

# Sri Lanka Tax Summary 2026

Key rates, changes and compliance priorities for individuals and businesses

The 2026 amendments change selected rules, not the entire tax system. Apply each provision from its own effective date and check eligibility before using a relief or special rate.

## 01 Personal income tax

**LKR 1.8 million annual personal relief** for residents and non-resident Sri Lankan citizens; unavailable against investment-asset gains.

### Annual taxable income after relief:

|                            |            |
|----------------------------|------------|
| First LKR 1,000,000        | <b>6%</b>  |
| Next LKR 500,000           | <b>18%</b> |
| Next LKR 500,000           | <b>24%</b> |
| Next LKR 500,000           | <b>30%</b> |
| Balance over LKR 2,500,000 | <b>36%</b> |

Progressive bands apply from 1 April 2025. Payroll APIT must follow the applicable IRD tables.

## 02 Business and investment

**Companies:** standard rate **30%**. Qualifying foreign/service profits: **15%**, subject to statutory and bank-remittance conditions.

**Partnerships:** ordinary taxable income up to LKR 1 million: **0%**; excess: **6%**. Partners are separately assessed with eligible credits.

**Capital gains:** individuals and partnerships **15%** from 3 June 2026; companies **30%**. Asset classification and exemptions matter.

**Taxable profit differs from book profit:** review disallowed expenses, capital allowances and withholding obligations.

## 03 Withholding at a glance

**Interest:** generally 10% | **Dividends:** 15%

**Resident rent:** 10% when monthly payments exceed LKR 100,000.

**Specified resident individual service fees:** 5% when monthly payments exceed LKR 100,000.

For these rent/service thresholds, deduct on the **full payment**. Exemptions, recipient status and treaty relief may change the treatment.

## 04 VAT and SSCL

**VAT:** standard rate **18%**. General registration threshold: taxable supplies exceeding **LKR 15m per quarter / LKR 60m over 12 months**, including likely-to-exceed tests. Commercial importers/exporters have compulsory registration rules.

**SSCL:** **2.5%** of liable turnover. From 1 July 2026, registration threshold: turnover exceeding or likely to exceed **LKR 9m per quarter / LKR 36m over four consecutive quarters**. Liable turnover proportions vary by activity.

## 05 Changes requiring attention

**Instalments:** from Y/A 2026/27, start with prior-year tax; use the prescribed estimate procedure where eligible.

**VAT invoices:** revised format from 1 October 2026.

**TIN:** certificate procedure for specified transactions from 1 November 2026.

## YOUR COMPLIANCE CALENDAR

**Income tax instalments:** 15 Aug / 15 Nov / 15 Feb / 15 May

**31 March year-end:** final tax 30 Sep; annual return 30 Nov

**APIT / AIT / WHT:** generally remit by the 15th of the following month

Normal statutory dates; apply holiday rules and valid IRD extensions. Y/A = year of assessment.

Based on the attached guide dated 11 October 2026, including Act No. 11 of 2026 and cited IRD guidance. Selected highlights only; special regimes and exceptions require review. [Official guidance: www.ird.gov.lk](http://www.ird.gov.lk)

**Tax advice and compliance support** | [info@sa.lk](mailto:info@sa.lk) | [www.sa.lk](http://www.sa.lk)

**Call / WhatsApp:** +94 71 434 7918 | 071 122 4545 | 071 856 0486 | 076 112 0073

Main: 2nd Floor, No. 464, High Level Road, Gangodawila, Nugegoda

Branch: No. 140, Kaduwela Road, Athurugiriya