



INLAND REVENUE DEPARTMENT
Notice to the Commercial Banks & Authorized Dealers
Engaged in Outward Remittances and the Persons who
make Outward Remittances

Requirement of Tax Clearance Certificates for
Outward Remittances

Due to the prevailing situation of the country affected by the Covid-19 pandemic, the Inland Revenue Department is not in a position to issue Tax Clearance Certificates to the persons who make outward remittances. Therefore, all Commercial Banks, Authorized Dealers engaged in outward remittances and the persons who remit the money are hereby informed the Circular Numbered Sec/2018/03 and Dated 29th March 2018 has been suspended until further notice, and adhere to the following procedures.

- 1. Persons are allowed to remit the full amount due by the recipients on following payments.**
 - i. Remittances for import of any tangible goods.
 - ii. Remittances of sale proceeds of quoted shares owned by non-residents in any company resident in Sri Lanka
 - iii. Remittances of dividends paid to non-resident shareholders if the dividends are distributed on or after 01.01.2020.
 - iv. Remittances for foreign investments made by resident companies of Sri Lanka in line with the guideline issued by the Central Bank of Sri Lanka (CBSL)
 - v. Remittance of payments receivable by a non-resident person who conducts a relevant transport business in respect of the
 - a. Carriage of passengers who disembark (in respect of inbound air travellers) or
 - b. Cargo, mail or other moveable tangible assets that are disembarked in Sri Lanka (in respect of imports of tangible articles).

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- vi. Pension payments received from the Government of Sri Lanka or from Government Department (other than in the case of pensioners who have left Sri Lanka permanently on or after 01.11.2015).
 - vii. Remittances by Export Companies in respect of registration of trademarks outside Sri Lanka.
 - viii. Remittances in relation to annual subscription for membership of professional bodies, or periodical subscriptions for journal, magazines and other publications.
 - ix. Remittances in relation to course fees, examination fees, enrolment fees, living expenses and payments of similar nature in respect of students.
 - x. Remittances in respect of visa expenses, medical expenses, air travel expenses and expenses on hotel accommodation abroad
 - xi. Remittances of Capital Repayments and Interest Payments on any loan granted to any person in Sri Lanka.
 - xii. Remittances for payments relating to participation in foreign seminars, conferences and delegations including registration fees.
 - xiii. Remittances made through Personnel Foreign Currency Accounts (PFC Accounts).
 - xiv. Remittances for payment of Interest, discount or realization of any gain on any sovereign bonds denominated in local or foreign currency issued by or on behalf of Government in Sri Lanka or interest or discount from Sri Lanka Development Bonds issued by or on behalf of Government of Sri Lanka.
 - xv. Remittances for payment of laboratory services or for standards certification services.

2. The persons who make outward remittances in the following occasions will become Withholding Agents and are required to retain the due withholding tax on the payment amount & allowed to remit only the balance amount.

- i. Payments making to a non-resident person who conducts a relevant transport business in respect of the
 - a. Carriage of passengers who embark in Sri Lanka or
 - b. Cargo mail or other movable tangible assets that are embarked in Sri Lanka

(Payments making to a non-resident person for International Transport Service Charges in respect of outbound air travelers and exports of tangible articles)

- Due withholding tax is 2% of the gross amount.

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- ii. Payments making to a non-resident person for Telecommunication services - Due withholding tax is 2% of the gross amount.
 - iii. Payments of Interest or Discounts (other than the interest mentioned under item No. xi and xv of Para 1 of above) - Due withholding tax is 5% of the gross interest or discount.
 - iv. Payments of remuneration to non-resident employees including directors of the company whether received or derived by them as cash or non-cash benefits from the employment in Sri Lanka - Due withholding tax is 14% of the gross employment income of the employee.
 - v. All other Payments
 - a. If the Withholding Agent has already obtained a Tax Direction Certificate from the Inland Revenue Department for the remittance of similar payment to the same foreign party in a previous period after 01.04.2018 - Due withholding tax should be calculated by applying the same withholding tax rate determined in such tax direction certificate (including zero rate applied in no tax direction).
 - b. All payments other than the payments mentioned above - Due withholding tax rate is 14% of the gross payment.

Important Points for Calculation of WHT

- In case of payments of dividends to non-resident shareholders from the dividends distributed prior to 01.01.2020 the Withholding Agent is required to retain the due withholding tax applying either paragraph a or b appropriately.
- If the Withholding Agent calculate the tax applying above percentage on the gross amount invoiced, only the net amount is allowed to remit. In a case where the Withholding Agent want to remit the total amount of any invoice, the invoiced amount should be treated as the net amount and the relevant withholding tax should be calculated based on the grossed-up amount.
- The Withholding Agent is required to apply the currency rate (selling rate) published in the Central Bank Website which is relevant for the date of remittance to convert foreign currency amount into rupee amount.

3. Payment of Retained Withholding tax

The Withholding Agents are required to submit the copy of invoice, a copy of the agreement/or any other proof to enable the officers of Business Consultation Unit of the Inland Revenue Department to verify the transactions in relation to the outward remittances and pay the retained taxes as per the instructions to be issued in due course.

4. Requirement of Record Keeping and Submission of Reports by the Commercial Banks and Authorized Dealers

All commercial banks and authorized dealers who have the authority to engage in outward remittances shall maintain a schedule in the following format in respect of all outward remittances except remittances for import of any tangible goods, and submit the same on monthly basis.

Name of the Bank/ Authorized Dealer.....
Branch.....Contact Number:
Period: From To.

Serial Number	Remitter's Name	Remitter's TIN (if any)	Recipient's Name	Recipient's Country	Date of Remittance	Invoice Number	Invoiced Amount	Remitted Amount	Purpose of Remittance

Name and Designation of the Authorized Officer.....
Signature and Date.....

The Commercial Banks or Authorized Dealers shall submit the monthly schedule by way of e-mail attachment in excel format to liyanage.s@ird.gov.lk with the copy to jayasinghe.rm@ird.gov.lk on or before the 10th of the subsequent month.

For any clarifications,

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Commissioner General of Inland Revenue

