

Tax Flash News

Notice on Write-off of Interest

The Inland Revenue Department (IRD) has issued a web notice dated 8 June 2026 outlining the procedure and manner in which taxpayers may avail themselves of the provision for the write-off of interest.

This notice has been issued in line with recent amendments to the Inland Revenue Act, No. 24 of 2017 and amendments thereto, enabling the write-off of interest.

The notice is attached herewith for your reference.

June 2026



For More Details Contact: Tax Team – KPMG in Sri Lanka

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INLAND REVENUE DEPARTMENT

Notice to the Taxpayers

INTEREST RELIEF FOR UNDERPAYMENTS AND LATE PAYMENTS

Under Section 42 of the Inland Revenue (Amendment) Act, No. 11 of 2026, **interest** charged on late payments or underpayments relating to the following tax types shall be discharged, subject to the conditions set out below being fulfilled.

Taxes Covered

1. **Income Tax** including any form of Withholding Tax [Advance Personal Income Tax, Pay As You Earn Tax, Advance Income Tax), Capital Gain Tax, Remittance Tax or Non-Governmental Organizations Tax (NGO) Tax] imposed under the provisions of the Inland Revenue Act, No.24 of 2017 (as amended);
2. **Surcharge Tax** imposed under the provisions of the Surcharge Tax Act, No. 14 of 2022;
3. **Debt Repayment Levy** imposed under the provisions of the Finance Act, No. 35 of 2018.

Conditions to Qualify for the Relief

1. The full tax amount (principal amount of tax) relating to an assessment — including a self-assessment, default assessment, advance assessment, amended assessment, or additional assessment — must be paid within six months from the date of certification of the Inland Revenue (Amendment) Act, No. 11 of 2026.

The Amendment Act was certified by Parliament on 03.06.2026. Accordingly, the six-month period will expire on 02.12.2026. Therefore, the final date for settlement of the full tax amount to qualify for **this relief is 02.12.2026.**

2. Any penalty relating to the assessment may be fully or partially waived by the Commissioner-General upon consideration of reasonable cause on the

request of the taxpayer. Where any balance penalty is determined to be payable, such amount must be settled on or before 02.12.2026.

Requests for waiver **of penalty**, together with the reasons considered just and equitable, should be submitted in writing to the Commissioner of the relevant unit or regional office after payment of the full tax amount.

3. This interest relief applies only up to and including the year of assessment 2024/2025. Accordingly, only assessments including self-assessment relating to those years of assessment shall qualify for this relief.

Pending Tax Audits

If any self-assessment (Tax Return) relating to a year of assessment up to 2024/2025 is currently subject to a tax audit, the taxpayer may finalize the audit before 02.12.2026 and fulfill the necessary requirements to qualify for the interest relief. Necessary instructions have been provided to tax officials to expedite the completion of such tax audits.

Pending Reviews or Appeals

If any assessment relating to a year of assessment up to 2024/2025 is pending determination following a Request for Administrative Review (RAR) or appeal, the taxpayer may settle the relevant assessment and comply with the above procedure in order to obtain the benefit of this interest relief.

However, where a taxpayer wishes to continue disputing the assessment while also making payment in order to qualify for this relief, the taxpayer may submit a written request to the Commissioner-General together with the intention to claim a refund if the final determination is made in the taxpayer's favor.

Under Section 142 of the Inland Revenue Act, No. 24 of 2017, even where a taxpayer requests an Administrative Review or Appeals to the Tax Appeals Commission, the tax assessed remains due and payable unless an extension of time is granted under Section 151. Accordingly, the **Commissioner-General may continue recovery action while the review or appeal is pending.**

Therefore, any payment made by the taxpayer on the above basis shall be treated as tax collected, and any future refund shall be considered as a Commissioner Generals Initiative [Section 150(4)(b)]. However, in these type of cases, **any claim for refund must be made within six months from the date of the final determination.**

- Necessary instructions have been issued to tax officials to expedite the completion of tax audits and the settlement of appeals.

Important

- If you have already settled the liability equivalent to the principal amount as at the date of this notice, you will qualify for this relief. However, you are kindly requested to comply with the instructions relating to penalties.
- Any payment made as “interest” prior to 03.06.2026 will not be refunded.
- Where a payment made towards the principal tax amount has been appropriated against outstanding interest, such recovered interest amount will be transferred and credited towards the outstanding tax liability (principal amount of tax).

The Inland Revenue Department urges all taxpayers to make effective use of this relief and to ensure timely compliance in future without defaulting on tax payments.

Commissioner General of Inland Revenue

