



INLAND REVENUE DEPARTMENT · CIRCULAR UPDATE

Withholding Tax & Advance Income Tax

New deduction guidelines for Withholding Agents

SEC/2026/E/04 · Effective 8 June 2026

What you need to know →



01 What's the update?

The IRD has issued fresh guidelines for deducting Withholding Tax (WHT) & Advance Income Tax (AIT) on payments with a source in Sri Lanka.



Legal basis

Sections 84, 84A & 85 of the Inland Revenue Act No. 24 of 2017



Effective

8 June 2026 — replaces Circular SEC/2022/E/03



Who it affects

Every Withholding Agent making WHT/AIT-liable payments



Separate rules

Deposit interest (SEC/2025/E/02) & payments abroad (Gazette 2414/14)



02

WHT rates at a glance

2%

Non-resident transport & telecom services (land, sea, air)

2.5%

Gems sold at National Gem & Jewellery Authority auctions

5%

Service fees to resident individuals > Rs. 100,000 / month

10%

Interest or discount paid

10%

Rent to a resident > Rs. 100,000 / month

14%

Winnings · royalty · natural-resource payment · premium

14%

Rent, service fee & insurance premium to non-residents

15%

Dividends

Calculated on the gross amount, excluding VAT payable to the CGIR.



03 Who falls under the 5%?

Service fees to a **resident individual** (not your employee) where the aggregate exceeds **Rs. 100,000 per calendar month** – deducted on the full payment.

Teaching & exams

Teaching, lecturing, examining, invigilating or supervising examinations

Agents

Commission or brokerage to insurance, sales or canvassing agents

Independent professionals

Doctors, engineers, accountants, lawyers, software developers, auditors, consultants, artists & more

04

Your compliance checklist



Register as a Withholding Agent with the CGIR — at least 30 days before you start deducting.



Remit within 15 days of each month-end via OTPP or People's Bank — codes **43** (interest) & **44** (other payments).



Issue a WHT certificate to each withholder within 30 days of month-end — **free of charge** (legal requirement).



File schedules to the Annual Statement electronically (Excel / CSV).

⚠ Non-compliance can attract a penalty of up to **Rs. 200,000**.



05

When WHT isn't deducted

Key exempt amounts

- Lottery winnings up to **Rs. 500,000**
- Certain BOI-company dividends (Finance Act No. 12 of 2012)
- Inter-company dividends from dividends already received
- Interest on foreign-currency sovereign bonds & SLDBs

No deduction required

- Government & local-authority payments
- Payments by individuals (unless in business)
- Interest to a bank on ordinary loans & advances
- Interest on Treasury Bonds & Bills

Other exemptions need a CGIR confirmation letter before non-deduction.





We'll handle your WHT — end to end

Registration

Deductions

Certificates

Monthly remittance

Annual statements

Stay compliant under SEC/2026/E/04 while you focus on your business.

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