

Sri Lanka Income Tax and Business Tax Guide

Inland Revenue Act No. 24 of 2017: the 2025 consolidated text, read together with Amendment Act No. 11 of 2026.

The main point: The 2026 Act changes selected rules; it does not replace the entire income tax system. Apply the main Act together with each amendment from its own effective date.

What matters most

Topic	Simple takeaway
Personal income tax	Annual personal relief remains Rs. 1.8 million for eligible individuals. Ordinary progressive rates remain 6%, 18%, 24%, 30% and 36% from 1 April 2025.
Capital gains	From 3 June 2026, individuals and partnerships generally move from 10% to 15% on taxable investment-asset gains. Specified trusts, unit/mutual funds and NGOs move to 30%.
Quarterly instalments	From Y/A 2026/27, the starting point becomes the previous year's tax, with an estimate route where there was no prior taxable income or lower current taxable income is expected.
Compliance	Companies must register with IRD within 30 days. New TIN verification, withholding-reporting and prosecution provisions strengthen compliance.
Retrospective changes	Several provisions reach back to 2018, 2023, 2024 or 2025. Review affected earlier computations; do not backdate every amendment to the same date.

How to use this guide

Sections 2–9 explain income tax. Sections 10–11 map the 2026 amendments. Section 12 gives examples. Sections 13–17 add current IRD procedures and related business taxes; sections 18–20 provide actions, firm details and source links.

Scope: A practical income-tax guide updated through a review of relevant IRD legislation, circulars, gazettes, notices, forms and service pages available on 11 October 2026. Related VAT and SSCL obligations are summarised separately. This is not an exhaustive digest of every IRD archive, exemption or industry rule. Y/A means year of assessment, normally 1 April to 31 March. Rs. means Sri Lankan rupees. CGIR means Commissioner-General of Inland Revenue.

The 2025 PDF itself states that it is a convenient reference, not a statutory consolidation. This guide prioritises Y/A 2025/26 onward and identifies material retrospective changes. Use the legislation and applicable IRD procedures for a specific filing.

Legal references: 2025 consolidation: introductory note, ss. 2-4 and 20; First and Fifth Schedules. 2026 Act: ss. 1, 16-18, 23-24, 30-31 and 36.

02 Individuals income reliefs and rates

Start with four income categories

Category	Common examples
Employment	Salary, bonuses, allowances and taxable benefits. A reimbursement is not automatically exempt; the statutory conditions matter.
Business	Profits from trade, a profession, a sole proprietorship or an independent practice.
Investment	Interest, rent, dividends and taxable gains on investment assets, subject to exemptions and separate-rate rules.
Other	Income falling outside the first three categories. From 1 April 2024, motor-vehicle realisation gains are excluded from this category; business-income treatment must still be checked.

Basic calculation: Assessable income from the relevant sources, less eligible qualifying payments and reliefs, gives taxable income. Apply the appropriate rates, then deduct allowable tax credits and tax already paid. Final-withholding income and separately taxed gains need separate treatment.

Ordinary individual rates from 1 April 2025

Personal relief: **Rs. 1,800,000 a year** for resident individuals and non-resident Sri Lankan citizens. It is not available against investment-asset gains or in an individual's capacity as trustee, receiver, executor or liquidator.

Annual taxable income after relief	Tax calculation
First Rs. 1,000,000	6%
Next Rs. 500,000	18%
Next Rs. 500,000	24%
Next Rs. 500,000	30%
Balance above Rs. 2,500,000	36%

The rates apply to successive portions of income, not one rate on the whole amount. Rs. 150,000 a month is the annual relief divided by 12; actual APIT depends on the payroll tables and the employee's circumstances.

Other reliefs and special income

Rental relief: An eligible resident individual may claim 25% of rental income from an investment asset for repairs, maintenance and depreciation, provided actual deductions/costs for those same items are not claimed.

Qualifying terminal benefits: Specified pension commutations, retiring gratuities, qualifying loss-of-office compensation and retirement ETF payments have separate bands: first Rs. 10 million at 0%, next Rs. 10 million at 6%, balance at 12%. These bands do not apply to every termination payment.

Legal references: Main Act ss. 3-10, 52; First Schedule para. 1 and Fifth Schedule para. 2. 2026 Act s. 2 amending s. 8.

03 Businesses taxable profit is not book profit

Prepare a reconciliation from accounting profit to taxable profit. A cost appearing in the accounts does not, by itself, make it deductible for tax.

Item	Practical treatment
Operating expenditure	Generally deductible to the extent incurred in producing business or investment income. Private and capital expenditure are not ordinary operating deductions.
Common add-backs	Accounting depreciation, income tax, prohibited fines/penalties, entertainment, dividends and reserves/provisions for future costs commonly require adjustment.
Capital expenditure	Use statutory capital allowances for qualifying depreciable assets. Do not claim book depreciation as the tax allowance.
Withholding failures	Where an expense requires withholding, the deduction is deferred until the withheld tax is paid to IRD.
Large payments	For payments totalling Rs. 500,000 or more under the daily/transaction/event tests, use an allowed payment method. The restriction can deny both an expense deduction and asset cost.
Losses and finance costs	Business losses generally carry forward for six years, subject to source/rate restrictions. Investment losses are restricted; investment-asset gains cannot generally be reduced by losses. Certain company finance costs are separately capped.

2026 clarification, effective 8 May 2023: Depositing cash directly into the recipient's bank account is an allowed method for the large-payment rule. Its specified government and bank/financial-institution exceptions now cover payments **to or by** those bodies. Retain evidence of the deposit and recipient.

Rates and standard capital allowances

Companies: Standard income tax is 30%; qualifying foreign/service income is 15%; specified betting/gaming and liquor/tobacco profits are 45% from 1 April 2025. The latter company category excludes exports of the relevant liquor/tobacco products. There is no general current SME rate simply because a business is small.

Partnerships: Ordinary taxable income up to Rs. 1 million is taxed at 0%; excess at 6%. Partners also compute their allocated income and eligible credits under the partnership rules. Investment-asset gains have separate rates.

Asset group	Standard write-off period
Computers; qualifying plant/equipment; furniture (Classes 1-3)	5 years
Buildings and permanent structures (Class 4)	20 years
Intangibles other than goodwill (Class 5)	Useful life; 20 years if indefinite
Specified modern milking machines (Class 6)	2 years

Private passenger cars are not automatically eligible. Road vehicles need to fall within the listed exceptions. From 1 April 2026, a new undertaking with qualifying depreciable-asset investment above USD 250,000 and up to USD 3 million can obtain a 100% allowance, excluding intangible assets. Enhanced allowances for expansion require specific BOI approval.

Legal references: Main Act ss. 10-19, 53-55; First, Second and Fourth Schedules. 2026 Act ss. 3 and 37.

04 Capital gains and investment income

Identify what was sold before selecting the rate

An investment asset is not the same as trading stock or a depreciable business asset. A property developer's inventory sale, for example, may generate business income rather than an investment-asset gain. Gains normally compare statutory consideration with statutory cost; special valuation and transfer rules can apply. For an investment asset held on 30 September 2017, the statutory transitional cost generally uses its market value at that date.

Taxpayer / taxable investment gain	Before 3 June 2026*	From 3 June 2026
Individual	10%	15%
Partnership	10%	15%
Trust covered by First Schedule para. 3(2)(a)	10%	30%
Unit trust / mutual fund under para. 5(2)(a)	10%	30%
Non-governmental organisation	10%	30%
Company	30%	30%
Charitable institution (before any eligible credit)	10%	10%

*Immediate pre-amendment position, not the rate for every historical period. The separate residual trust provision in First Schedule para. 3(3) is not expressly amended by s. 36. Check which trust provision applies rather than assuming all trusts have moved to 30%.

Common exemptions and exclusions to check

Main home: A resident individual's principal residence may be exempt if owned continuously for three years before disposal and lived in for at least two of those years, tested daily.

Small gains: A resident individual's gain not exceeding Rs. 50,000 may be exempt only where annual total gains also do not exceed Rs. 600,000. Anti-splitting and joint-ownership rules apply.

Listed shares: The Third Schedule exempts gains on shares quoted on an official list of a stock exchange licensed by Sri Lanka's SEC. Do not extend this automatically to unlisted shares or foreign exchanges.

Motor vehicles: The amendment excludes realisation gains from the "other income" category from 1 April 2024. It does not create a blanket exemption for vehicle dealers or all business-asset transactions.

Timing and asset donations

File and pay capital gains tax within **30 days after the end of the calendar month** of realisation. A CGT return results in a self-assessment for payment purposes; consider annual-return obligations separately.

From 3 June 2026, a gift/donation of an asset to the Government or a university established/deemed established under the Universities Act is treated as realised at its net cost. This is a valuation rule; a qualifying-payment deduction is a separate question.

Legal references: Main Act ss. 36-51, 82, 93 and 195; First Schedule paras. 1-7; Third Schedule (f)-(h). 2026 Act ss. 2, 4, 20 and 36.

05 Residency overseas income and branches

Residency determines the starting scope of tax

Resident: Generally assessed on worldwide income. **Non-resident:** Generally assessed only on income arising in or derived from Sri Lanka. Exemptions, treaty provisions and source rules can change the result. Nationality alone does not determine residency.

An individual may be resident because they reside in Sri Lanka or meet the 183-day test in a relevant 12-month period; government-posting and Sri Lankan ship-employment rules also exist. A company's place of incorporation, registered/principal office, and management/control are relevant under s. 69.

2026 amendment	Effect from 1 April 2025
Investor Category Residence Visa	An individual holding this visa is treated as non-resident under new s. 69(1A). Immigration residence and tax residence are therefore not identical.
Qualifying overseas employment	A person leaving under an employment contract of at least one year with an employer unassociated with the immediate Sri Lankan employer is treated as non-resident from the start of the departure Y/A until contract expiry.
Sri Lankan ship employment	For a foreign citizen deemed resident only by this rule, resident-scope taxation is limited to that ship employment income. The deemed-resident period is the employment period.
Head-office expenditure of a foreign business	A non-resident operating through a Sri Lankan permanent establishment deducts the lower of qualifying head-office expenditure and 10% of assessable income from that business.

Foreign currency income is not automatically exempt

From 1 April 2025, qualifying service profits from services used outside Sri Lanka and qualifying foreign-source profits, earned/received in foreign currency and remitted through a bank to Sri Lanka, are taxed at **15% for companies** and a **maximum 15% for individuals**. The former broad exemptions for these categories ended before that date.

Keep contracts, evidence of where services are used, invoices and bank remittance records. Receiving foreign currency alone does not establish eligibility. Check other specific exemptions, including qualifying substantial participation in a foreign company, separately.

Other international rules

Foreign tax credits can relieve double taxation, subject to statutory limits. Treaty benefits require the relevant treaty conditions. Related-party pricing must be supportable on an arm's-length basis; transfer-pricing records and foreign-loss restrictions remain relevant.

From 1 April 2018, new s. 72(3) permits direct deduction of payments without a Sri Lankan source to the extent incurred for exports of goods/services from Sri Lanka. From 1 April 2025, the overseas-lender interest exemption requires the loan to arrive in foreign currency through a bank and its proceeds to be used within Sri Lanka.

A non-resident's remitted profits can also attract 14% remittance tax under s. 62, subject to applicable exclusions and treaty considerations.

Legal references: Main Act ss. 4, 62, 69-81; First Schedule paras. 1(6), 4(2C), 9; Third Schedule (i), (r), (u)(iii)-(iv). 2026 Act ss. 9-11 and 38.

06 Withholding tax and payroll

APIT is advance personal income tax deducted from employment income. **AIT/WHT** is tax withheld from specified other payments. Withholding is a collection method; whether it is final tax or an advance credit depends on the payment and recipient.

Common payment	Main rule to check
Employment remuneration	Apply IRD APIT tables to taxable remuneration; there is no single flat payroll rate.
Interest / discount subject to AIT	10% from 1 April 2025, subject to statutory exemptions and applicable recipient/payment rules.
Resident rent	10% on the full payment when aggregate monthly payments exceed Rs. 100,000. Up to Rs. 100,000: no withholding under this threshold rule.
Specified resident individual service fees	5% where the monthly service-payment threshold of Rs. 100,000 is exceeded; the recipient must not be an employee of the payer.
Dividends subject to withholding	15%, subject to applicable exemptions and treaty relief.
Non-resident services / insurance premiums	Generally 14% under s. 85 where the payment has a Sri Lankan source, subject to exemptions and treaty rules.

What changes in the 2026 Act

More expressly listed service providers, from 3 June 2026: The list now includes auditors, valuers, artists, photographers, IT specialists, social-media specialists, advisors, translators and others. The amendment expands the list; it does not introduce a new general 5% tax on all payments to all businesses.

Interest self-declaration, from 1 April 2025: A resident individual with no taxable income for the year can provide the prescribed self-declaration to the financial institution to avoid withholding on eligible deposit interest/discount. Consider all income, not just interest. The 23 March 2026 circular makes the declaration for 2026/27 onward valid until circumstances change; see section 13. This is not a blanket exemption for every senior citizen.

Reporting and certificates: Agents must follow CGIR-specified procedures, forms and formats. Withholding certificates must be supplied free of charge. Failure to follow the new reporting requirements can attract a penalty up to Rs. 200,000 per Y/A, after warning; compliance within 14 days prevents that penalty.

False self-declarations: A penalty up to Rs. 200,000 can apply after notice detailing the false/misleading particulars. The Act restricts substitution of the declaration where that penalty is imposed.

Salary arrears relief effective 1 January 2024

New s. 96A allows a tax credit for qualifying prior-year salary arrears from the same employment, such as retrospective promotion/increments or reinstatement. Compare the extra current-year tax on the arrears with tax attributable to them under the applicable earlier-year law. The credit is limited to the current-year tax on those arrears. An eligible refund is payable within three months of the claim, before audit.

Legal references: Main Act ss. 83A-89 and First Schedule para. 10. 2026 Act ss. 12-15, 21 and 30. Operational guidance: Circulars SEC/2026/E/04 and E/05; see sections 14–15 of this guide.

07 Quarterly instalments and filing calendar

A new instalment starting point from Y A 2026 27

The statutory formula remains $(A - C) / B$. A is generally gross income tax on taxable income for the immediately preceding Y/A, before deducting tax credits; B is the number of instalments remaining, including the current one; C includes relevant previous instalments and permitted withholding credits.

Use a current-year estimate instead where there was no taxable income in the previous year or lower taxable income is expected in the current year. That estimate must follow the CGIR's specified procedure and basis. Tax withheld or expected to be withheld during the relevant Y/A can be taken into account. Eligible foreign tax credits may also be considered if paid or reasonably expected to be paid during the corresponding period.

This changes advance payments, not final liability. The annual tax still follows actual taxable income. The old general SET filing/revision provisions are limited to pre-1 April 2026 years; this does not remove the need to follow the CGIR procedure for an estimate in the permitted cases. Investment-asset gains remain outside ordinary quarterly instalments.

Normal calendar for a 31 March year end

Obligation	Statutory timing / illustration
Quarterly income tax	15 August, 15 November, 15 February and 15 May. For Y/A 2026/27: 15 Aug 2026, 15 Nov 2026, 15 Feb 2027 and 15 May 2027.
Final income tax balance	Six months after year-end: normally 30 September. For Y/A 2025/26: 30 Sep 2026.
Annual income tax return	Eight months after year-end: normally 30 November. For Y/A 2025/26: 30 Nov 2026.
APIT / AIT / WHT remittance	Within 15 days after the end of the calendar month of withholding.
Annual withholding statement	Within 30 days after the year ending 31 March: normally 30 April.
Capital gains return and tax	Within 30 days after the end of the month in which the asset is realised.
New company tax registration	Within 30 days of incorporation or registration in Sri Lanka.
Unit-holder income certificate	Within five months after 31 March. Failure can trigger resident-company treatment for the fund.

These are normal statutory dates. Apply s. 119 and any valid IRD extension or prescribed procedure where relevant. Monthly/quarterly statements and special-industry returns may be required in addition.

Return exemptions remain conditional

Some persons with no tax payable and employees fully covered by APIT need not file under s. 94, unless required by notice. From Y/A 2025/26, a limited rule covers the specified APIT-only individual with interest income not exceeding Rs. 5,000. A Port City Business of Strategic Importance must file the prescribed return despite the general exceptions.

Legal references: Main Act ss. 82, 86, 90-94 and 119. 2026 Act ss. 7, 16-19 and 23. Circular SEC/2026/E/06, re-revised 12 August 2026; see section 14.

08 Registration records and enforcement

TIN and records

All companies incorporated or registered in Sri Lanka must register with IRD within 30 days. A TIN does not, by itself, mean tax is payable. Keep accounts, invoices, bank records and calculation support for at least five years, and longer where the assessment period or proceedings require it.

New s. 103(6)(b) states that, from 1 April 2026, persons specified under s. 102(3) must provide a TIN certificate for: opening financial accounts; building-plan approval; vehicle registration/licence renewal; land/title registration; business registration; company share transfers (both parties); and obtaining a credit card. The Act states 1 April 2026, while Circular SEC/2026/E/07 implements the certificate procedure from **1 November 2026**, with specific exclusions and alternative evidence. See section 13. A TIN is expressly not confidential information.

New enforcement and administration provisions

Area	What it means
Prosecution for non-compliance	For specified failures to register, file or attend, CGIR must first give a 30-day compliance notice. Failure without reasonable cause can, on conviction, lead to a fine up to Rs. 400,000, imprisonment up to six months, or both.
Court recovery of unpaid tax	Revised Magistrate's Court procedure applies from Y/A 2026/27. A certificate cannot be submitted while the specified administrative review or Tax Appeals Commission application is pending. Other recovery powers are not generally suspended by an appeal.
Undeliverable notices	Where service fails, reasons must be recorded before recovery notices/summons details are published in newspapers circulating in Sinhala, English and Tamil.
Information sharing	Permitted disclosures expand to the Financial Intelligence Unit, Inspector-General of Police for specified AML/terrorist-financing functions, and SLAASMB for its statutory functions.
Compounding offences	Requires compliance with the order and an undertaking to withdraw relevant appeal grounds. Fees may be specified; offences connected with other-law offences or law-enforcement investigations cannot be compounded under this provision.

Existing exposure has not disappeared

The Act also retains interest and civil penalties. Examples include the statutory underpayment interest rate of 1.5% per month or part month (subject to variation by Gazette), late-filing penalties capped at Rs. 400,000, and a 20% late-payment penalty under s. 179 where its trigger is met. Different charges can apply together.

A time limited interest write off

Section 42 of the 2026 Act covers specified outstanding interest under the income tax law up to Y/A ending 31 March 2025, the Surcharge Tax Act and the debt repayment levy law. **Full tax and applicable penalties, excluding waived amounts, must be paid before expiry of six months from 3 June 2026.** It is not a general tax or penalty amnesty. Periods are considered separately; qualifying prior payments and specified reallocations receive recognition.

Legal references: Main Act ss. 120, 139-142, 157-159, 176-179. 2026 Act ss. 22-24, 28-32 and 42.

09 Reliefs special entities and transition rules

Individuals and refunds

Life insurance (from 1 April 2025): New s. 52A(1) excludes amounts received by an individual on death, maturity or surrender. However, s. 52A(2)(b) excepts payments made otherwise than on death or maturity, as well as annuity/pension/retirement-type payments. **The surrender wording is internally difficult to reconcile.** Obtain authoritative clarification before relying on surrender proceeds being excluded. Employment/business receipts are outside the exclusion; the insurer must meet the statutory licensing definition.

Senior citizens: From Y/A 2025/26, returns may be filed in writing or electronically. The amendment also preserves a specific expedited refund rule for qualifying older claims: up to Rs. 60,000 annually or Rs. 15,000 quarterly, with the stated pre-April/pre-July 2025 conditions. It is not a new open-ended refund allowance.

Cash-basis income later repaid: Where an original contract is cancelled or altered and previously taxed receipts are returned, apply for the excess tax refund within 30 months from the repayment date.

Individual return acceptance (Y/A 2025/26 onward): S. 135(7) requires acceptance without an amended/additional assessment under that section where declared tax is at least 120% of the previous year's tax, paid in full, no refund is claimed and the prescribed affidavit states no fraud, evasion or wilful default. This does not authorise understating income or replace accurate return preparation.

Charities donations and funds

Eligible charitable institutions can receive a tax credit equal to tax payable where CGIR is satisfied they bear the cost of the specified services. The qualifying category expands to registered/incorporated social-service institutions providing healthcare with government healthcare/education services. Applicable approval and statutory conditions still matter.

Unused qualifying donations to the Government or a Government-established fund can be carried forward under new s. 52(4), effective from 1 April 2025. Do not extend this to all donations. Approved-charity cash donations retain their separate caps: individuals, the lower of one-third of taxable income or Rs. 75,000; entities, one-fifth or Rs. 500,000.

A unit trust/mutual fund failing to issue the prescribed income, exemption and withholding certificate to every unit holder within five months after year-end is deemed a resident company from Y/A 2025/26 under the new rule.

Other sector and transition changes

The Government-assisted private-school exemption is redefined retrospectively from 1 April 2018, excluding Companies Act schools and requiring the stated registration/assistance conditions. Specified non-resident aircraft/software/related-service receipts from the Sri Lanka Air Force are exempt from 1 April 2025. The gem-auction exemption is tied to identification in the Authority's monthly return; the new monthly-return duty begins from Y/A 2026/27.

Port City exemptions must be read subject to its Act and regulations. Preserved concessionary rates from the repealed 2006 Act end no later than 31 March 2025. The extra 35% deduction for qualifying IT employee costs is confined to pre-1 April 2025 years. Old-law balances, credits and exemptions cannot be carried over indiscriminately.

Legal references: 2026 Act ss. 5-8, 12, 19, 25-27, 34-35 and 38-41; Main Act Fifth Schedule para. 1.

10 2026 amendment map substantive tax rules

The left column is the **section of Amendment Act No. 11 of 2026**. References in the middle column are to the principal Act. This map includes changes that are easy to miss in a topic-based summary.

Act s.	What changed	Effective date / period
2	s. 8: clarify other sources; exclude motor-vehicle realisation gains from other income.	1 Apr 2024
3	s. 10(2A): permit direct cash deposits to payee accounts; extend specified exceptions to payments to or by bodies. English s. 10(1) substitution repeats the wording.	8 May 2023 for s. 10(2A)
4	s. 46: Government/university asset gifts deemed realised at net cost.	3 Jun 2026
5	s. 52: carry forward unused qualifying Government/Government-fund donations.	1 Apr 2025
6	New s. 52A: life-insurance receipts exclusion, with exceptions and surrender ambiguity.	1 Apr 2025
7	s. 59: certificate failure causes unit trust/mutual fund to be treated as resident company.	1 Apr 2025
8	s. 68: replace specified charitable-institution credit treatment.	Y/A from 1 Apr 2025
9	s. 69: ship-employment, Investor Category Visa and qualifying overseas-contract residency rules.	1 Apr 2025
10	s. 72(3): direct deduction for overseas-source payments related to exports.	1 Apr 2018
11	s. 79: foreign PE head-office deduction limited to actual cost or 10% of relevant assessable income.	1 Apr 2025
12	s. 84: gem Authority monthly returns; extend exclusions to s. 84A; deposit-interest self-declarations.	Returns: 1 Apr 2026; declaration: 1 Apr 2025; other text: default date
13-15	ss. 85-87: expanded service-provider list; prescribed reporting requirements; free certificates.	3 Jun 2026
16-18	ss. 90-92: revise instalment base, withholding/foreign credits and old estimate provisions.	1 Apr 2026
19	s. 94: limited Rs. 5,000 interest return exception; mandatory Port City strategic-business return.	Exception: 1 Apr 2025; Port City duty: 3 Jun 2026
20	s. 95: CGT self-assessment clarified as being for tax payment.	3 Jun 2026
21	New s. 96A: salary-arrears credit and refund timing.	1 Jan 2024

Default date: Section 1(2) uses the date the Bill became an Act: 3 June 2026. Use s. 1(3) and explicit wording inside each provision for exceptions. Do not use the 5 June Gazette publication date as a universal commencement date.

11 2026 amendment map administration

Act s.	What changed	Effective date / period
22-24	ss. 100, 102, 103: information sharing; company registration; TIN certificates and verification.	Default 3 Jun 2026; s. 103(6)(b) states 1 Apr 2026
25-26	ss. 113, 135: paper/electronic returns for seniors; conditional 120% individual-return acceptance.	Y/A from 1 Apr 2025, as stated in new text
27	s. 150: qualifying historical senior refunds and refunds for repaid cash-basis receipts.	3 Jun 2026; historical claim dates expressly specified
28	s. 163: revised court recovery and safeguards around pending specified reviews/appeals.	New procedure states Y/A from 1 Apr 2026
29-31	New ss. 175A, 178A, 185A: newspaper service; withholding/declaration penalties; prosecution after notice.	3 Jun 2026
32	s. 193: compounding, related appeal withdrawals, possible fee and exclusions.	3 Jun 2026
33	s. 195: update authorised-representative reference; immigration-controller definition; broaden/clarify interest and NGO definitions.	3 Jun 2026
34	s. 202: restrict relying on old-law savings for specified deductions, credits, rates and exemptions.	3 Jun 2026; addresses post-1 Apr 2018 treatment
35	s. 203(6): preserve specified old-law concessionary rates only to their expiry, never after 31 Mar 2025.	31 Mar 2025
36	First Schedule: new CGT rates for specified taxpayers; historical liquor/tobacco company-rate export exclusion.	CGT: 3 Jun 2026; export exclusion: 1 Apr 2022
37	Second Schedule: BOI approval for expansion; 100% new-undertaking allowance in USD 250,000-3m band (lower limit exclusive).	1 Apr 2026
38	Third Schedule: schools, overseas loan interest, gems, Air Force receipts and Port City exemption wording.	Schools: 1 Apr 2018; loan/gems/Air Force: 1 Apr 2025; Port City: default date
39	Fourth Schedule: English substitution repeats “in a transportation or”; no distinct English-text policy change identified.	3 Jun 2026
40	Fifth Schedule: expand specified healthcare/social-service charitable category.	1 Apr 2025
41	Sixth Schedule: confine extra IT employee-cost deduction to pre-1 Apr 2025 years.	Amendment effective 1 Apr 2024; deduction ends from 1 Apr 2025
42	Conditional write-off of specified outstanding interest.	Six-month payment window from 3 Jun 2026

Amendment s. 1 provides commencement rules; s. 43 addresses precedence of the Sinhala text in a Sinhala/Tamil inconsistency. In s. 33, “interest” includes non-capital debt payments (including discount/premium) and specified commitment, guarantee or service fees on debt/swap arrangements.

12 Worked examples and practical next steps

Example 1 ordinary individual income

Assume an eligible resident individual has annual assessable income of **Rs. 3,000,000**, all subject to ordinary rates, with no other reliefs, qualifying payments or credits. Taxable income = Rs. 3,000,000 - Rs. 1,800,000 = **Rs. 1,200,000**. Tax = Rs. 1,000,000 x 6% + Rs. 200,000 x 18% = **Rs. 96,000**. Deduct eligible APIT/AIT and other credits to arrive at the balance payable.

Example 2 company tax reconciliation

Assume book profit of Rs. 5,000,000 includes Rs. 800,000 accounting depreciation and Rs. 100,000 non-deductible entertainment. Qualifying tax capital allowances are Rs. 600,000. With no other adjustments, taxable profit is Rs. 5,300,000. At the standard 30% rate, tax is **Rs. 1,590,000** before credits.

Example 3 taxable investment gain after 3 June 2026

Assume an individual realises an investment asset for Rs. 12,000,000 with statutory cost of Rs. 10,000,000, no other adjustments and no exemption. Gain = Rs. 2,000,000; tax at 15% = **Rs. 300,000**. The Rs. 1.8 million personal relief cannot be deducted from this gain.

Example 4 a straightforward quarterly instalment

Assume prior-year gross income tax before credits of Rs. 400,000, no lower-income estimate, no withholding/foreign credits and no prior instalments. First instalment = (Rs. 400,000 - 0) / 4 = **Rs. 100,000**. If actual current-year tax later becomes Rs. 520,000, paying four Rs. 100,000 instalments does not settle the additional Rs. 120,000 final liability.

Action checklist for taxpayers and advisers

1. Confirm residence, taxpayer type, source of income and the correct Y/A.
2. Separate ordinary income, final-withholding income and investment-asset gains.
3. Reconcile accounts to tax; review losses, capital allowances and large-payment evidence.
4. Update payroll, vendor withholding and the 2026/27 instalment calculation.
5. Review retrospective amendments before filing or revising affected returns.
6. Check registration/TIN records, return deadlines and any outstanding notices.
7. Review eligibility for the six-month interest write-off before its payment window closes.

Primary references

[1] Inland Revenue Department: [Consolidated Text of Inland Revenue Act No. 24 of 2017](#), incorporating amendments up to 31 March 2025; issued 30 June 2025. 249 PDF pages.

[2] Parliament of Sri Lanka: [Inland Revenue \(Amendment\) Act No. 11 of 2026](#), certified 3 June 2026; Gazette supplement 5 June 2026. 48 PDF pages.

Section references throughout are to these two documents. Examples are illustrative calculations, not statutory examples. This edition also incorporates the dated IRD material listed in sections 19–20. Use the relevant primary instrument and applicable procedure when implementing a transaction or preparing a return.

13 TIN certificates and bank interest declarations

Two different procedures apply. A TIN certificate identifies a taxpayer for specified transactions. An interest self-declaration tells a financial institution that a qualifying resident individual has no taxable income. One document does not replace the other.

TIN certificate procedure from 1 November 2026

Circular SEC/2026/E/07, dated 22 September 2026, gives the operational requirements for s. 103(6)(b). The statutory text states 1 April 2026; the circular specifies implementation from **1 November 2026**. [3]

Specified transaction	Who should prepare
Open a financial account, including savings, term or current accounts	Each individual account holder; each joint holder is considered separately.
Obtain building-plan approval or register land/title	The relevant individual applicant or party.
Register a motor vehicle or renew its licence	The relevant individual owner/applicant.
Register a business or transfer company shares	The individual applicant; both individual transferor and transferee in a share transfer.
Obtain a credit card	The individual applicant.

A photocopy, soft copy or IRD e-services TIN screen print carrying the required identification can be accepted. The receiving institution must verify authenticity before completing the transaction and retain the copy or record the TIN. IRD also published TIN verification instructions on 2 October 2026. [3, 4]

Procedure exclusions: The circular excludes individuals under 18, qualifying non-resident individuals, specified diplomatic persons, persons with an IRD letter refusing registration, and entities other than individuals. Evidence conditions apply to non-resident status. Exclusion from this certificate procedure does **not** exempt a company or other entity from ordinary tax/TIN registration duties. [3]

Interest self declaration for 2026 27 onward

Under Circular SEC/2026/E/01 dated 23 March 2026, an eligible resident individual with total assessable income not exceeding the Rs. 1.8 million personal relief can give the prescribed declaration to avoid AIT on eligible deposit interest. Add all assessable sources, including employment, business, interest and rent; exempt income is treated separately. [5]

The declaration for 2026/27 remains valid for subsequent years until circumstances change. Use the correct TIN; a TIN certificate is not required for this declaration. One declaration may cover accounts within the same institution, but separate institutions require separate declarations. A guardian can complete the process for an eligible minor. If income becomes taxable, withdraw the declaration promptly in writing and arrange any tax due. [5]

Practical distinction: Interest of Rs. 1.2 million plus assessable employment income of Rs. 1 million totals Rs. 2.2 million. Looking only at the interest would give the wrong eligibility result. This illustration assumes no other relevant adjustment.

Legal references: [3] Circular SEC/2026/E/07, pp. 2–6; [4] IRD TIN verification notice, 2 October 2026; [5] Circular SEC/2026/E/01. Source links are in section 19.

14 How to implement the new quarterly instalments

Use the **12 August 2026 re-revised** version of Circular SEC/2026/E/06. It replaces the earlier 3 and 6 August versions for Y/A 2026/27. The instalment formula in section 7 remains $(A - C) \div B$. [6]

Situation	Calculation and supporting material
Normal prior-year taxable income	Use prior-year gross income tax before credits as A. No calculation attachment is required for the standard basis; the credit-schedule rules still apply.
No prior taxable income and no current assessable income expected	A can be zero, but the required Attachment 1 declaration must still be provided.
No prior taxable income because losses or exemptions applied	Estimate under the circular using prior-year figures adjusted for current losses, exemptions and applicable tax provisions. Do not automatically carry forward a zero instalment.
Lower taxable income expected	Use the permitted alternative basis, supported by calculations and Attachment 1 (SEC/2026/SA/01). Explain profits that will not recur and other relevant changes.
Newly registered taxpayer	Estimate current-year taxable income and tax using Attachment 2 (SEC/2026/SA/02). This special method applies for one Y/A.
Unusual circumstances prevent estimation	Make a reasoned written request to the Commissioner, Tax Policy and Legislation Unit, for an acceptable alternative method.

Attachments and credit schedules have different deadlines

Calculation attachments: The re-revised circular allows required attachments for 2026/27 to be submitted by **30 November 2026**, including with the 2025/26 income-tax return. Upload in RAMIS through “Upload Supporting Documents → Supporting Documents → Other Relevant Documents”, using the circular’s TIN_2627_INSAttachment1 naming convention and the applicable revised/Attachment 2 suffix. Manual delivery to CDMU, a Metro or the relevant Regional Office is also permitted. [6, p. 11]

Credit schedule: Where applicable, submit the specified schedule to CDMU, a Regional or Metro Office by the last day of the instalment month: 31 August, 30 November, 28/29 February and 31 May. Keep withholding certificates and foreign-tax evidence. Do not treat the attachment deadline as an extension of the tax-payment deadline. [6, pp. 9–11]

Mid-year change from the standard basis: If current taxable income is projected to be lower, submit a supported revision request to CDMU by 31 October, 31 January or 30 April, before the corresponding next instalment. [6, p. 11]

Check the second instalment basis

For the permitted alternative cases where the final 2025/26 SET was used for the first instalment because the tax computation was unfinished, revise the second instalment using the 2025/26 return. Submit Attachment 1 and Attachment 1 (Revised), as applicable; the circular permits one such revision. [6, p. 7]

An APIT-only individual need not make quarterly instalments or submit a credit schedule. The circular also provides relief where employment is covered by APIT and AIT on rent/interest covers the remaining liability, including relevant Table 8 cases. This does not remove any separate annual-return obligation. [6, pp. 9–10]

Legal references: [6] Circular SEC/2026/E/06, re-revised 12 August 2026, and its attachments; [7] IRD Forms page.

15 Payroll and withholding procedures

Salary arrears require a separate calculation

Circular SEC/2026/E/05, dated 26 June 2026, implements the salary-arrears credit in s. 96A, effective from 1 January 2024. It covers qualifying arrears from the same employment relating to earlier years, supported by promotion, reinstatement or other qualifying evidence. Arrears relating only to the current Y/A use the normal lump-sum rules and do not qualify for this credit. [8]

The circular calculates the credit as $A = B - C$, subject to the tax-on-arrears cap. B is the extra current-year tax caused by the arrears, calculated using APIT Table 5. C is the earlier-year tax attributable to those arrears using the IRD worksheet and historical rates, with prior T10 information. The credit cannot exceed the Table 2 tax on the arrears. Use the IRD calculator and the circular's worksheet rather than applying one current rate to all earlier years. [8]

Retain the allocation of arrears by year, prior T10 certificates, the current calculation and the supporting employment decision. Earlier deductions after 1 January 2024 may require the prescribed refund route; do not assume they can all be refunded through an ordinary payroll adjustment. [8]

Withholding on payments to suppliers and recipients

Circular SEC/2026/E/04, dated 8 June 2026, updates general WHT/AIT procedures. It excludes deposit-interest procedures dealt with separately and specified outward remittances governed by the relevant Gazette. Apply the rates in section 6 only after checking the recipient, source, exemption and treaty position. [9]

Control	What the payment team should do
Monthly thresholds	For qualifying resident individual services, deduct 5% on the full payment once monthly aggregate payments exceed Rs. 100,000. For resident rent, the comparable rate is 10%.
Amount subject to withholding	Use the gross payment excluding Sri Lankan VAT. If the contract promises a net-of-tax payment, consider the required gross-up.
When to withhold	Payment includes amounts credited, reinvested, accumulated, capitalised or made available as specified; a cash transfer is not the only trigger.
Foreign-currency payments	Apply the prescribed CBSL selling rate on the payment date. Confirm the relevant outward-payment procedure separately.
Exemption evidence	Keep the statutory basis and any required CGIR confirmation before applying an exemption. A recipient's informal request is insufficient.
Remittance and certificates	Generally remit by the 15th of the following month. Issue monthly certificates within 30 days after month-end, free of charge; permitted electronic/longer-period arrangements require the recipient's consent.

Illustration: An eligible resident individual consultant receives Rs. 120,000 in service fees for a month, excluding VAT. At 5%, withholding is Rs. 6,000 on the full Rs. 120,000, not Rs. 1,000 on the amount above the threshold. Confirm that the service and payer fall within the rule.

Use the appropriate APIT table

IRD provides separate tables for regular employment, lump sums, qualifying terminal benefits, non-resident non-citizens, cumulative calculations, tax-on-tax, secondary employment and foreign-employer cases. Reconcile monthly payroll and annual APIT schedules to the ledger and T10 certificates. [10]

Legal references: [8] Circular SEC/2026/E/05; [9] Circular SEC/2026/E/04; [10] IRD APIT tables. Source links are in section 19.

16 VAT requirements for businesses

VAT taxes supplies and imports under a separate Act. An income-tax exemption or a low profit does not, by itself, remove VAT obligations. This section highlights common requirements and 2026 developments; exemptions and special regimes need a transaction-specific check. [11–14]

Ordinary VAT item	Current position to check
Standard rate	18% from 1 January 2024. Qualifying exports and specified services can be zero-rated; exempt supplies are a different category.
General registration threshold	Taxable supplies exceeding Rs. 15 million for a quarter or Rs. 60 million over 12 months, including the statutory likely-to-exceed tests.
Commercial importers and exporters	Compulsory registration rules apply irrespective of the ordinary turnover threshold.
Application and compliance	Ordinary registration application: within 15 days of becoming liable. Normally pay by the 20th of the following month and file by the last day of the month following the taxable period. Special regimes differ.
Electronic filing	VAT returns and schedules are generally filed electronically for taxable periods beginning from 1 July 2025; manual filing requires prior IRD approval.

Revised tax invoice format from 1 October 2026

Use the amended date: Gazette No. 2500/106 of 6 August 2026 moves the date in Gazette No. 2481/22 from 1 July to **1 October 2026**; all other matters remain unchanged. The May 2026 explanatory circular still shows July, so it must be read with this later Gazette. [13, 14]

Check “TAX INVOICE”, supplier registration details, the VAT-registered purchaser’s details, invoice and supply dates, a clear description and quantity, and the supply value, VAT and inclusive total. The prescribed serial pattern is YYYYMM_QQQQ_XXXXX, with no spaces and at most 40 characters. Follow the full Gazette specifications, including applicable approved exceptions; do not infer an exception merely because an ERP is used. [13, 14]

SVAT was replaced by risk based refunds

SVAT ended from **1 October 2025**. The replacement scheme covers eligible exporters and specified projects/suppliers. Refund processing depends on risk classification and proper returns/schedules; high-risk claims are subject to pre-verification. The 45-day mechanism runs from the applicable later trigger and can depend on correcting schedule deficiencies. It is not an unconditional 45-day refund for every VAT registrant. [15]

Other significant VAT changes in Act No 14 of 2026

Financial services: The rate on the statutory value-addition basis rises to **20.5% from 1 July 2026**. The ordinary 18% rate above does not describe this special regime. Related SSCL exemption conditions are explained in section 17. [12]

Non-resident digital services: The Act provides a dedicated registration and charging regime for electronic-platform services to persons in Sri Lanka from 1 July 2026, with Rs. 60 million over 12 months or Rs. 15 million quarterly threshold tests. The electronic registration deadline follows the special three-month rule in s. 25L, including the date the prescribed form is specified. Providers and business purchasers should check the separate regime rather than apply ordinary domestic registration mechanics. [12]

Legal references: [11] IRD VAT page; [12] VAT (Amendment) Act No. 14 of 2026, ss. 2, 7–8; [13–14] invoice instruments; [15] SVAT replacement notice. Links in section 20.

17 SSCL and other tax checks

SSCL threshold reduced from 1 July 2026

The Social Security Contribution Levy is generally **2.5% of liable turnover**. From 1 July 2026, the registration threshold is turnover exceeding or likely to exceed **Rs. 9 million per quarter or Rs. 36 million over four consecutive quarters**. Register within 15 days of crossing or being likely to cross the applicable threshold. The older Rs. 15 million/Rs. 60 million figures on the general IRD page must be read subject to Act No. 10 of 2026 and the 16 April notice. [16, 17]

Activity	Usual portion of turnover liable	Effective rate on that turnover*
Importation	100%	2.5%
Manufacture	85%	2.125%
Ordinary services	100%	2.5%
Qualifying registered distributors	25%	0.625%
Other wholesale and retail trade	50%	1.25%

*Arithmetic illustration: 2.5% multiplied by the liable proportion. These are not substitute statutory rates. First identify taxable turnover, exclusions, activity classification and exemptions. Property improvements and financial services have special rules. [16]

Example: If a manufacturer has Rs. 10 million of relevant turnover and no exemption or adjustment, liable turnover is Rs. 8.5 million. SSCL is Rs. 8.5 million × 2.5% = **Rs. 212,500**. Ordinary manufacturing costs do not turn the levy into a profit tax.

2026 exemptions and timing to check

The motor-vehicle import exemption ends from **1 May 2026**, while the exemption for wholesale/retail sales of motor vehicles applies from that date. Financial services liable to VAT under Chapter IIIA at 20.5% are exempt from SSCL under the relevant provision; confirm the supply actually meets those conditions. [16, 17]

Ordinary SSCL monthly instalments are generally due by the **20th of the following month**, and the quarterly return by the **20th of the month following the quarter**. Apply current notices and the specific import-payment procedure where relevant. Reconcile each business activity separately rather than applying one percentage to all revenue. [16]

Other taxes depend on the transaction or industry

Use the IRD tax-type and legislation indexes to screen for stamp duty, share transaction levy, betting and gaming levy, and sector-specific requirements. A property transfer, security transaction or regulated activity may trigger obligations beyond income tax, VAT and SSCL. Provincial and local charges may also require sources outside IRD. This guide does not provide a full rate schedule for those taxes. [18]

International and refund procedures

For cross-border payments, confirm the domestic source rule, relevant double-tax agreement, beneficial entitlement and the prescribed treaty/clearance procedure before claiming a lower rate. For refunds, preserve payment and withholding evidence, reconcile the return to the claim, and use the current form. A general online tax chart cannot establish treaty eligibility or an individual refund entitlement. [18]

Legal references: [16] SSCL consolidated text incorporating Act No. 10 of 2026; [17] IRD notice PN/SSCL/2026-04; [18] IRD indexes and services. Links in section 20.

18 Practical actions and Synergy Advisors details

Priorities as at 11 October 2026

When	Action	Suggested owner
Now	Check the 2025/26 final tax balance due 30 September has been settled and allocated correctly. Prepare the annual return and reconcile credits.	Tax / finance
Now	Review VAT invoices issued from 1 October against the amended format; confirm SSCL registration under the July threshold.	Finance / billing
By 31 October	Where eligible, submit a supported change from the standard instalment basis before the November instalment.	Tax
Before 1 November	Prepare TIN evidence and institutional verification arrangements for affected individual transactions.	Individuals / operations
November cycle	Calculate the second quarterly instalment, normally due 15 November; lodge the 2025/26 return and relevant attachments/credit schedule by 30 November, subject to applicable rules.	Tax / finance
Before the statutory window closes	Review the six-month interest write-off in s. 42; obtain a period-by-period reconciliation and pay qualifying tax and penalties in time.	Tax / management

These are preparation priorities, not extensions of statutory deadlines. Section 119, weekends/public holidays and any valid IRD extensions must be applied to the relevant obligation. Keep proof of payment, submission acknowledgements and the version of each form used.

About the firm

Synergy Advisors (Chartered Accountants)

Registration No. W.D.19554 | Established 2020

The firm's website lists tax advisory and compliance, audit and assurance, accounting and bookkeeping, payroll and secretarial services, business advisory and valuations, and ERP and technology services. [19]

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Email: info@sa.lk | **Website:** www.sa.lk

Office hours: Monday to Friday, 9.00 am–5.00 pm. [19]

Information to prepare for a tax review

Bring the latest return and computation, accounts/trial balance, payroll and T10 records, withholding certificates, instalment receipts, bank remittance evidence, asset disposal details, and IRD notices. Identify the taxpayer, Y/A, residence status and transaction dates before selecting a rate or relief.

Use of this resource: General educational guidance incorporating Synergy Advisors' public firm details. It is not an IRD publication or an IRD-endorsed interpretation. An individual filing or transaction needs a review of its facts and applicable law. Firm details and logo are sourced from sa.lk; tax positions are sourced separately from official legislation and IRD material.

19 Sources and scope of the review

Review date: 11 October 2026. The review covered the relevant public English-language IRD legislation, circulars, gazettes, notices, tax-type guidance, APIT tables, forms, rulings index and taxpayer service information. It did not examine every historical archive, every language version or authenticated taxpayer records. The guide remains focused on income tax, with selected VAT and SSCL coverage.

How conflicting information was handled: Enacted legislation and applicable Gazette instruments take priority over older website summaries. Dated operational circulars are used for implementation. Examples include the June 2026 CGT amendment, the July SSCL threshold, and the October VAT invoice date. The linked general tax calendar displayed 2024, so it was not used as a 2026 calendar.

[1] [Inland Revenue Act 2017 consolidated through March 2025](#)

IRD convenient reference issued 30 June 2025. Read with the subsequent amendment; not a statutory consolidation. Main basis for sections 1–12.

[2] [Inland Revenue Amendment Act No 11 of 2026](#)

Certified 3 June 2026. Commencement rules in s. 1; substantive and administrative amendments mapped in sections 10–11.

[3] [Circular SEC/2026/E/07 — TIN certificates](#)

22 September 2026. Operational procedure from 1 November 2026; see section 13.

[4] [TIN verification through IRD e services](#)

2 October 2026. Public verification instructions; see section 13.

[5] [Circular SEC/2026/E/01 — interest self declarations](#)

23 March 2026. Declaration procedure for 2026/27 onward; see section 13.

[6] [Circular SEC/2026/E/06 — quarterly instalments re revised](#)

12 August 2026. Use this version, including highlighted amendments and attachments; see sections 7 and 14.

[7] [IRD Forms and Returns](#)

Locate SEC/2026/SA/01, SEC/2026/SA/02 and the current statement of tax credits. Check form versions before submission.

[8] [Circular SEC/2026/E/05 — salary arrears credit](#)

26 June 2026. Calculation procedure and supporting records; see sections 6 and 15.

[9] [Circular SEC/2026/E/04 — withholding agents](#)

8 June 2026. General WHT/AIT procedures, excluding separately governed categories; see section 15.

[10] [IRD Advance Personal Income Tax tables](#)

Use the applicable table and instructions for the payment type and period; see section 15.

20 Sources for business taxes and firm information

[11] [IRD Value Added Tax overview](#)

General VAT rates, registration and compliance information. Read with later legislation and gazettes.

[12] [VAT Amendment Act No 14 of 2026](#)

Certified 30 June 2026. Includes financial-services and non-resident digital-services changes; see section 16.

[13] [Gazette No 2481/22 and VAT invoice explanatory circular](#)

Gazette dated 27 March 2026. Read the specifications with Circular SEC/2026/E/03 dated 20 May 2026 on the IRD Circulars page and the date amendment below.

[14] [Gazette No 2500/106 — invoice effective date amendment](#)

6 August 2026. Moves the effective date to 1 October 2026; other matters unchanged.

[15] [IRD notice on SVAT abolition and risk based refunds](#)

SVAT replacement from 1 October 2025. Also consult Gazette No. 2456/02 and Circular SEC/2025/E/06 for detailed operation.

[16] [SSCL consolidated text incorporating the 2026 amendment](#)

IRD convenient consolidation incorporating amendments up to 9 April 2026; issued 26 May 2026. See registration provisions and Schedules.

[17] [IRD notice PN/SSCL/2026 04](#)

16 April 2026. Explains the July threshold and May motor-vehicle changes under Act No. 10 of 2026.

[18] [IRD Acts and taxpayer information index](#)

Navigate to tax types, International Relations, taxpayer guides, payments and forms for the relevant procedure.

Monitoring pages: [Circulars](#) | [Gazettes](#) | [News and Notices](#) | [Public rulings](#). Recheck dated notices before filing or completing a transaction.

[19] [Synergy Advisors firm website and contact details](#)

Firm identity, logo, services and contact information. Contact page: <https://www.sa.lk/Contact>. Used for presentation and firm details, not as authority for tax law.

All amounts are in Sri Lankan rupees unless stated otherwise. Calculations in this guide are illustrative. Links identify the source documents so readers can check the full conditions; a concise summary cannot reproduce every exception.