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உள்நாட்டு இறைவரித் திணைக்களம்
INLAND REVENUE DEPARTMENT

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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:

(a) Should be a **Sri Lanka resident** individual (as per the provisions of the Inland Revenue Act, No. 24 of 2017);

(b) He/she should receive or derives interest from **banks and financial institutions**; and

(c) 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*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 *12	5,040,000
Interest Income 15,000 *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