

Frequently Asked Questions on Tax Changes Effective from 01 April 2025

General Questions:

1. **What is the withholding tax change?** Answer - The withholding tax on deposits will increase from 5% to 10% effective from 1st April 2025.
2. **Who will be impacted by this change?** Answer - All persons receiving interest or discounts income will be subject to this amendment.
3. **Why is the withholding tax increasing?** Answer - The increase is part of the government's broader fiscal measures to widen the tax net and strengthen the country's financial system, as part of an agreement with the International Monetary Fund (IMF).
4. **What should I do to claim an exemption or refund?** Answer -? If your total assessable income is less than Rs. 1,800,000/- per year, you can submit a self-declaration to relevant financial Institution to claim the exemption.
5. **Will this change affect my interest earnings?** Answer - Yes, deposit interest will be subject to the increased withholding tax rate. However, if you qualify for an exemption, you will not bear the full impact of the tax increase.
6. **Can I get help with understanding how this change impacts me?** Answer - For detailed information on the exemption process or how to reclaim the additional tax, please contact the Department of Inland Revenue (IRD). They will provide all the necessary support.
7. **When will this change take effect?** Answer - The withholding tax increase will be effective from 1st April 2025.
8. **Are there any exemptions to the 10% AIT?** Answer - Yes, the following categories of deposit holders will be exempt from the 10% AIT:

- Interest paid to foreign currency accounts.
- Interest paid to Special Deposit Accounts (SDAs) opened and maintained on or after 08 April 2020 (excluding subsequently renewed accounts).
- Interest paid to persons who have obtained approval from the Department of Inland Revenue (IRD) to claim an exemption or a reduced AIT rate on deposit interest. The bank will act based on the approval issued by the IRD.

9. Who can I contact at the Inland Revenue Department for guidance and further information?

Address: Inland Revenue Department, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka / General Number: 011 - 213 5135 / Fax: 011 - 233 7777 / Call Centre (for further assistance): 1944

Specific Concerns:

1. **If I earn less than LKR 150,000 per month, do I need to do anything?** Answer - Yes, you are required to submit a Self-Declaration for each financial institution where your deposits are held.
2. **How long will it take to get the exemption or refund?** Answer -Exemption will be effective from 01st April 2025, for any refund, you must open an Income tax file at Department of Inland Revenue and request for the refund.
3. **Can I still receive interest on my deposits even if I qualify for an exemption?** Answer - Yes. If you have submitted Self Declaration, total Interest income will be credited to you without deducting AIT. If you fail to submit self-declaration, after retaining 10% as AIT and balance interest will be credited to you.
4. **What happens if I miss the deadline for applying for an exemption or refund?** Answer - Until you submit your declaration, AIT 10% will be applied.

5. I submitted a form to be exempted from WHT in 2024. Will I be charged in 2025?

Answer - Yes. A new declaration format has been introduced by the Department of Inland Revenue w.e.f. 01st April 2025 and it is mandatory to use the specified format.

Please refer to [ISD_WHT_01-E.pdf](#)

6. How often do I need to submit an exemption request? Answer - 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.