



Snapshot

Bill to Amend the
Inland Revenue Act

February 2026

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1

WHT on Individual Service Providers - Broadening of Scope

Effective upon Enactment

With the revision of this provision, a WHT of 5% is required to be withheld by the Withholding Agent on payments made to the following service providers of a value above Rs. 100,000.

Auditor, modeller, personal trainer, coach, event organiser, valuer, artist, Actor, dancer, singer, musician, photographer, videographer, therapist, social media specialist, counsellor, beautician, cook, electrician, dentist, veterinarian, brand ambassador, sportsperson, information technology specialist, advertising agent, advisor, translator, writer and debt collector.

2

Interest and Discounts paid by Financial Institutions for Individuals with No Taxable Income - Exclusion from AIT

Effective from 01 April 2025

Interest and discounts paid by financial institutions (banks, etc.) to individuals who do not have any taxable income during the period will be excluded from WHT deductions, provided that such individuals submit a self-declaration to the respective financial institution as specified by the Commissioner General of the Inland Revenue Department (CGIR).

3

Capital Gains Tax - Revision in Tax rates

Effective upon Enactment

Category	Current rate	Revised rate
Individuals / Partnerships	10%	15%
Trust / Unit Trust organizations	10%	30%

4

Gains from the sale of Motor Vehicles - Tax Exclusion

Effective from 01 April 2024

Gains derived from the sale of personally used motor vehicles will be excluded from the taxable income calculation.

5

Individual Income Tax Filing – Filing Exemption

Effective from 01 April 2025

If an individual's taxable income comprises of employment income subject to APIT and interest income below Rs. 5,000 for a year of assessment, that individual is not required to file a return.

6

Mandatory TIN registration on Company Registration

Effective upon Enactment

Every Company registered in Sri Lanka is required to register with the Commissioner General within 30 days of incorporation or registration.

7

Removal of SET Submissions

Effective from 01 April 2026

Taxpayers will not be required to submit the SET from the effective date of this provision. Accordingly, the quarterly installment payments must be calculated based on the taxable income of the previous year.

However, if the taxable income of the taxpayer is expected to be lower than the previous year, the estimated tax liability, as calculated as specified by CGIR, should be considered to make such payment.

8

Cash Transactions – Deductibility in Tax Calculations

Effective from 08 May 2023

Deductibility restrictions of significant cash deposits (Rs. 500,000 or more) made directly to the payee's account have been relaxed. Accordingly, such deposits can be deductible if such payment is in the production of income.

9

Export related Foreign Payments - Deductions Allowed

Effective from 01 April 2028

Deductions for expenses are allowed in respect of goods and services export transactions, even where the source of income is not in Sri Lanka.

10

Carry forward of Qualifying Payments

Effective from 01 April 2025

Qualifying payments made to specified Government organizations are allowed to be carried forward to the following years in instances where the assessable income for a year of assessment is inadequate.

11

Thin Capitalization - Consideration of Reserves

Effective from 01 April 2025

The scope of reserves considered for the thin capitalization calculations has been expanded to add negative reserves of a company. This will result in a reduction in the interest costs that can be deducted when a company has accumulated losses.

12

Enhanced Capital Allowances - New Mid-Sized Investments

Effective from 01 April 2026

A range of USD 250,000 - USD 3 million is introduced for new investments in depreciable assets that will be eligible for a capital allowance of 100%.

13

Enhanced Capital Allowances - Existing undertakings

Effective from 01 April 2026

Enhanced capital allowances on the existing undertakings are available subject to the approval of the Board of Investments of Sri Lanka.

14

Interest on Late Payments and Underpayments - Waiver

Effective upon Enactment

CGIR is empowered to write off any underpayment or late payment interest under the Acts; The Inland Revenue Act No. 24 of 2017 up to 31 March 2023, The Surcharge Tax Act, No. 14 of 2022 and The Debt Repayment Levy under the Finance Act, No. 35 of 2018.

To be eligible for this, the total outstanding tax liability and the relevant penalties must be settled within six months from the date this Act is enacted.

Still have areas to clear out?

Reach out to us!

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