

Operational taxes newsalert



New rules regarding withholding tax rates and exemptions on interest in Sri Lanka

Introduction

This alert provides information on key changes made to Sri Lanka withholding tax ("WHT") rates and exemptions available for non-residents in the recent Inland Revenue Act No. 24 of 2017.

Key Changes

Current situation

Until 31 March 2018, the following WHT rates and exemptions will apply in respect of interest:

- The domestic WHT rate in respect of interest or discounts paid by banks and financial institutions to a non-resident is 20% (before considering any applicable treaties).
- There is a domestic exemption available from WHT on interest where that interest is paid to a non-resident in respect of any security or bond issued by any person in Sri Lanka, to the extent that security or bond was purchased with foreign currency via a Sri Lankan bank account.

Future situation

The key changes for non-residents included in the Inland Revenue Act No. 24, which will become effective on 1 April 2018, are:

- The domestic WHT rate in respect of interest or discounts paid by banks and financial institutions to a non-resident will be reduced to 14% (before considering any applicable treaties); and

- The domestic exemption currently available (as described above) is being withdrawn from 1 April 2018. It will be replaced with an exemption which only applies where interest is paid to a non-resident in respect of any sovereign bond denominated in foreign currency, issued on or after 21 October 2008, by or on behalf of the Government of Sri Lanka.



For more detailed information,
please do not hesitate to contact:

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