



Deduction of Withholding Tax(WHT) from Investment Returns with effect from 01.04.2018

1. Payments subject to WHT and the applicable tax rates

- i. Any of the following payments which has a source in Sri Lanka and which is made by a person (WHT Agent) to any Resident or Non-Resident person.
 - Dividend. - Tax Rate is 14%.
 - Interest or discount. - Tax Rate is 5%.
 - Natural resource payment. - Tax Rate is 14%.
 - Rent. - Payment made to a resident person - Tax Rate is 10%.
 - Rent. - Payment made to a non-resident person - Tax Rate is 14%.
 - Royalty. - Tax Rate is 14%.
 - Charge, premium or retirement payment. - Tax Rate is 14%.
 - Amounts as winning from a lottery, reward, betting or gambling. - Tax Rate is 14%.

Remarks

- When the payment is made to a Non-Resident person the tax rate should be applied subject to the maximum restriction fixed in the relevant Double Taxation Avoidance Agreement (DTAA). For such cases the rate confirmation can be obtained from the International Tax Branch of the Department of Inland Revenue, if needed.
 - "Rent" means a payment, including a payment of a premium or like amount, for the use of or right to use property of any kind and includes a payment for the rendering of, or the undertaking to render, assistance ancillary to a use or a right to use the property, but excludes a natural resource payment or a royalty.
- ii. Sale price payable to the seller of any gems sold at an auction conducted by the National Gem and Jewellery Authority. - Tax Rate is 2.5%.

2. Payments not subject to WHT

- (a) Payments subject to withholding under section 83 (employment income).
- (b) Payments made by individuals, unless made in conducting a business.
- (c) Interest paid to any financial institution on the ordinary loans and advances provided by it.
- (d) Interest or discount paid to any person on Security or Treasury Bond under the Registered Stocks and Securities Ordinance (Chapter 420) or Treasury Bills under the Local Treasury Bills Ordinance (Chapter 417).
- (e) Payments that are exempt amounts under section 9 of the Act; (The withholding agent is required to seek from the withholder a certificate issued by the Customer Support and Promotion Unit or the relevant Regional Office of the Department of Inland Revenue confirming that such withholder is qualified for this exemption).

3. Registration

WHT agents are required to obtain a registration number from the Tax Type Registration Unit or any Regional Office of Inland Revenue Department for the purpose of deducting the WHT from any withholder. Any WHT agent who has not been assigned a Tax Payer Identification Number (TIN) so far should get it (TIN) first from the Primary Registration Unit.



4. Calculation of WHT

The withholding tax deduction should be made on the gross amount of the invoice value (inclusive of all taxes other than VAT).

5. Payment of tax withheld

Any tax that has been withheld during each calendar month by the withholding agent, must be paid to the Commissioner-General (in case of dividends to the Bank of Ceylon Account No. 2026527 and in all other cases to the People's Bank Account No. 014-1002-6-9026620 by using the paying in slips issued by the Inland Revenue Department) within 15 days from the end of the month.

6. Certificate of Deduction

The withholding agent who deducts withholding tax is required to issue a certificate of tax deduction to every withholder. The withholding tax certificate shall cover a calendar month and be served within 30 days from the end of the month.

7. Submission of Returns and Schedules

(i) Annual Statements -

Every withholding agent should file an annual statement specified by the Commissioner General of Inland Revenue, for each year of assessment within 30 days from the end of the year (on or before 30th April). The annual statement should be furnished by all registered withholding agents even in the instances where no any tax is payable.

(ii) Schedules -

Schedules prepared in the relevant formats for the payments on which WHT has been deducted and WHT not deducted should be furnished separately along with the annual statement.

For further clarification please contact:

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|----------------------------------|---------------|--------------------|---------------|
| Commissioner (WHT) | - 011-3009468 | DCGIR (WHT) | - 011-2134400 |
| Senior Commissioner (WHT) | - 011-2134960 | DCGIR (Tax Policy) | - 011-2135402 |
| Senior Commissioner (Tax Policy) | - 011-2135410 | | |

To download the relevant circular with the specimens of withholding tax certificates & relevant schedules please visit the web portal of the Department of Inland Revenue. www.ird.gov.lk



Commissioner General of Inland Revenue

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