



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**INLAND REVENUE (AMENDMENT)
ACT, No. 2 OF 2025**

[Certified on 20th of March, 2025]

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Inland Revenue (Amendment) Act No. 2 of 2025

[Certified on 20th of March, 2025]

L.D.-O. 82/2024

AN ACT TO AMEND THE INLAND REVENUE ACT,
No. 24 OF 2017

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. 2 of 2025. Short title and
the date of
operation

(2) The provisions of this Act shall come into operation on April 1, 2025.

2. Section 150 of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as the “principal enactment”) is hereby amended as follows: - Amendment
of section 150
of Act, No.
24 of 2017

(1) in paragraph (a) of subsection (2A) of that section –

(a) by the substitution for the words “not exceeding one hundred thousand rupees,”, of the words and figures “not exceeding sixty thousand rupees for a year of assessment prior to April 1, 2025 or not exceeding one hundred and eighty thousand rupees for a year of assessment commencing on or after April 1, 2025,”; and

(b) in the proviso to that paragraph, by the substitution for the words “not exceeding twenty five thousand rupees for any quarter”, of the words and figures “not exceeding sixty thousand rupees for a year of assessment or fifteen thousand rupees

for a quarter prior to April 1, 2025, or with effect from April 1, 2025 not exceeding one hundred and eighty thousand rupees for a year of assessment or forty five thousand rupees for any quarter”;

- (2) in subsection (3) of that section, by the substitution for the words “A refund”, of the words and figures “Prior to April 1, 2024, a refund”; and
- (3) by the addition immediately after subsection (3) of that section, of the following new subsection: -

“(4) With regard to any year of assessment commencing on or after April 1, 2024, a refund or credit may be made under this section only if the taxpayer applies for such refund or credit –

- (a) within thirty months of the last date of the relevant year of assessment, where the taxpayer is required to file a tax return under this Act; or
- (b) within the time period specified by the Commissioner-General, where such refund or credit is made on the Commissioner-General’s initiative.”.

3. The First Schedule to the principal enactment is hereby amended as follows: -

Amendment
of the First
Schedule to
the principal
enactment

- (1) in paragraph 1 of that Schedule –
 - (a) in subparagraph (1C) of that paragraph, by the substitution for the words and figures

“from April 1, 2023”, of the words and figures “from April 1, 2023, but prior to April 1, 2025”;

- (b) by the insertion immediately after subparagraph (1C) of that paragraph, of the following new subparagraph: -

“(1D) Subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual for a year of assessment commencing from April 1, 2025 shall be taxed at the following rates: -

<i>Taxable income</i>	<i>Tax Payable</i>
Not exceeding Rs. 1,000,000	6% of the amount in excess of Rs.0
Exceeding Rs. 1,000,000 but not exceeding Rs. 1,500,000	Rs. 60,000 plus 18% of the amount in excess of Rs. 1,000,000
Exceeding Rs. 1,500,000 but not exceeding Rs. 2,000,000	Rs. 150,000 plus 24% of the amount in excess of Rs. 1,500,000
Exceeding Rs. 2,000,000 but not exceeding Rs. 2,500,000	Rs. 270,000 plus 30% of the amount in excess of Rs. 2,000,000

Exceeding Rs. 2,500,000	Rs. 420,000 plus 36% of the amount in excess of Rs. 2,500,000
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- (c) by the repeal of item (c) of subparagraph (2) of that paragraph and the substitution therefor, of the following item: -

“(c) the type of business income referred to in subparagraph (4) shall be taxed at the rate of –

- (i) 40%, prior to April 1, 2025;
and
- (ii) 45%, with effect from April 1, 2025; and”;

- (d) by the addition immediately after subparagraph (5) of that paragraph, of the following new subparagraph: -

“(6) Notwithstanding anything to the contrary in the provisions of subparagraph (1D), an individual’s following gains and profits shall be taxed at the maximum rate of 15% with effect from April 1, 2025: –

- (a) the gains and profits earned or derived from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency

and remitted through a bank to Sri Lanka;

- (b) the gains and profits earned or derived from any foreign source where such gains and profits are earned or derived in foreign currency and remitted through a bank to Sri Lanka.”;

(2) in paragraph 4 of that Schedule –

- (a) in subparagraph (1) of that paragraph, by the substitution for the words and figures “subparagraphs (2), (2A), (2B) and (3)”, of the words and figures “subparagraphs (2), (2A), (2B), (2C) and (3)”;
- (b) in subparagraph (2B) of that paragraph, by the substitution for the words and figures “commencing on or after April 1, 2023,”, of the words and figures “commencing on or after April 1, 2023, but prior to April 1, 2025,”; and
- (c) by the addition immediately after subparagraph (2B) of that paragraph, of the following new subparagraph: -

“(2C) Such part of the following gains and profits of a company which includes in its taxable income for any year of assessment commencing on or after April 1, 2025, the gains and profits of a company shall be taxed at the following rates: -

- (a) gains and profits earned or derived from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka -15%;
 - (b) gains and profits earned or derived from any foreign source where such gains and profits are earned or derived in foreign currency and remitted through a bank to Sri Lanka – 15%;
 - (c) gains and profits from conducting betting and gaming – 45%; and
 - (d) gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product other than the export of such product – 45%.”; and
- (3) by the repeal of item (d)(ii) of subparagraph (1) of paragraph 10 of that Schedule, and the substitution therefor, of the following item: -
 - “(ii) interest or discount paid –
 - (a) with effect from January 1, 2023, but prior to April 1, 2025 - 5%;
 - (b) with effect from April 1, 2025 – 10%.”.

4. The Third Schedule to the principal enactment is hereby amended in paragraph (u) of that Schedule as follows: -

Amendment
of the Third
Schedule to
the principal
enactment

- (1) in subparagraph (iii) of that paragraph, by the substitution for the words and figures “on or after January 1, 2020;”, of the words and figures “on or after January 1, 2020, but prior to April 1, 2025;”; and
- (2) in subparagraph (iv) of that paragraph, by the substitution for the words and figures “on or after January 1, 2020;”, of the words and figures “on or after January 1, 2020, but prior to April 1, 2025;”.

5. The Fifth Schedule to the principal enactment is hereby amended in subparagraph (a) of paragraph 2 as follows: -

Amendment
of the Fifth
Schedule to
the principal
enactment

- (1) in item (iii) of that subparagraph, by the substitution for the words and figures “April 1, 2022; and”, of the words and figures “April 1, 2022;”;
- (2) in item (iv) of that subparagraph, by the substitution for the words and figures “April 1, 2023;”, of the words and figures “April 1, 2023, but prior to April 1, 2025; and”; and
- (3) by the addition immediately after item (iv) of that subparagraph, of the following new item: -

“(v) Rs. 1,800,000, for each year of assessment commencing on or after April 1, 2025.”.

6. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala text
to prevail in
case of
inconsistency



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Circular No: SEC/2025/E/03

March 28th 2025

Circular to Resident Individuals with Interest Income Subject to Advance Income Tax (Withholding Tax) but No Taxable Income

This Circular sets out the procedure for submitting a self-declaration to banks or financial institutions for resident individuals whose interest income is subject to Advance Income Tax (AIT - Withholding Tax (WHT)) at the rate of 10%, but the assessable income for the year of assessment does not exceed the personal relief amount of Rs. 1,800,000 and who wish to request relief from AIT on the interest payments.

As per the instructions received from Secretary to the Treasury in his letter dated March 28th, 2025(FP/R/01/01/05/09/2025), following the meeting with Minister of Finance, Planning and Economic Development, this circular is issued (subject to formal amendments to the Inland Revenue Act, No. 24 of 2017, to be passed in Parliament).

Instructions on the Submission of Self Declaration

1. An individual who wishes to submit a self-declaration is required to fulfill the following conditions:

- Should be a **Sri Lanka resident** individual (as per the provisions of the Inland Revenue Act, No. 24 of 2017);
- He/she should receive or derives interest from **banks and financial institutions**; and
- His /her **assessable income** from all sources of income must not be exceeded Rs. 1,800,000 for the relevant **Year of Assessment**.

Banks and Financial Institutions refer to institutions engaged in banking activities, including licensed specialized banks as defined under the Banking Act, No. 30 of 1988, and non-banking financial institutions authorized by the Central Bank of Sri Lanka to accept public deposits.

Assessable Income is the total income received, expected to be received, or derived during the year of assessment from employment, business, investments (including interest income), and other sources of income, subject to the provisions of the Inland Revenue Act, No. 24 of 2017 (as amended).

Example 1: Mr. Karunadasa is a retired accountant, 62 years old, and receives a government pension of Rs. 95,000 per month during the year of assessment 2025/2026. He holds fixed deposits and savings deposits in several banks, from which he expects monthly interest income of Rs. 118,000. Additionally, he earns approximately Rs. 20,000 from bookkeeping work (no expenses). Below is the breakdown of his assessable income and his eligibility to submit a valid declaration.

Computation of assessable income for the Year of Assessment 2025/2026

Income	Rs.
Employment Income – Government Pension , Income Tax exempted	-
Business Income – Gains and Profits from Professional Services 20,000 *12	240,000
Investment Income - Interest Income = 118,000*12	1,416,000
Assessable Income	1,656,000

Since Mr. Karunadasa's assessable income does not exceed Rs. 1,800,000 for the year assessment 2025/2026, he is eligible to submit a valid self - declaration.

Example 2: Mrs. Rajapaksa, who is 50 years old, working for a private bank and receives a monthly remuneration of Rs. 325,000 during the year of assessment 2025/2026. Her five-year fixed deposit will mature on 10.09.2025, with the interest receivable on the deposit amounting to Rs. 700,000. Additionally, she expects a monthly agricultural income (after expenses) of Rs. 12,000. Below is the breakdown of her assessable income and her eligibility to submit a valid declaration.

Computation of assessable income for the Year of Assessment 2025/2026

Income	Rs.
Employment Income – 325,000 *12	3,900,000
Business Income – Gains and Profits from Agriculture 12,000 *12	144,000
Investment Income - Interest Income	700,000
Assessable Income	4,744,000

Mrs. Rajapaksa's assessable income exceeds Rs. 1,800,000 for the year of assessment 2025/2026. Therefore, she is not eligible to submit a valid self-declaration, and her interest income is subject to AIT deduction for the year of assessment 2025/2026.

Example 3: Methuli Rathnayake is the 14-year-old daughter of Mr. Saman Rathnayake. She has a fixed deposit in a bank, which will mature in July 2025, with an interest of Rs. 800,000. Additionally, interest income from her savings account is credited to her account monthly, amounting to Rs. 12,000. Mr. Saman Rathnayake is a university lecturer, and his monthly remuneration is Rs. 420,000. He receives monthly interest income Rs. 15,000. The given information pertaining to the year of assessment 2025/2026.

Below is the breakdown of both Methuli Rathnayake's and Mr. Rathnayake's assessable income and their eligibility to submit a valid self-declaration.

Methuli Rathnayake

Computation of assessable income for the Year of Assessment 2025/2026

Income	Rs.
Investment Income - Interest Income $800,000 + 12,000 \times 12$	944,000
Assessable Income	944,000

Saman Rathnayake

Computation of assessable income for the Year of Assessment 2025/2026

Income	Rs.
Employment Income $420,000 \times 12$	5,040,000
Interest Income $15,000 \times 12$	180,000
Assessable Income	5,220,000

Mr. Rathnayake's assessable income exceeds Rs. 1,800,000 for the year of assessment 2025/2026, but his daughter's income does not. Therefore, Mr. Saman Rathnayake can submit a valid declaration on behalf of his daughter, but not for himself.

Year of Assessment is the period of twelve months commencing on the first day of April of any year and ending on the thirty first day of March in the immediately succeeding year.

Example: Year of Assessment 2025/2026 is the 12 months period commencing on April 1st 2025 and ending on March 31st 2026.

2. Form of the self-declaration (**Attachment 1**) could be downloaded from the Inland Revenue website www.ird.gov.lk (Home:: Downloads:: Forms and Returns). You are advised to use only the form downloaded from the Inland Revenue website.
3. All declarant must possess a Taxpayer Identification Number (TIN).
4. If a person holds deposits in more than one bank or financial institution and wishes to submit self - declarations for each institution, separate declarations to each institution must be submitted.
5. If a new deposit is opened altering the previous status, the self - declaration submitted if any previously become invalid and a fresh self-declaration can be submitted for the year of assessment.
6. On behalf of a minor child, the Guardian can submit the declaration form. The NIC and TIN of the guardian must be provided in the declaration.
7. If joint account holders wish to submit self - declarations, separate declarations must be submitted by each individual for their interest portion.

8. Self-declarations should have been received to the relevant bank or financial institution for each year of assessment, **prior to the deduction of AIT** from the depositors' interest payments. If the bank or financial institution has deducted AIT prior to receiving the self-declaration, the bank or financial institution cannot refund the deducted AIT to the individual. In such cases, the relevant individual must claim a refund from (Inland Revenue Department) IRD, if eligible.

9. Self-declarations are valid only for one year of assessment, which is a 12-month period starting from April 1st of the year and ending on March 31st of the following year.

10. Duly completed self-declaration submitted by an individual to a bank or financial institution shall be treated as statement to a tax official, and the information provided in such self-declarations will be collected by Commissioner General of Inland Revenue from the relevant banks and financial institutions to verify the accuracy of the declared information.

11. A software program has been developed to verify the accuracy of the information provided in self-declarations. Using this software, the IRD will review the self-declaration. If the IRD determines the self-declaration to be invalid (as a result of such a verification), a notice will be issued to the bank, and the bank will deduct AIT thereafter, treating the submitted declaration as invalid. Any issues regarding such matters should be addressed through the tax officials of the IRD.

12. All information provided in the self-declaration must be accurate and justifiable when questioned by a tax official regarding the correctness of the information provided.

13. Any self-declarations that do not comply with the requirements of this circular shall be considered as invalid. Further, incomplete or fraudulent declarations will be rejected by the banks and financial institutions. If an individual submits a declaration with false or misleading information, the Commissioner General will not allow the declarant to receive relief from AIT through this mechanism. Furthermore, penalties will be imposed as specified in Section 181 of the Inland Revenue Act, No. 24 of 2017 (as amended).

14. Resident individuals can obtain copies of the form to be submitted to the bank or financial institution, or receive assistance in completing the form or addressing any issues related to the declaration, by contacting the relevant officers from nearest Inland Revenue Regional Office or Metro Office where the individual's permanent address is located. If further assistance required for any matter in this regard, you may contact Inland Revenue Call Centre through 1944.



Rukdevi P.H. Fernando
Commissioner General of Inland Revenue



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Secretariat
14th Floor

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My Ref: ACT/6/22

09.04.2025

Chairman
Sri Lanka Banks' Association
Level 1 Mezzanine
Ceylinco House
Colombo 01.

Dear Sir/ Madam,

Self-declarations submitted by resident individuals to be released from withholding tax on interest.

This refers to the meeting held with deputy minister of Finance and Planning regarding the above subject, as well as the circular issued to banks and financial institutions [Circular to Banks and Financial Institutions - Deduction of Advance Income Tax on Interest or Discount on Deposits - Circular No. SEC/2025/E/02 [28 March 2025] and circular to relevant individuals [Circular to Resident Individuals with Interest Income Subject to Advance Income Tax (Withholding Tax) but No Taxable Income - Circular No. SEC/2025/E/03 [28 March 2025] for the implementation of the self-declaration mechanism.

As specified in above circulars, resident individuals submitting self-declarations must use the specified form, which can be downloaded from the Inland Revenue website. The declarant's TIN must be provided in the designated place of the form as a mandatory requirement. However, there is no need to request supporting documentation from the declarants to verify the accuracy of the TIN numbers they provide, as this responsibility will be managed by the Inland Revenue Department (IRD).

Due to the increasing number of individuals, particularly senior citizens, seeking to obtain a TIN from the IRD, many be facing difficulties in the process. Following a request from participants in a subsequent meeting with the Finance Houses Association of Sri Lanka, it was agreed to collect information from deposit holders in an Excel worksheet and generate TINs through a bulk registration process. Therefore, if any banking customer wishes to register for a TIN, banks are advised to update the attached Excel sheet with correct information and submit such information to the IRD via email at info@ird.gov.lk. The information collected on a monthly basis should be forwarded on the first working day of the following month. This will allow the IRD to register the taxpayers and issue their TINs.

Until the registration process is complete, banks may acknowledge the self-declaration of individuals for this purpose only for the current year. However, any new declarations provided within the current or next year must include the TIN.

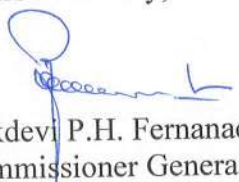
You are requested to inform all banks in the association regarding this process and share the attached Excel sheet with them.

Additionally, depositors may inquire at banks about how to obtain a TIN and related matters. Attached notices are prepared to explain the TIN registration process. Banks, covering all their branches, are encouraged to display these notices on their notice boards or in other suitable locations to ensure that depositors can easily understand the process.

Therefore, please share these notices with the banks and request from them to get copies and display them accordingly.

Your cooperation in this regard is greatly appreciated.

Yours Faithfully,


Rukdevi P.H. Fernando
Commissioner General of Inland Revenue

Rukdevi P. H. Fernando

Commissioner General of Inland Revenue
Inland Revenue Department
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