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உள்ளநாட்டு இறைவரித் திணைக்களம்
DEPARTMENT OF INLAND REVENUE

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செயலகம்
14 வது மாடி

உள்ளநாட்டு இறைவரித் திட்டம்
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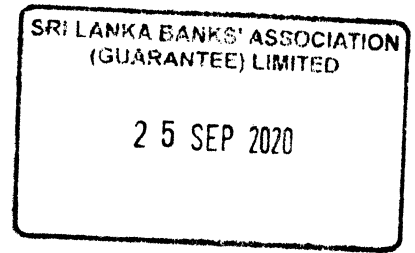
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My Ref: Sec/11/1

18.09.2020

The Chairperson,
Sri Lanka Banks' Association (Guarantee) Limited.,
Ceylinco House, Level 10,
69, Janadhipathi Mawatha,
Colombo 01.



Dear Sir/Madam,

Approved Foreign Currency Bank Accounts

As instructed by the Ministry of Finance to the Commissioner General of Inland Revenue, it was communicated to exempt the interest income from foreign currency accounts with effect from 01.01.2020, pending formal Amendment to the Inland Revenue Act No. 24 of 2017 (IRA).

Accordingly, exemption is granted for income tax purposes for the amounts of, *“Interest accruing to or derived by any person on or after January 1, 2020 on moneys lying to his credit in foreign currency in any foreign currency account opened by him or on his behalf, in any commercial bank or in any specialized bank with the approval of the Central Bank of Sri Lanka”*

As notified by the circular SEC/2020/03 (Revised) dated 08.06.2020 of the Commissioner General, deduction of Withholding Tax (WHT) or Advance Income Tax (AIT) is not required on the above stated exempted interest. However, some of the deposit holders (non-residents) informed the Inland Revenue Department that certain commercial banks are still deducting WHT on interest payments in foreign currency which they derive from the foreign currency accounts.

CBSL has granted the permission under the provisions of Foreign Exchange Act No. 12 of 2017 (FEA), for eligible persons to open and maintain foreign currency accounts in any designated foreign currency in domestic banking units of Authorized Dealers (Licensed Commercial Banks and National Savings Bank). Accounts listed below are the approved foreign currency accounts for the above purpose, which could be circulated among the banks and other financial institutions who are your members.

1. *Foreign Currency Accounts permitted in terms of the General Permission granted under FEA*
 - a. *Personal Foreign Currency Account (PFCAs)*
 - b. *Business Foreign Currency Account (BFCAs)*
 - c. *Diplomatic Foreign Currency Accounts (DFAs)*
 - d. *Outward Investment Accounts (OIAs)*
 - e. *Inward Investment Accounts (IIAs)*
 - f. *Special Deposit Accounts open and maintain in designated foreign currencies (SDAs)*
 - g. *Senior Foreign Nationals' Fixed Deposit Accounts – Foreign Currency (SFNFDA)*
 - h. *Resident Guest Foreign Currency Accounts (RGFCAs)*
2. *Special Foreign Currency Accounts (SFCAs) - These are temporary accounts with limited debits and credits, permitted considering merits of requests in instances where persons are not eligible to open and maintain accounts referred to in 1 above.*
3. *Any other category of foreign currency account* *that may be permitted to open and maintain in terms of the Regulations and Directions issued to Authorized Dealers under the provisions of FEA.*

Based on the above clarification, deduction of WHT/ AIT is not required with effect from 01.01.2020 if the deposit holder derived interest in designated foreign currency from the above accounts opened and maintained in foreign currency in Licensed Commercial Banks or in National Savings Bank.

If you want any further clarification you may contact Mr. A.M. Nafeel, Commissioner (Tax Policy & Legislation) on Tel-011 2135412.

Yours faithfully,



D.R.S. Hapuarachchi,

Deputy Commissioner of Inland Revenue -Tax Policy
On behalf of the Commissioner General of Inland Revenue

D. R. S. Hapuarachchi
Deputy Commissioner General
Tax Policy, Legislation & International Affairs
Inland Revenue Department
Colombo 02.