

(3) Notwithstanding any other written law, withholding tax withheld by a person:-

- (a) shall not be subject to attachment in respect of any debt or liability of the person;
- (b) shall be a first charge on the payment or amount from which the tax shall be withheld; and
- (c) shall be withheld prior to any other deduction that the person may be required to make from the payment or amount under an order of any court or any law.

154. (1) Payments of a specific tax shall be applied against the taxpayer's liability in the following order:—

Order of payment of tax debts.

- (a) interest relating to the tax;
- (b) penalties relating to the tax; and
- (c) the principal amount of the tax.

(2) The Commissioner-General may apply a tax payment to any tax which has been assessed and is due—

- (a) where the taxpayer fails to indicate to which specific tax or taxation period the payment should be applied; or
- (b) where the payment has been collected pursuant.

155. Tax shall be payable in Sri Lanka currency, except as otherwise provided in this Act.

Currency.

CHAPTER XV

INTEREST

156. (1) Procedures for the payment, collection and dispute of a tax shall apply equally to interest relating to a tax.

General.

(2) Liability for interest under this Act shall be calculated separately and shall be in addition to penalties provided by law.

(3) If a person has paid interest and an amount to which the interest relates is found not to have been payable, the interest paid on that amount shall be refunded to the person.

Interest on
under
payments.

157. (1) If an amount of tax is not paid by the due date, the taxpayer shall be liable for interest on the amount for the period from the due date (determined without having regard to an extension of time) under section 151 to the date the tax is paid.

(2) In the case of tax due under a revised assessment, the due date for the calculation of interest shall be the original due date of the tax.

Interest on
refundable
amounts.

158. (1) Where the Commissioner-General is required to refund an interest amount, it shall be paid to the taxpayer from the later of –

(a) the due date; or

(b) the date the tax was paid,

until the date on which the refundable amount is paid.

(2) Notwithstanding the provisions of subsection (1), no interest shall be payable in respect of a refund that is based on a claim for refund and is paid to the taxpayer within sixty days of the filing of the claim for refund.

(3) A refundable amount that is applied against another tax liability under section 150 shall be considered to have been paid to the taxpayer on the due date of the liability against which the refundable amount was applied.

Interest rate.

159. (1) The interest rate for payments pursuant to section 157 shall be one and one-half per cent per month or part month, compounded monthly.

(2) The interest rate for payments pursuant to section 158 shall be one-half per cent per month or part month, compounded monthly.

(3) Notwithstanding the provisions of subsections (1) and (2), the Minister may vary the interest rate by Order published in the *Gazette*.

CHAPTER XVI

RECOVERY OF TAX

160. The Commissioner-General may proceed with any remedy under this Chapter once the taxpayer is in default pursuant to section 152. General.

161. Institution of action under this Chapter shall be commenced within five years of the date on which the taxpayer was in default. Period of limitations for collection.

162. (1) Where the Commissioner-General is unable to recover an amount of tax, interest, or penalty due and payable by a person under this Act, the Minister may, on recommendation of the Commissioner-General and approval by the Cabinet, order the extinguishment of the liability as a debt due to the Government. Extinguishment of uncollectible amounts.

(2) Where the Commissioner-General determines that a person whose debt was extinguished under subsection (1) has assets that may be attached to recover all or part of the unpaid amounts, the liability for the debt may be reinstated by an order of the Minister, approved by Cabinet, revoking the order made under subsection (1).

163. (1) Tax that is due and payable shall be a debt to the Government and shall be payable to the Commissioner-General. Court proceedings.

(2) Where a person fails to pay tax when it is due, the Commissioner-General may commence proceedings in a court of competent jurisdiction to recover the debt outstanding in respect of the amount owing.