



# **INLAND REVENUE DEPARTMENT**

## **Notice to the Licensed Commercial Banks and Authorized Dealers Engaged in Outward Remittances and the Persons who make Outward Remittances**

### **Requirement of Tax Clearance Certificates for Outward Remittances**

Considering the current COVID 19 pandemic of the country, all licensed commercial banks and authorized dealers engaged in outward remittances and the persons who remit the money are hereby informed to adhere to the following procedure.

1. Following payments are allowed to be remitted without a tax deduction or without a Tax Clearance Certificate issued by the Inland Revenue Department (IRD). Therefore, commercial banks and authorized dealers are not required to seek a tax clearance certificate from persons who make the outward remittance in respect of following payments. However, commercial banks and authorized dealers are required to obtain the details of payments (other than payments for import of any tangible goods) which shall be filled in a schedule to furnish as instructed under paragraph 4 of this notice.

#### **Payments allowed to remit without deduction of tax or a tax clearance certificate**

- 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 of dividends and gains on the realization of units or amounts derived as gains from the realization of capital assets of a business or investment by a unit holder (derived after the date of 01.04.2021), from Real Estate Investment Trust (REIT) listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka.
- v. 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).
- vi. Remittance of payments receivable by a non-resident person who conducts a relevant transport business in respect of–
  - a. carriage of passengers who disembark (in respect of inbound air travelers) or
  - b. carriage of cargo, mail or other moveable tangible assets that are disembarked in Sri Lanka (in respect of imports of tangible articles).
- vii. Pension payment remittances, 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).

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- viii. Remittances by export companies in respect of registration of trademarks outside Sri Lanka.
  - ix. Remittances in relation to annual subscription for membership of professional bodies, or periodical subscriptions for journal, magazines and other publications.
  - x. Remittances in relation to course fees, examination fees, enrolment fees, living expenses and payments of similar nature in respect of students.
  - xi. Remittances in respect of visa expenses, medical expenses, air travel expenses and expenses on hotel accommodation abroad.
  - xii. Remittances of capital repayments or interest payments to any person outside Sri Lanka, in respect of any loan granted to any person in Sri Lanka.
  - xiii. Remittances for payments relating to participation in foreign seminars, conferences and delegations including registration fees.
  - xiv. Remittances made through Personnel Foreign Currency Accounts (PFC Accounts).
  - xv. 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 the Government of Sri Lanka or interest or discount from Sri Lanka Development Bonds issued by or on behalf of the Government of Sri Lanka.
  - xvi. Remittances of principal sum or interest earned in any foreign currency on or after 01.01.2020 from foreign currency account opened and maintained by the recipient of outward remittances in any commercial bank or in any specialized bank with the approval of the CBSL.
  - xvii. Remittances of principal sum or interest earned on or after April 8, 2020 (in foreign currency or local currency) from a term deposit titled as “Special Deposit Account” opened and maintained by the recipient of outward remittances, with an authorized dealer (licensed commercial banks or national savings bank) in Sri Lanka and as prescribed in regulations made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017 (excluding the subsequently renewed accounts).
  - xviii. Remittances for payment of laboratory services or for standards certification services (in respect of service payment on or after 01.01.2020).
  - xix. Remittances of payment made by the Sri Lankan Airlines Limited to any non-resident person for an air craft, software licenses or for other related services.
2. A person who makes outward remittance in respect of payments, other than payments mentioned under paragraph 1 above, shall deduct the relevant tax in line with below instructions and shall pay the deducted tax to the Commissioner General of Inland Revenue (CGIR) before the remittance (you may refer to the tax payment instructions already published in the IRD Web portal in this regard). Only the balance amount is allowed to be remitted after the payment of tax.

Licensed commercial banks and authorized dealers shall request the tax payment proof documents from the persons who make the remittances and shall complete the schedule which would be furnished as instructed under paragraph 4 of this notice.

### **3. Instructions to deduct the due withholding tax**

- i. If the payments making to a non-resident person who conducts a relevant transport business in respect of -

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- a. Carriage of passengers who embark in Sri Lanka or
  - b. Carriage of Cargo mail or other movable tangible assets that are embarked in Sri Lanka (Payments made to a non-resident person for International Transport Service Charges in respect of outbound air travelers and exports of tangible articles), due withholding tax shall be deducted at the rate of 2% on the gross amount or the rate referred to in the respective Double Tax Avoidance Agreement, whichever is less.
- ii. If the payments made to a non-resident person for Telecommunication services, due withholding tax shall be deducted at the rate of 2% on the gross amount or the rate referred to in the respective Double Tax Avoidance Agreement, whichever is less.
  - iii. Withholding tax at the rate of 5% or at the rate referred to in the respective Double Tax Avoidance Agreement, whichever is less, of the gross amount shall be deducted on any payment of interest or discount (other than the interest or discount amounts mentioned under paragraph 1 above).
  - iv. Deduction of Advance Personal Income Tax (APIT) is mandatory for employers in respect of remuneration payments to non-resident employees or for non-citizen employees (including such individuals who are the directors of the company whether received or derived by them as cash or non-cash benefits from the employment in Sri Lanka). If any amount of such payment is remitted, Certificate of Income Tax Deduction (T-10) issued by the relevant employer (employer can issue a T-10 certificate to such employee for the employment income from the commencement of the year of assessment to the date of the certificate, which can be used only for this purpose) can be used as tax payment proof.
  - v. Tax shall be deducted from all other payments not covered in Paragraph 1 or subparagraph i to iv in Paragraph 3 as follows.
    - a. If the person who makes the remittance has already obtained a Tax Clearance Certificate from the IRD for the remittance of similar payment to the same foreign party in a previous period after 01.04.2018, then the due withholding tax rate applied in the same certificate should be applied to the current payment and tax should be deducted (including zero rate applied in no tax direction). Previously issued tax clearance certificate can be used as tax payment proof for the zero-rated payments.
    - b. Tax shall be deducted at the rate of 14% for any other payments which have not been covered in the above instructions.
    - c. However, if the payments or country of remittance are not similar to previous tax clearance certificate issued by the IRD and if you are aware about the applicable tax rate is less than 14% for relevant payment or the applicable tax rate is less than the rates specified in above subparagraphs (subject to the provisions of the respective Double Tax Avoidance Agreements), then, you may obtain a tax clearance from the Commissioner of Business Consultation Unit via bc@ird.gov.lk. Forward your request only for such cases with scanned copies of invoices, agreements and other related documents. Tax clearance certificate issued by the IRD can be used as tax payment proof for the zero-rated payments if any.
  - vi. General instructions applicable for the deduction of withholding tax
    - a. Where the person who makes the remittance shall pay the tax liability by applying
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the tax rate on the gross amount (gross amount of the invoice) only the net amount is allowed to be remitted. In a case where the person wants 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.

- b. The person is required to apply the currency rate (selling rate) published in the Website of the CBSL which is relevant for the date of remittance to convert foreign currency amount into rupee amount.

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

All commercial banks and authorized dealers having the authority to engage in outward remittances shall maintain a schedule in the following format in respect of all outward remittances, except for remittances for import of any tangible goods.

Name of the Bank/ Authorized Dealer.....

Branch: .....Contact Number: .....

Period: From ..... To .....

Serial Number	Remitter	TIN/ Tax File No. (if any)	Recipient	Remitted Country	Amount of Tax deducted	Remitted Amount	Purpose of Remittance

Name of the Authorized Officer.....

Designation of the Authorized Officer.....

Signature.....

Date.....

The licensed commercial banks or authorized dealers shall submit the monthly schedule by e-Mail attachment in Excel format to [bc@ird.gov.lk](mailto:bc@ird.gov.lk) on or before 10<sup>th</sup> of the subsequent month.

For any clarifications, contact following officers of the IRD

Officer	Telephone	E-mail
Commissioner/ Business Consultation Unit	0112134204 0718122400	bc@ird.gov.lk wijesuriya.wan@ird.gov.lk
Senior Commissioner Customer Supporting & Promotion	0112134250 0712746973	weerakoon.lmc@ird.gov.lk
Deputy Commissioner General Customer Service & Promotion, CPU & CDMU	0112135404 0775578275	weerasekara.ssd@ird.gov.lk

Please note that any previous notices/circulars/guidelines issued and published in this regard have been suspended by this notice, which should be considered for reference until further notice.

### Commissioner General of Inland Revenue

