



# 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**



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