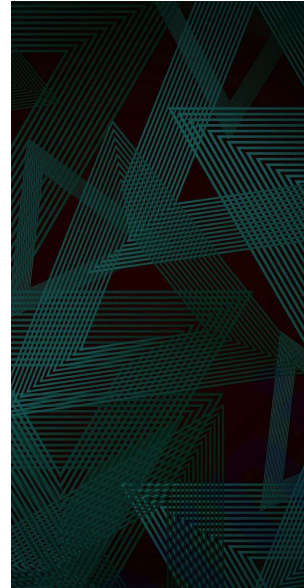


BY  
WITHHOLDING  
(APIT ,  
AIT,WHT)

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WITHHOLDING  
TAX (APIT , AIT)



On  
Employment  
Income



On Investment  
Income



On Service Fee

## ADVANCE PERSONAL INCOME TAX [SEC 83 A (1A) ]

### APIT (KNOW AS PAYE)

Advance Personal Income Tax (APIT) introduced with effect from 01.04.2020, for employment income and it was a compulsory deduction for non-residents and non-citizens but optional for residents and citizens. (up to 31.12.2022)

Deduction of APIT by employer is mandatory from employment income of employees, with effect from 01.01.2023

The obligation of an employer to deduct APIT shall not be reduced or extinguished when the employer has a right or is under an obligation to deduct and withhold any other amount from the payment; or any other law provides that an employee's income from employment shall not be reduced or subject to attachment

Commissioner General has published APIT Tables (based on the individual tax rates) and related procedure

Taxation of terminal benefits – No change (Regular income 36%)

## ADVANCE PERSONAL INCOME TAX [SEC 83 A (1A) ]

### APIT (KNOW AS PAYE)

Tax Table 01 :- where the payment constitutes regular profits from the employment, of any resident employee or any non-resident employee but citizen in Sri Lanka who has furnished a Primary Employment Declaration. (Primary employment – Monthly Gross income is **more than** LKR 100,000/-)

Tax Table 02:- where the payment constitutes a Lump-sum payment.

Tax Table 03:- where the payment constitutes a Once-and-for-all payment (Terminal Benefits).

Tax Table 04:- where the payment received by the Non-Resident employees who are non- citizens in Sri Lanka.

Tax Table 05:- where the monthly regular profits of an employee from a primary employment is less than LKR 100,000 but the cumulative profits from the primary employment up to any month in the year of assessment exceeds LKR 1,200,000 due to payment of higher remuneration in certain months, in such instances.

Tax Table 06:- where the payment constitutes a payment or reimbursement of the employee's tax liability on his income from employment by the employer.

Tax Table 07:- where the payment constitutes of the remuneration of any employee, who has not furnished a **Primary Employment Declaration**, or who **has more than one employment**.

## ADVANCE PERSONAL INCOME TAX [SEC 83 A (1A) ]

### APIT (KNOW AS PAYE)

1. Applying the appropriate tax table and deduct tax on the benefits paid to employee
2. Tax deducted from employment income from every employee during a particular month should be remitted to the Commissioner General of Inland Revenue on or before the 15<sup>th</sup> day of the month immediately succeeding that month
3. Submit the Employer's (APIT) Annual declaration – on or before 30<sup>th</sup> April
4. Issuing the Certificate (T10) to the employee on the gross earning, tax deducted and remitted to Commissioner General of Inland Revenue on or before 30<sup>th</sup> April or within 30 days from the termination of employment.
5. Maintaining details of employee related payments etc..

\*Allowed an option of not maintaining a tax file/ not submitting an income tax return for an employee who is having only employment income and such employment income is subject to the deduction of APIT (no quarterly or assessment payments are due).

## ADVANCE INCOME TAX [SEC 84 (1)]

### AIT (KNOW AS WHT)

#### Withholding from investment returns

1. Person shall withhold tax at the rate provided for in paragraph 10 of the First Schedule
  - a) Where a Person;
    - Pays a dividend, interest, discount, charge, natural resource payment, rent, royalty, premium
    - Pays amounts as winnings from a lottery, reward, betting or gambling
  - b) the payment or allocation has a source in Sri Lanka
2. The National Gem and Jewellery Authority shall withhold tax at the rate provided in paragraph 10 of the First Schedule from the sale price of any gem sold at an auction conducted by it, from the sum payable to the seller of such gem and at the time of such sum is paid to the seller. (receiver can claim exemption)

## ADVANCE INCOME TAX [SEC 84 (A) 1]

AIT  
(KNOW AS  
WHT)

### Withholding from investment returns

With effect from April 1, 2020, but prior to January 1, 2023 the taxpayer who is resident in Sri Lanka may make a request to the withholding agent to deduct Advance Income Tax from the payment

Person shall withhold tax at the rate provided for in paragraph 10 of the First Schedule

Where a Person;

- a) Pays a dividend, interest, discount, charge, natural resource payment, rent, royalty, premium

On the receipt of such request, a withholding agent shall deduct advance income tax as specified by the Commissioner-General.

## ADVANCE INCOME TAX [SEC 84 (A) 1 (A)]

AIT  
(KNOW AS  
WHT)

### Withholding from investment returns

With effect from January 1, 2023, a person shall deduct Advance Income Tax

1. from the payment of dividend, interest, discount, charge, natural resource payment, rent, royalty or premium which has a source in Sri Lanka, at the rate provided in paragraph 10 of the First Schedule to the Act
2. Pays amounts as winnings from a lottery, reward, betting or gambling

the payment or allocation has a source in Sri Lanka

The National Gem and Jewellery Authority shall withhold tax at the rate provided in paragraph 10 of the First Schedule from the sale price of any gem sold at an auction conducted by it, from the sum payable to the seller of such gem and at the time of such sum is paid to the seller. (received can claim exemption)

## SOURCE IN SRI LANKA

In respect of employment;  
to the extent derived in respect of employment in Sri Lanka, wherever paid  
if paid by, or on behalf of, the Government of Sri Lanka, wherever the employment

Dividends paid by a resident company

Interest, charges, annuities, a royalty, technical service fee, or similar payment if;  
Paid by a resident person, other than as an expenditure of a business carried on by the resident person through a permanent establishment outside Sri Lanka  
Paid by a non-resident person as an expenditure of a business carried on by the non-resident person through a Sri Lankan permanent establishment; or  
Paid by the Government of Sri Lanka, including such payments made by any institution on behalf of the Government of Sri Lanka

## SOURCE IN SRI LANKA

Winnings from lottery, betting, or gambling relating to a game of chance held in Sri Lanka

Natural resource payments made in respect of or calculated by reference to natural resources taken from land or the sea situated within Sri Lanka or its territorial waters

Rent paid for the use of, right to use or forbearance from using an asset situated in Sri Lanka

Premiums for general insurance paid to and proceeds from general insurance paid by a person in respect of the insurance of any risk in Sri Lanka

Payments received by a person who conducts a relevant transport business in respect of;  
the carriage of passengers who embark or cargo, mail or other moveable tangible assets that are embarked in Sri Lanka, other than as a result of transshipment; or  
rental of containers and related equipment which are supplementary or incidental to carriage

## SOURCE IN SRI LANKA

Payments received by a person who conducts a business of transmitting messages by cable, radio, optical fibre or satellite or electronic communication in respect of the transmission of messages by apparatus established in Sri Lanka, whether or not such messages originate in Sri Lanka.

Payments, including service fees attributable to service rendered or a forbearance from rendering service

in Sri Lanka, regardless of the place of payment, proceeds of life insurance and retirement, termination and pension payments the Government of Sri Lanka, irrespective of

paid by a resident person, other than as an expenditure of a business carried on by the resident person through a permanent establishment outside Sri Lanka;

paid by a non-resident person as an expenditure of a business carried on by the non-resident person through a Sri Lankan permanent establishment; or

paid by, or on behalf of, the Government of Sri Lanka

## SOURCE IN SRI LANKA

Gifts and other ex gratia payments to the extent received in respect of business or investment conducted with domestic assets.

Payments, made in respect of the acquisition of a domestic asset, incurring of a domestic liability or realisation of such an asset or liability

Payment received in respect of activity conducted or a forbearance from conducting activity in Sri Lanka

except, in relation to a resident person, to the extent attributable to a foreign permanent establishment

in relation to a non-resident person, to the extent attributable to a Sri Lankan permanent establishment or any other activity (including sales in Sri Lanka of goods and merchandise) of the same or similar kind as that conducted by the nonresident person through a Sri Lankan permanent establishment

made to any foreign entertainer or artist for activity relating to Sri Lanka

## WHT AND AIT (01.01.2023)

Income	Rate
Payments to <b>non-resident person</b> with respect to <b>land, sea, air transport or telecommunication service</b> in terms of section and Extraordinary Gazette Notification No. 2064/51 dated April 01, 2018	2%
Interest or discount paid by a person	5%
<b>Rent</b> payments made to a <b>resident person</b> where the aggregate payment <b>exceeds Rs. 100,000 per month</b>  <b>**Rent</b> = Payment for the use of or right to use property (movable or immovable) of any kind <b>***</b> Hiring services is not subject to AIT/WHT	10%
Rent payments to Non-residents, Charge, natural resource payment, royalty, premium or pays amounts as winnings from a lottery (exceeds Rs.500,000), reward, betting or gambling <b>Payment or allocation has source in Sri Lanka (Non-Residents)</b>	14%
Dividend	15%
Sale price payable to the seller of any gem sold at an auction conducted by the National Gem & Jewellery Authority	2.5%

### ADVANCE INCOME TAX [SEC 84 (A) 1 (A)] AIT (KNOW AS WHT)

Withholding from investment returns

Rent

#### 1. Fees paid for local Transport service

As this is not recognized under the service fee payment, therefore not subject to 5% Withholding Tax.

#### 2. Payment for renting vehicle/assets

Where the ability to control the asset is retained with the user, it shall be considered as rent.

Factors that may be considered in determining the asset on hiring or renting are;

- Valid Rent agreement
- Time period and possibility of reclaim the assets by the owner
- User identification
- Purpose of use of the asset

If the aggregated payment is exceeded Rs. 100,000/- per month WHT shall be deducted on entire amount. If the payment is exactly Rs. 100,000/- per month, such payment is not liable for WHT.



## ADVANCE INCOME TAX [SEC 84 (A) 1 (A)]

AIT  
(KNOW AS  
WHT)

Withholding from investment returns

### 3. Rental payment under a finance lease

This shall not be considered as rent and not liable for Withholding Tax

### 4. Rental payment under an operating lease

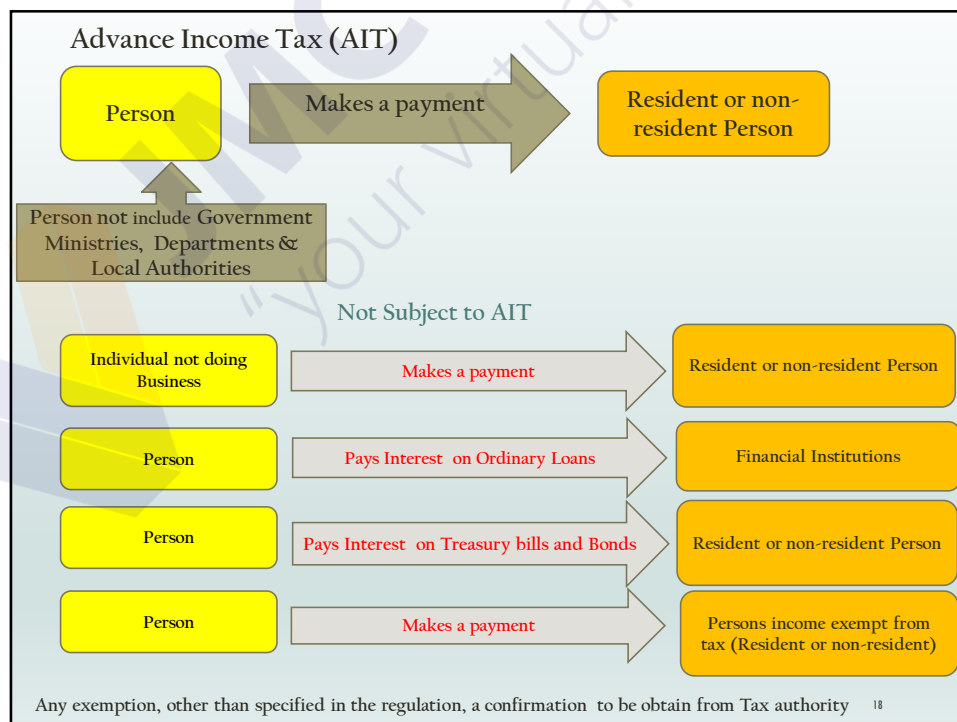
This shall be considered as rent and liable for Withholding Tax (If the payment is exceeded Rs. 100,000/- per month).

### 5. Rental payment to Co-owner (Jointly hold assets)

Where an asset is jointly owned and entered into a rent agreement jointly with tenant, rent amount relevant to each co-owner shall be considered separately for Withholding Tax purposes. Accordingly, WHT shall be applicable for each owner if the respective portion of rent payment is exceeded Rs. 100,000/- per month.

### 6. Rental payment to non-resident

Irrespective of the amount paid shall be considered as rent and liable for Withholding Tax at 14% (or rate as specified in a double tax avoidance agreement, if any).



## ADVANCE INCOME TAX [SEC 85 (1C) ]

AIT  
(KNOW AS  
WHT)

Withholding from service fees , contract payments and payments to non- residents

- 1) With effect from January 1, 2023, a person shall withhold tax at the rate of 5% of the payment, where such person pays a service fee with a source in Sri Lanka to a resident individual who is not an employee of the payer –
  - i. for teaching, lecturing, examining, invigilating or supervising an examination;
  - ii. as a commission or brokerage to a resident insurance, sales or canvassing agent; or
  - iii. for services provided by such individual in the capacity of independent service provider such as **doctor, engineer, accountant, lawyer, software developer, researcher, academic** or any individual service provider as may be prescribed by regulation:

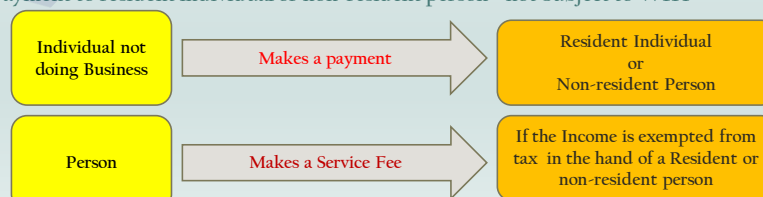
Provided however, this subsection shall not apply to a service payment which does not exceed Rs.100,000 per month.

- 2) With effect from January 1, 2023, a person shall withhold tax at the rate of 14% of the payment, where such person pays a service fee or an insurance premium with a source in Sri Lanka to a non- resident person (Or rate specified in DTAA)
- 3) Resident person shall withhold tax when the person makes a payment to a non-resident person of a type referred to in paragraph (h) or (i) of section 73 (land, sea or air transport or telecommunication services); and

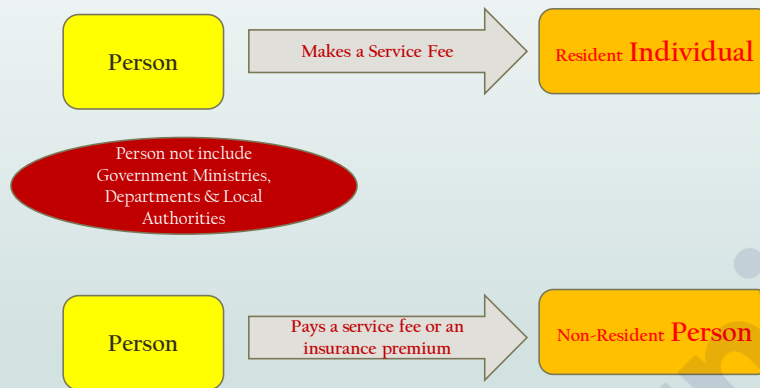
### WHT on Service fee and contract payments

Income (Aggregate Payment <b>more than 100,000/-</b> per month)	Rate
Teaching, lecturing, examining, invigilating or supervising an examination (Payment to resident individual)	5%
Commission or brokerage to a resident insurance, sales or canvassing agent (Payment to resident Individual)	
Services provided by an <b>individual</b> in the capacity of <b>independent service provider</b> such as doctor, engineer, accountant, lawyer, software developer, researcher, academic or any individual service provider as may be prescribed by regulation <b>** Construction services, janitorial and security services, catering, management services, Consultancy services etc.. not subject to WHT as per prevailing law. (Payment to resident individual)</b>	
Pays a <b>service fee or an insurance premium</b> with a source in Sri Lanka to a non-resident person	14%

Payment to resident individual or non-resident person - not Subject to WHT



### WHT on Service fee and contract payments



### FINAL WITHHOLDING PAYMENT

1. Amounts paid as winnings from a lottery, reward, betting or gambling, other than amounts received in conducting a business consisting of betting and gaming;
2. on or after January 1, 2023, dividends paid by a resident company (refer exemption)
3. Payments made to a non-resident person who is not a citizen of Sri Lanka or to a nonresident entity that is subject to withholding, other than payments derived through a Sri Lankan Permanent Establishment

The withholder of a payment that is not a final withholding payment shall be entitled to a tax credit in an amount equal to the tax treated as paid

## ADVANCE INCOME TAX

### AIT (WHT)

1. Applying the appropriate tax rate and deduct tax on the payment (SEC/2022/E/03 – 23.12.2022)
2. Tax deducted on payments made during a particular calendar month should be remitted to the Commissioner General of Inland Revenue on or before the 15<sup>th</sup> day of the following month.
3. Payment code to be used WHT/AIT on interest 43 and WHT on other payments (Rent etc..) 44
4. Submit the WHT Return – on or before 30<sup>th</sup> April
5. Issuing the WHT Certificate on the gross payment, tax deducted and remittance details within 30days after the end of the calendar month.
6. Maintaining details of related payments etc..

BY  
INSTALLMENT  
PAYMENT



## PAYMENT OF TAX BY QUARTERLY INSTALMENT [SEC 90 (1)]

(KNOW AS SELF ASSESSMENT TAX PAYMENT)

A person who is an "instalment payer" shall pay tax by quarterly instalments if he derives or expects to derive assessable income during a year of assessment

- a) from a business, investment or other income
- b) from an employment where the employer is not required to withhold tax (prior to 01.01.2023)

However, gains derived or expected to be derived from the realisation of an investment asset, during a year of assessment shall not be considered for the purpose of quarterly instalments.

An instalment payer shall pay instalments of tax for the year of assessment on or before the fifteenth day respectively of August, November and February in that year of assessment and the fifteenth day of May of the next succeeding year of assessment.

Instalment of tax payable by an instalment payer for a year of assessment shall be calculated according to the formula

## PAYMENT OF TAX BY QUARTERLY INSTALMENT [SEC 90 (1)]

(KNOW AS SELF ASSESSMENT TAX PAYMENT)

The formula is;

$$\frac{A - C}{B}$$

Where ;

"A" is the current estimated tax payable by the instalment payer for the year of assessment

"B" is the number of instalments remaining for the year of assessment including the current instalment

"C" is the sum of any;

- i. tax paid during the year of assessment, but prior to the due date for payment of the instalment (Previous installment)
- ii. tax withheld during the year (not a final withholding payment), but prior to the due date for payment of the instalment, from payments received by the person that are included in calculating the person's income for the year

**STATEMENT  
OF  
ESTIMATED  
TAX  
PAYABLE  
[SEC 91 (1)]  
  
(KNOW AS  
SET)**

Every person who is an instalment payer for a year of assessment shall file with the Commissioner-General by the date for payment of the first tax instalment an estimate of tax payable for the year

person's assessable income for the year of assessment from each employment, business and investment and the source of that income

the person's taxable income for the year and the tax payable with respect to that income

In estimating tax payable for a year of assessment, a person may take into account a foreign tax credit to be claimed. However, in doing so a person may take account of foreign income tax only if the person has paid the tax or the person reasonably estimates that the tax will be paid during the year.

An instalment payer's estimate shall remain in force for the whole of the year of assessment unless the person files a revised estimate with the Commissioner-General

BY  
ASSESSMENT



## TAX PAYABLE ON ASSESSMENT

Person shall file with the Commissioner-General not later than eight months after the end of each year of assessment a return of income for the year.

1. The amount of tax remaining to be paid for the year shall be paid on the date that is six months after the end of the year of assessment for which a return of income shall be filed.

Every person with taxable income consisting of a gain from the realisation of an investment asset shall file with the Commissioner-General a capital gains tax return within thirty days after the end of the relevant calendar month in which the realization occurred.

2. Tax to be paid on the date on which the capital gains tax return shall be filed.
3. In any other case, on the date stated in a notice for payment

