

## 5. INVESTMENT ACCOUNT TYPES & FUND ROUTING

The Central Bank of Sri Lanka's Department of Foreign Exchange (DFE) mandates specific account types for non-residents and foreigners to ensure legal investment and guaranteed repatriation rights. Using unapproved channels risks capital being trapped in Sri Lanka.

Account Type	Who Uses It	Purpose	Key Feature	Bank Reference
<b>Inward Investment Account (IIA)</b>	Non-Resident SL Citizens, Dual Citizens (non-resident), All Foreigners	Routing of investment funds: shares, property, bonds, business capital	Funds enter in foreign currency, converted to LKR; repatriation rights guaranteed	All licensed commercial banks; BOC: <a href="http://www.boc.lk">www.boc.lk</a> ; People's Bank; Commercial Bank
<b>Non-Resident Foreign Currency (NRFC) Account</b>	Sri Lankan citizens living abroad (all categories)	Personal savings in foreign currency; no investment restriction	FCY account; interest credited in FCY; freely repatriable	Available at all major Sri Lankan commercial banks
<b>Securities Investment Account (SIA)</b>	All non-resident investors (linked to IIA)	CSE share trading, treasury securities	Linked to IIA; ensures all stock-market proceeds can be repatriated	CDSL / Stock Broker; IIA-linked at custodian bank
<b>Resident Foreign Currency (RFC) Account</b>	SL residents who earn foreign currency	Holding foreign currency while resident	Can convert to LKR or maintain in FCY	All major banks
<b>BOI Project Account</b>	BOI-approved companies (Section 17)	Project-specific investment flows; customs duty concessions	Exchange control concessions included in BOI Agreement	Designated bank per BOI Agreement

References: CBSL DFE – [www.dfe.lk](http://www.dfe.lk) | People's Bank IIA: <https://www.peoplesbank.lk> | Commercial Bank IIA: <https://www.combank.lk/non-resident/investments/inward-investment-accounts-iias> | BOC IIA: <https://www.boc.lk/international-banking/deposits/deposit-accounts/iaa>

## 6. DOUBLE TAXATION AVOIDANCE AGREEMENTS (DTAAs)

Sri Lanka has DTAAs with 44+ countries (as of 2025), providing relief from double taxation on income and capital gains. DTAAs can reduce WHT rates on dividends, interest, and royalties, and may exempt certain capital gains from Sri Lankan tax. The Budget 2025 proposes expanding the DTAA network further, prioritising countries with significant trade and investment potential.

Country / Region	DTAA Reduces Dividend WHT to	DTAA Reduces Interest WHT to	Capital Gains Provisions	Notes
<b>United Kingdom</b>	15%	10%	Gains on immovable property taxable in SL	Comprehensive
<b>United States</b>	15%	10%	SL may tax SL-source gains	Comprehensive + Protocol
<b>Australia</b>	15%	10%	SL retains taxing rights on property	Comprehensive
<b>Canada</b>	15%	15%	SL may tax property gains	Comprehensive
<b>Germany</b>	15%	10%	Property gains taxable in SL	Comprehensive
<b>India</b>	15%	10%	SL retains taxing rights	Revised treaty
<b>Singapore</b>	15%	10%	Property gains in SL	Comprehensive
<b>UAE (Comprehensive)</b>	0%	0%	SL may retain some rights	Very favourable
<b>Malaysia</b>	15%	10%	SL retains rights	Revised
<b>China</b>	10%	10%	SL retains on property	Comprehensive
<b>Japan</b>	15%	10%	SL retains on property	Comprehensive
<b>Netherlands</b>	15%	10%	SL retains on property	Comprehensive
<b>France</b>	15%	10%	SL retains on property	Comprehensive
<b>Pakistan (Rev.)</b>	15%	0%	SL retains on property	Revised
<b>South Korea</b>	10%	10%	SL retains on property	Comprehensive
<b>Saudi Arabia (Ltd.)</b>	5%	5%	Limited treaty	Limited

Full DTAA list: Moore Global Sri Lanka Tax Guide – [www.moore-global.com](http://www.moore-global.com) | IRD DTAA page – [www.ird.gov.lk](http://www.ird.gov.lk) | IRA s.93

*△ To claim DTAA benefits, investors typically must submit a Tax Residency Certificate (TRC) from their country of residence to the Sri Lankan withholding agent or IRD. The UAE Comprehensive DTAA is particularly attractive, offering 0% WHT on dividends and interest.*

## 7. BOI / INVESTMENT INCENTIVES SUMMARY (2025)

The Board of Investment (BOI) of Sri Lanka offers incentives under its mandate. The Economic Transformation Act No. 45 of 2024 is progressively transitioning this role to the Economic Commission of Sri Lanka. Investors may apply for Section 16 or Section 17 approval.

Approval Type	Who Qualifies	Key Benefits	Conditions
<b>BOI Section 16</b>	Any foreign or diaspora investor establishing a business	Work permits for expatriate employees (number depends on investment value)	Must meet minimum investment; BOI discretion on number of work permits
<b>BOI Section 17</b>	Large-scale or strategic investment projects	Customs duty exemptions on plant/machinery; enhanced capital allowances; exchange control concessions; expropriation protection clause in BOI Agreement	Project-specific; minimum investment threshold must be met; agreement signed with BOI
<b>Colombo Port City (CPCEC Act No.11/2021)</b>	Businesses operating within Colombo Port City economic zone	0% CIT for qualifying activities; special regulatory environment; distinct foreign exchange regime; special licensing	Must be physically located/operating within Port City; subject to CPCEC Commission rules
<b>Export Services (IRA)</b>	All companies/individuals earning foreign currency from service exports	15% concessionary CIT rate (instead of 30%) on qualifying export service income	Services rendered to overseas persons; payment in FCY; remitted through licensed bank
<b>Retail Trade (Foreign-Owned)</b>	Foreign investors in retail	Permitted but minimum share capital of USD 5,000,000 required	Companies Act + sector-specific rules

BOI Sri Lanka: <https://investsrilanka.com> | BOI Investment Guide Sept 2025:

<https://investsrilanka.com/wp-content/uploads/2025/09/BOI-Investment-Guide-22.09.2025.pdf> | CPCEC:

[www.portcitycolombo.lk](http://www.portcitycolombo.lk)

## 8. TAX FILING, COMPLIANCE & DEADLINES

Obligation	Due Date	Applicability	Notes
<b>1st Tax Instalment (Quarterly)</b>	15 August (within Y/A)	All taxpayers with taxable income > LKR 1.8 Mn	Based on prior Y/A tax liability (change from Budget 2025 for Y/A 2025/26)
<b>2nd Tax Instalment</b>	15 November (within Y/A)	Same	25% of estimated annual liability
<b>3rd Tax Instalment</b>	15 February (within Y/A)	Same	25% of estimated annual liability
<b>4th Tax Instalment</b>	15 May (subsequent Y/A)	Same	25% of estimated annual liability
<b>Final Tax Return Filing</b>	30 November (subsequent Y/A)	All taxable individuals & companies	E.g., Y/A 2025/26 return due 30 Nov 2026; online via IRD e-Services
<b>WHT Annual Return (by withholding agents)</b>	30 April (annually)	Banks, companies deducting WHT	Must also issue WHT certificates to recipients
<b>VAT Monthly Filing</b>	20th of following month	VAT-registered persons (taxable supplies > LKR 15 Mn/quarter)	Monthly or quarterly depending on registration
<b>Statement of Estimated Tax (SET)</b>	Removed for Y/A 2025/26 onwards	All instalment payers	Budget 2025 proposal: SET submission requirement removed from Y/A 2025/26

IRD e-Services Portal (filing & payment): [www.ird.gov.lk](http://www.ird.gov.lk) | TaxPro.lk: <https://taxpro.lk>

### 8.1 Penalties for Non-Compliance

Violation	Penalty
<b>Failure to register as taxpayer</b>	Up to LKR 50,000
<b>Failure to file return on due date</b>	Greater of: (a) 5% of tax owing + 1% per month continuing; OR (b) LKR 50,000 + LKR 10,000/month; max LKR 400,000
<b>Late payment of quarterly instalment</b>	10% of the unpaid amount
<b>Failure to pay tax on assessment</b>	20% of tax due
<b>Material omission / understatement (intentional)</b>	25%-75% of underpayment (75% if > LKR 10 Mn or > 25% of liability)
<b>Non-compliance with third-party notice</b>	25% of the difference between amount payable and amount paid
<b>Failure to maintain documents (after warning)</b>	IRD discretion; criminal penalties possible

Source: IRA No. 24 of 2017, s.163-175 | Moore Global Sri Lanka Tax Guide

## 9. QUICK REFERENCE: TAX RATES BY INVESTMENT TYPE & INVESTOR CATEGORY

Use this consolidated table for fast reference. All rates are for Y/A 2025/26 unless noted. 'Proposed' rates indicate Budget 2025 proposals pending formal IRA amendment.

Investment Type	Tax Item	Non-Resident SL Citizen	Dual Citizen	Foreigner
<b>Fixed Deposits</b>	WHT on Interest	10% (final)	10% (refundable if <LKR 1.8Mn)	10% (final)
<b>Fixed Deposits</b>	CGT	Nil	Nil	Nil
<b>CSE Equities</b>	Capital Gains Tax	0% (EXEMPT)	0% (EXEMPT)	0% (EXEMPT)
<b>CSE Equities</b>	Dividend WHT	15% (final)	15% (final)	15% (final; DTAA may reduce)
<b>Treasury Bills</b>	Interest WHT	10% (final)	10% (slab if resident)	10% (final)
<b>Treasury Bills</b>	CGT on disposal	10% (prop. 15%)	10% (prop. 15%)	10% (prop. 15%)
<b>Treasury Bonds</b>	Coupon WHT	10% (final)	10% (slab if resident)	10% (final)
<b>Treasury Bonds</b>	CGT on disposal	10% (prop. 15%)	10% (prop. 15%)	10% (prop. 15%)
<b>Unit Trusts</b>	WHT on distributions	10%	10%	10% (final)
<b>Unit Trusts</b>	CGT at redemption	10% (prop. 15%)	10% (prop. 15%)	10% (prop. 15%)
<b>Corporate Bonds</b>	Coupon WHT	10% (final)	10% (slab if resident)	10% (final)
<b>Corporate Bonds</b>	CGT on disposal	10% (prop. 15%)	10% (prop. 15%)	10% (prop. 15%)
<b>Property (Freehold)</b>	Ownership	Permitted (citizen)	Permitted (citizen)	PROHIBITED (use lease/condo/company)
<b>Property (Rental)</b>	WHT on rent	10% (final if NR)	10% (slab if resident)	14% (final)
<b>Property</b>	CGT on sale	10% (prop. 15%). Exemption: primary residence	10% (prop. 15%). Same exemption	10% (prop. 15%). No exemption.
<b>Property</b>	Stamp Duty	3% + 4%	3% + 4%	3% + 4%
<b>Business (Company)</b>	Corporate Income Tax	30% (15% export svcs.)	30% (15% export svcs.)	30% (15% export svcs.; 0% Port City)
<b>Business (Company)</b>	Dividend WHT	15% (final)	15% (final)	15% (final; DTAA may reduce)
<b>Business (Company)</b>	Branch Remittance	14%	14%	14%
<b>Personal Income</b>	Slab Rate (resident)	0%–36% above LKR 1.8Mn	0%–36% (if resident)	SL-source income: slab rates
<b>Service Exports (FCY)</b>	Special Rate	15% (capped)	15% (capped)	15% (capped)

△ \* CSE equity capital gains are currently EXEMPT from CGT – making listed shares the most tax-efficient investment vehicle for all three investor categories.

## 10. OTHER APPLICABLE TAXES

Tax	Rate	Applicability	Notes
<b>Value Added Tax (VAT)</b>	18% (standard)	Taxable supplies of goods/services; businesses with turnover > LKR 60 Mn/year or > LKR 15 Mn/quarter	Export services generally zero-rated. Applies to property transactions in some cases.
<b>Social Security Contribution Levy (SSCL)</b>	2.5%	Businesses with turnover > LKR 120 Mn/year	Applies to gross turnover; non-creditable against income tax
<b>Stamp Duty</b>	4% on property/share transfer (3% on first LKR 100K)	All transfers of immovable property, shares, and certain instruments	Payable at time of transfer; not deductible for IT purposes
<b>EPF (Employee Provident Fund)</b>	Employer: 12%   Employee: 8%	All resident employees; foreign employees on SL contracts	Not applicable to non-resident foreign investors without local employees
<b>ETF (Employee Trust Fund)</b>	Employer: 3%	Same as EPF	Employer contribution only
<b>Betting &amp; Gaming Levy</b>	45% CIT	Companies in betting/gaming sector	Sector-specific enhanced rate
<b>Port &amp; Airport Development Levy (PAL)</b>	Varies by import category	Import of goods	Relevant for businesses importing plant, equipment, raw materials
<b>Inheritance / Gift Tax</b>	None	N/A	Sri Lanka does not levy inheritance or gift taxes
<b>Wealth Tax</b>	None	N/A	No net wealth or worth tax in Sri Lanka
<b>Imputed Rental Income Tax</b>	NOT implemented	N/A	Budget 2025 confirmed this will NOT be implemented this year

Source: IRA No. 24/2017; VAT Act; Moore Global Tax Guide; D.L. & F. De Saram Budget Proposals 2025 – <https://www.desaram.com/budget-proposals-to-changes-to-income-tax/>