்
14 வது மாடி
உள்ளநாட்டு இறைவரித் திட்டம்
சேர் சிற்றம்பலம் ஏ காடினர் மாவத்தை
த.பெ.இல. 515, கொழும்பு - 2, இலங்கை

Secretariat
14th Floor
Inland Revenue Building
Sir Chittampalam A Gardiner Mawatha
P.O. 515, Colombo 2 - Sri Lanka

ෆැක්ස් } 011 - 2338574/ 2338659/ 2338635/
පැක්ස් } 2338570/ 2338543
Fax }

දුරකථන } 011- 2135402/ 2135410/ 2135412 /
தொலைபேசி } 2135413/ 2135411
Telephone }

E-Mail – secretariat@ird.gov.lk
Web: www.ird.gov.lk

Circular No: SEC/2020/01

Date: 29.01.2020

Circular to Banks / Financial Institutions

Withholding Tax on Interest paid by Banks or other Financial Institutions

This is further to Inland Revenue Circular No. SEC/2019/04 dated 30.12.2019 issued to Banks and Financial Institutions.

As instructed by the Ministry of Finance, (subject to formal amendments to the Inland Revenue Act, No. 24 of 2017, to be passed in Parliament) clause Nos. 1 and 2 of the Circular No. SEC/2019/04 has been amended as effective from 01.01.2020, as appended

1. Clause 1 (Circumstances for non-deduction of withholding tax)
 - i. The sub-paragraph (d) of paragraph (I) of the clause should be read as follows,

“Aggregate of interest income from all deposits of a senior citizen (resident in Sri Lanka who is sixty years or above at any time during the year of assessment) up to the tax relief available under Paragraph 2(d) of the FIFTH SCHEDULE to the Inland Revenue Act, **until March 31, 2020** [subject to the declaration made under 2018 Circular by such senior citizen whose aggregate interest income is not more than Rs. 1,500,000 per annum]”

- ii. The sub-paragraph (f) of paragraph (I) of the clause should be read as follows,

“Aggregate interest income or discount from all the accounts including Islamic financial transaction maintained in **a bank or a financial institution, to an account holder (other than a senior citizen)** up to Rs. 250,000/- in a month **for the period from January 01, 2020 to March 31, 2020**”.


2. The paragraph (ii) of the clause No. 2 should be read as follows,

“In the case of a senior citizen, tax relief available under Paragraph 2(d) of the FIFTH SCHEDULE to the Inland Revenue Act will be continued until March 31, 2020. If the interest income exceeds such relief, on the excess over the relief amount, be withheld at the rate of five per centum (5%)”

All other clauses remain unchanged.

Accordingly, all the banks and financial institutions are required to adhere, with respect to the period from 01.01.2020 to the date of this circular, to the following,

- i. If any Bank or Financial Institution has deducted withholding tax (WHT) from the account of any senior citizen in the case where the aggregated interest payment has not exceeded Rs. 1,500,000 for the whole year of assessment (from 01.04.2019 – 31.03.2020), such deducted amount should be refunded to respective senior citizens.
- ii. If any Bank or Financial Institution has not deducted withholding tax (WHT) or deducted WHT partly from the account of any senior citizen, in the case where the aggregated interest payment exceeded Rs. 1,500,000 for the whole year of assessment (from 01.04.2019 – 31.03.2020), following details of such senior citizens should be submitted to the Commissioner (Information & Forced Registration) of this Department.
 - Name of the senior citizen
 - Address
 - NIC No.
 - Amount of Interest paid for the year of assessment


A. Nadun Guruge
Commissioner General of Inland Revenue

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