

Special Notice on Advance Income Tax (AIT) at 10% and Self-Declaration for Relief on Interest Income

Under the provisions of the Inland Revenue Act, No. 24 of 2017 (as amended), and in line with the latest circular issued by the Inland Revenue Department effective 01 April 2026, Advance Income Tax (AIT) on interest income will be applicable as follows:

1. AIT (WHT) Rate and Applicability

- AIT (WHT) at 10% will be deducted on interest payments to all deposit holders, except for:
 - Interest paid on foreign currency accounts
 - Interest paid to persons who have obtained approval from the Inland Revenue Department (IRD) for exemption or a reduced rate and have duly notified the Bank
 - Interest paid to:
 1. The government of a foreign country under diplomatic immunity laws
 2. International organizations entitled to exemptions under applicable agreements or laws
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2. Relief from AIT through Self-Declaration

If you are a resident individual in Sri Lanka and your total assessable income does not exceed Rs. 1,800,000 for the relevant Year of Assessment, you may be eligible to claim relief from AIT on interest income by submitting a self-declaration to your bank or financial institution.

3. Eligibility Criteria

To submit a valid self-declaration, you must:

- Be a resident individual under the Inland Revenue Act
 - Earn interest income from a bank or financial institution
 - Have total assessable income (from all sources) not exceeding Rs. 1,800,000 for the relevant Year of Assessment
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4. Submission Procedure

- Download the new prescribed self-declaration form from the People's Bank website:
[Click here to access the application.](#)
 - Complete the form accurately and submit it to your bank or financial institution
 - If you maintain accounts with multiple institutions, separate declarations must be submitted to each
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5. Special Note – New Declaration Form & Subsequent Declarations

- Customers are required to use only the latest self-declaration form issued by the Inland Revenue Department (as per the current circular effective from 01 April 2026).
 - A self-declaration submitted for the Year of Assessment 2026/2027 (original declaration) will remain valid for subsequent years of assessment, provided that the individual continues to have no taxable income (i.e., total assessable income does not exceed Rs. 1,800,000).
 - There is no requirement to submit a new declaration annually, unless:
 - Your income exceeds the threshold and you become liable for tax, or
 - You need to revise or withdraw the previously submitted declaration
 - If your income exceeds Rs. 1,800,000 in a future year, you must submit a revised declaration, and the original declaration will remain valid only up to the preceding year(s).
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6. Important Notes

- **TIN Requirement:**
A valid Taxpayer Identification Number (TIN) is mandatory. However, submission of the TIN certificate is not required.
- **Multiple Accounts in Same Institution:**
One declaration is sufficient for all accounts held within the same bank or financial institution.
- **Refund of AIT:**
If AIT has already been deducted:
 - The bank generally cannot refund the amount after remittance to IRD
 - Refunds, if eligible, must be claimed from IRD
 - However, if the declaration is submitted before remittance, the bank may refund the tax (where operationally feasible)

- **New or Additional Income:**
If your income later exceeds Rs. 1,800,000, you must withdraw or revise your declaration, after which AIT will apply
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7. Special Situations

- **Minor Accounts:**
A parent or guardian may submit the declaration on behalf of a minor, providing the guardian's NIC and TIN
 - **Joint Accounts:**
Each account holder must submit a separate declaration based on their share of interest income
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8. Compliance and Penalties

- All information provided must be accurate and verifiable
 - Declarations are subject to verification by the Inland Revenue Department
 - Invalid, incomplete, or false declarations will be rejected
 - Providing false or misleading information may result in:
 - Withdrawal of AIT relief
 - Penalties of up to Rs. 200,000
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9. Assistance

For further assistance:

- Contact your nearest Inland Revenue Regional or Metro Office
- Call the Inland Revenue Department hotline: 1944
- You may also contact your bank branch for guidance