



Tax Flash News

Circular on the Self Declaration Mechanism

April 2025

Dear All

Attached herewith the circular no SEC/2025/01 dated 28 April 2025 uploaded on the website of the Department of Inland Revenue (DIR) on providing clarity on certain issues raised by banks, financial institutions, and resident individuals on the self declaration mechanism (for individuals who has taxable income less than LKR 1.8mn per annum).

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உள்ளநாட்டு இறைவரித் திணைக்களம்
INLAND REVENUE DEPARTMENT

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Explanatory Note on the Procedure for Deducting Advance Income Tax on Interest Payments on Deposits by Banks and Financial Institutions, and the Relevant Self-Declaration Mechanism for Individuals Subject to Withholding Tax on Deposit Interest but No Taxable Income

This explanatory note is intended to clarify certain issues raised by banks, financial institutions, and resident individuals following the implementation of the following two circulars.

1. Circular to Resident Individuals with Interest Income Subject to Advance Income Tax (Withholding Tax) but No Taxable Income - Circular No. SEC/2025/E/03 [28 March 2025]
2. Circular to Banks and Financial Institutions - Deduction of Advance Income Tax on Interest or Discount on Deposits - Circular No. SEC/2025/E/02 [28 March 2025]

1. Requirement to Provide a Tax Identification Number (TIN) in the Self-Declaration Form

It is mandatory for the declarant to provide their Tax Identification Number (TIN) in the designated section of the self-declaration form. However, banks and financial institutions are not required to request supporting documents (copies of TIN certificates, etc.) to verify the accuracy of the TIN provided.

The TIN must consist of nine digits. If a bank or financial institution identifies that another depositor has used the same TIN, the declaration may be considered invalid. **In such cases only**, a certificate issued by the IRD may be requested to verify the accuracy of the TIN of each declarant.

Due to the growing number of individuals applying for TINs, many are experiencing delays and difficulties. To address this, it has been decided that banks and financial institutions will collect relevant depositor information in a Microsoft Excel worksheet (as per the format in Schedule 1) and assist in generating TINs through a bulk registration process.

Therefore, if a customer wishes to register for a TIN, and the bank or financial institution is willing to compile the necessary data in the prescribed format, this will greatly assist both the customers and the Inland Revenue Department (IRD). The completed Excel sheet

should be submitted to the IRD via email at infor@ird.gov.lk. The information collected on a monthly basis by banks or financial institutions should be forwarded on or before 10 working days of the following month. This will allow the IRD to register the taxpayers and issue their TINs to the depositor and to the bank.

Until the bulk-registration process is complete as explained, banks or financial institutions may acknowledge the self-declaration of individuals without a TIN for this purpose, only for the current year. However, any new declarations provided within the current or next year must include the TIN.

Schedule 1 – Information Required for Bulk TIN Registration

NIC	Full Name (in English)	Gender (M/F)	Date of Birth (yyyy-mm-dd)	Address	Email	Preferred Language	Mobile Number

2. Clarifications

2.1 Self-declaration for Accounts Held with the Same Institution and with Different Institutions

If a resident individual holds different types of accounts (such as savings, fixed deposits, certificates of deposit, etc.) with the same bank or financial institution, a single self-declaration is sufficient for all those accounts. However, if the individual has accounts with multiple banks or financial institutions (not just different branches of the same institution), separate self-declarations should be submitted for each bank or financial institution.

2.2 Self-Declaration in the Case of Joint Account Holders

If one of the joint account holders (the first-mentioned account holder) has total assessable income for the year of assessment less than Rs. 1,800,000, and the other joint account holder (the second-mentioned account holder) has assessable income exceeding Rs. 1,800,000 for the same year, the first-mentioned account holder is eligible to submit a self-declaration for his/her share of the interest derived or to be derived from the joint account. In such cases, the bank shall deduct withholding tax (Advance Income Tax) at the rate of 10% only on the portion of interest attributable to the second-mentioned account holder. A withholding tax certificate should be issued in the name of the second-mentioned account holder, with the relevant schedules accurately reflecting the applicable portion of interest income.

2.3 Deposits Maturing After or Prior the Year of Assessment

For income tax purposes, individuals must account interest income on a cash basis. Therefore, if a fixed deposit matures in a subsequent year of assessment, the interest

payable on that deposit should not be considered in the computation of assessable income for the current year when submitting a self-declaration.

Conversely, if a fixed deposit was placed in a prior year of assessment but matures during the current year, the total interest paid or payable on that deposit must be included in the assessable income for the current year of assessment.

2.4 Valid Self-Declarations Submitted by Deposit Holders After Withholding Tax Deduction

According to Section 86(1) of the Inland Revenue Act, No. 24 of 2017 (as amended), withholding agents are required to remit any tax withheld during a calendar month to the Commissioner General within fifteen (15) days after the end of that month.

Therefore, if a deposit holder submits a valid self-declaration after the withholding tax has been deducted **but before the tax has been remitted** to the Commissioner General, the bank or financial institution may refund the deducted tax (if possible for banks). Such a refund is permissible within this timeframe.

2.5 Verification of the Validity of Self-Declarations by Banks and Financial Institutions


The validity of self-declarations submitted by deposit holders should be verified by banks and financial institutions based on the following criteria:

- Use of Official Form - The self-declaration must be submitted using the prescribed form, which can be downloaded from the Inland Revenue Department (IRD) website.
- Completeness of the Declaration - The declaration must be fully completed and include all required information, such as: Name and address of the bank or financial institution, Name, address, National Identity Card (NIC) number, and Taxpayer Identification Number (TIN) of the depositor/declarant (subject to Item 1 of this explanatory note), Relevant account numbers, Year of assessment, Date and signature of the declarant
- Accuracy Based on Available Information - The information provided in the self-declaration must be accurate based on the information/records available to the bank or financial institution. Examples of invalid declarations include:
 - Where interest income from the relevant deposit exceeds Rs. 1.8 million for the year,
 - If a bank employee subject to Advance Personal Income Tax (APIT) submits a self-declaration,
 - If a declarant submits a declaration using their spouse's TIN, and both individuals use the same TIN to submit declarations to the same bank.

However, if the bank or financial institution is unable to aggregate the interest income across all deposits held by the depositor, that specific verification criterion may be excluded.

- Supporting Documents Not Required - No supporting documents need to be submitted with the self-declaration. The TIN must consist of 9 digits, but proof of the TIN is not required.

- The Inland Revenue Department (IRD) will handle all other matters, including further verification and compliance. If any discrepancies or issues arise, the IRD will inform the respective bank or financial institution accordingly.



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