



DEPARTMENT OF INLAND REVENUE

Deduction of Withholding Tax(WHT) from Service Fees and Contract Payments with effect from 01.04.2018

1. Payments subject to WHT and the applicable tax rates

- i. Any of the following service fees or contract payments made by a person (WHT agent) to any resident individual - Tax Rate is 5%.
 - a) Payment for teaching, lecturing, examining, invigilating or supervising an examination;
 - b) Payment as a commission or brokerage to a resident insurance, sales or canvassing agent;
 - c) Payment as an endorsement fee;
 - d) Payment in relation to the supply of any article on a contract basis through tender or quotation;
 - e) Payment for any service provided in the capacity of independent service providers such as doctors, engineers, accountants, lawyers, software developers, researchers, academics, or any other similar service;
 - f) Payment for any service of construction work, security service, janitorial service, consultation work of any kind, organizing of events, catering, designers, dress makers, tour guidance, entertainment, agency functions or any similar services or connected work where such services are provided under an agreement or otherwise;
 - g) Payment for any management service; or
 - h) Payment for any type of vocational services provided as an independent service provider.

Remarks

- WHT should be deducted only in the cases where the payer is any person and the payee is a resident individual. The word "person" includes an individual, a partnership, a company, a trust, a body of persons corporate or unincorporated, an executor, a non-governmental organization, a charitable institution, unincorporated association, a friendly society, a building society, a pension fund, a provident fund, a retirement fund, a superannuation fund or similar fund or society, a public corporation, a board or authority; but excludes Sri Lanka Government.
 - If the total payment to any individual (withholdee) does not exceed Rs. 50,000/= (exclusive of VAT) per month, it is not required to deduct WHT.
- ii. Any service fee or insurance premium, with a source in Sri Lanka, made by a person (WHT agent) to a Non-Resident person. – Tax Rate is 14%.
This tax rate should be applied subject to the maximum restriction fixed in the relevant Double Taxation Avoidance Agreement (DTAA). For such cases the rate confirmation can be obtained from the International Tax Branch of the Department of Inland Revenue, if needed.
 - iii. Payment with a source in Sri Lanka made by a person (WHT agent) to a Non-Resident person who conducts transport business (land, sea or air) or telecommunication business. - Tax Rate is 2%.

2. Payments not subject to WHT

- (i) Payments subject to withholding under section 83 (employment income).
- (ii) Payments made by individuals, unless made in conducting a business.
- (iii) Payments of service fee in respect of which ESC is payable by the withholdee.*
- (iv) Payments that are exempt amounts.*

*The withholding agent is required to seek from the withholdee a certificate issued by the Customer Support and Promotion Unit or the relevant Regional Office of the Department of Inland Revenue confirming that such withholdee is qualified for the exemption under para (iii) or (iv).



3. Registration

WHT agents are required to obtain a registration number from the Tax Type Registration Unit or any Regional Office of Inland Revenue Department for the purpose of deducting the WHT from any withholdee. Any WHT agent who has not been assigned a Tax Payer Identification Number (TIN) so far should get it (TIN) first from the Primary Registration Unit.

4. Calculation of WHT

The withholding tax deduction should be made on the gross amount of the invoice value (inclusive of all taxes other than VAT).

5. Payment of tax withheld

Any tax that has been withheld during each calendar month by the withholding agent, must be paid to the Commissioner-General (to the People's Bank Account No. 014-1002-6-9026620 by using the paying in slip issued by the Inland Revenue Department) within 15 days from the end of the month.

6. Certificate of Deduction

The withholding agent who deducts withholding tax is required to issue a certificate of tax deduction to every withholdee. The withholding tax certificate shall cover a calendar month and be served within 30 days from the end of the month.

7. Submission of Returns and Schedules

(i) Annual Statements –

Every withholding agent should file an annual statement specified by the Commissioner General of Inland Revenue, for each year of assessment within 30 days from the end of the year (on or before 30th April). The annual statement should be furnished by all registered withholding agents even in the instances where no any tax is payable.

(ii) Schedules –

Schedules prepared in the relevant formats for the payments on which WHT has been deducted and WHT not deducted should be furnished separately along with the annual statement.

For further clarification please contact:

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| Commissioner (WHT) | - 011-3009468 | DCGIR (WHT) | - 011-2134400 |
| Senior Commissioner (WHT) | - 011-2134960 | DCGIR (Tax Policy) | - 011-2135402 |
| Senior Commissioner (Tax Policy) | - 011-2135410 | | |

To download the relevant circular with the specimens of withholding tax certificates & relevant schedules please visit the web portal of the Department of Inland Revenue. www.ird.gov.lk



Commissioner General of Inland Revenue

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