



TAX ALERT

Income Tax Liability on Interest or Discount from Treasury Bills or Treasury Bonds



December 2024

The Department of Inland Revenue (DIR) has issued a notice (PN/IT/2024-03) dated 11 December 2024 providing further clarification on the income tax liability on interest or discount from Treasury Bills or Treasury Bonds.

Attached herewith the notice uploaded in the DIR website.

Contact Us
KPMG Tax Team

Follow us on,



KPMG Sri Lanka



@kpmgsl



@kpmgsl



KPMG Sri Lanka

www.kpmg.com/lk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

The KPMG name and logo are registered trademarks of KPMG International.





INLAND REVENUE DEPARTMENT

Notice to the Taxpayers

Income Tax Liability on Interest or Discount from Treasury Bills or Treasury Bonds

The Inland Revenue Department is frequently inquired by the taxpayers whether the interest or discount received or derived from Treasury Bills or Treasury Bonds is subject to income tax under the provisions of the Inland Revenue Act, No. 24 of 2017 (as amended) (hereinafter referred to as the “IRA”). Therefore, this notice is issued to clarify the income tax liability on interest or discount from Treasury Bills [(issued under the Local Treasury Bills Ordinance (Chapter 417))] or Treasury Bonds [issued under the Registered Stocks and Securities Ordinance (Chapter 420)].

1. As clarified in Public Ruling No. PR/IT/2022/01, dated June 20th, 2022, interest accruing or derived from Treasury Bills or Treasury Bonds is exempt from income tax **for any person outside Sri Lanka** who has purchased such Treasury Bills or Treasury Bonds by remitting funds to Sri Lanka.
2. In terms of Section 9(1) read with paragraph (iii) of the Third Schedule to the IRA, Interest or discounts from treasury bills and treasury bonds are exempt from income tax for any **Samurdhi community-based bank** established under the Department of Samurdhi Development.

Other than above two income tax exemptions, there are **no income tax exemptions for interest or discount received or derived from Treasury Bills or Treasury Bonds to any person**. Therefore, other than the persons mentioned above, all other taxpayers are required to include interest or discounts received or derived from Treasury Bills or Treasury Bonds in calculating their respective assessable income from business or investment. There is no tax credit for such interest or discounts, as the interest or discounts from Treasury Bills and Treasury Bonds are not subject to Advance Income Tax (or withholding tax). If any income tax is payable due to inclusion of interest or discounts from Treasury Bills or Bonds, it must be paid as required by the IRA.

Commissioner General of Inland Revenue



TAXES - FOR A BETTER FUTURE