



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**INLAND REVENUE (AMENDMENT)
ACT, No. 11 OF 2026**

[Certified on 03rd of June, 2026]

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Inland Revenue (Amendment) Act, No. 11 of 2026

[Certified on 03rd of June, 2026]

L.D. - O. 14/2025

AN ACT TO AMEND THE INLAND REVENUE
ACT, NO. 24 OF 2017

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. 11 of 2026.

Short title and the date of operation

(2) The provisions of this Act, other than the provisions of sections referred to in subsection (3) of this section, shall come into operation on the date on which the Bill becomes an Act of Parliament.

(3) The provisions of this Act specified in *Column I* of the *Table* below which amend the provisions of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as the “principal enactment”) specified in *Column II* of that *Table*, shall come into operation or be deemed to have come into operation, as the case may be, on the respective dates as specified in *Column III* of that *Table*.

Table

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>	<i>Date of operation</i>
2	8	01.04.2024
3	10(2A)	08.05.2023
5	52	01.04.2025
6	52A	01.04.2025
7	59(1A) and (2)	01.04.2025

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<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>	<i>Date of operation</i>
8	68(3)	01.04.2025
9	69(1)(d), (1A) and (2A)	01.04.2025
10	72(3)	01.04.2018
11	79(1), (2) and (3)	01.04.2025
12(1)(b)	84(2)(b)	01.04.2026
12(2)(c)	84(3)(f)	01.04.2025
16	90(3) and (6)	01.04.2026
17	91(1), (3), (4), (5) and (6)	01.04.2026
18	92(1)	01.04.2026
19	94(1)	01.04.2025
21	96A	01.01.2024
35	203(6)	31.03.2025
36	Item (b) of sub-paragraph (2B) of paragraph 4 of the First Schedule	01.04.2022
37	Sub-paragraphs (1A) and (2A) of the Second Schedule	01.04.2026
38	Paragraph (a)(iv) of the Third Schedule	01.04.2018
38	Paragraphs (i)(ii), (s) and (ttt) of the Third Schedule	01.04.2025
40	Fifth Schedule	01.04.2025
41	Sixth Schedule	01.04.2024

Amendment of section 8 of the principal enactment

2. Section 8 of the principal enactment is hereby amended in subsection (2) of that section as follows: -

- (1) by the substitution for the words “from any source whatsoever,” of that subsection, of the words “from other sources,”;

- (2) in paragraph (a) of that subsection, by the substitution for the words “payments; and”, of the word “payments;”;
- (3) in paragraph (b) of that subsection, by the substitution for the word “investment.”, of the words “investment; and”; and
- (4) by the addition immediately after paragraph (b) of that subsection, of the following new paragraph: -

“(c) gains from the realisation of motor vehicles.”.

3. Section 10 of the principal enactment is hereby amended as follows: -

Amendment of section 10 of the principal enactment

- (1) in sub-paragraph (viii) of paragraph (b) of subsection (1) of that section, by the substitution for the words “to a reserve or provision for expenditures”, of the words “to a reserve or provision for expenditures”; and
- (2) in subsection (2A) of that section –
 - (a) in paragraph (a), by the substitution for the words “bank draft or”, of the words “bank draft or by depositing cash in the second mentioned person’s bank account or”; and
 - (b) in paragraph (b) –
 - (i) in sub-paragraph (i), by the substitution for the words “any

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payment by”, of the words “any payment to or by”; and

- (ii) in sub-paragraph (ii), by the substitution for the words “any payment by”, of the words “any payment to or by”.

Amendment of section 46 of the principal enactment

4. Section 46 of the principal enactment is hereby amended by the insertion immediately after subsection (3) of that section, of the following new subsection: -

“(3A) Where a person realises an asset by way of transfer of ownership of the asset as a gift or donation to the Government of Sri Lanka or any University which is established or deemed to be established under the Universities Act, No. 16 of 1978, the person shall be treated as deriving an amount in respect of the realisation equal to the net cost of the asset immediately before the realisation.”.

Amendment of section 52 of the principal enactment

5. Section 52 of the principal enactment is hereby amended by the addition immediately after subsection (3) of that section, of the following new subsection: -

“(4) Where the deduction of any qualifying payment referred to in items (i) and (v) of sub-paragraph (b) of paragraph 1 of the Fifth Schedule, in terms of subsection (1) of this section, is not possible, for any year of assessment commencing on or after April 1, 2025, due to the reason that the total assessable income in the relevant year of assessment does not exceed the amount

of the qualifying payment which shall be deducted in arriving at the taxable income of an individual or an entity, such amount of the qualifying payment which is not possible to be deducted in the relevant year of assessment shall be carried forward and deducted from the assessable income of the individual or entity of the year of assessment immediately succeeding the relevant year of assessment or from the assessable income of any consecutive year succeeding.”.

6. The following new section is hereby inserted immediately after section 52 of the principal enactment, and shall have effect as section 52A of that enactment: -

Insertion of new section 52A in the principal enactment

“Amounts from life insurance policies

52A. (1) Notwithstanding anything to the contrary in this Act, in calculating the assessable income of an individual for a year of assessment under section 4, any amount received or derived by an individual under a life insurance policy, whether as the policy holder or as a beneficiary of such policy, upon-

- (a) the death of the insured person;
- (b) the maturity of the policy; or
- (c) the surrender of the policy,

shall be excluded.

(2) Subsection (1) shall not apply to the following payments made in connection with or under a life insurance policy: -

- (a) any amount received under a life insurance policy, which constitutes employment income or business income; or
- (b) any annuity, or any pension, retirement or superannuation payment or any payment made under a life insurance policy otherwise than on the death of the insured person or maturity of the policy.

(3) Nothing in this section shall limit or affect the application of section 35.

(4) For the purposes of this section, “life insurance policy” means a contract of insurance issued by an insurer licensed under the Regulation of Insurance Industry Act, No. 43 of 2000, which provides for the payment of money on the death of an individual.”.

Amendment of section 59 of the principal enactment

7. Section 59 of the principal enactment is hereby amended as follows: -

- (1) by the insertion immediately after subsection (1) of that section, of the following new subsection: -

“(1A) Notwithstanding the provisions of subsection (1), with effect from the year of assessment commencing on April 1, 2025, a unit trust or mutual fund which fails to serve on every unit holder a certificate containing the details of income, exempt amounts,

withholding tax and any other information as specified by the Commissioner-General within five months after the end of each year of assessment ending on the thirty first day of March, shall be deemed to be a company resident in Sri Lanka and the provisions of this Act relating to companies resident in Sri Lanka shall apply.”; and

- (2) in subsection (2) of that section, by the substitution for the word and figure “subsection (1)”, of the words and figures “subsection (1) or (1A)”.

8. Section 68 of the principal enactment is hereby amended as follows: -

Amendment of section 68 of the principal enactment

- (1) in subsection (3) of that section, by the substitution for the words “in any year of assessment”, of the words and figures “in any year of assessment prior to April 1, 2025,”; and
- (2) by the addition immediately after subsection (3) of that section, of the following new subsection: -

“(4) In the case of an institution referred to in sub-paragraph (a) of paragraph 1 of the Fifth Schedule to this Act, with effect from the year of assessment commencing on April 1, 2025, where the Commissioner-General is satisfied that the cost of providing the services specified in such sub-paragraph is borne by such institution, the Commissioner-General shall grant a tax credit equal to

the tax payable on the institution's taxable income for the year of assessment.”.

Amendment of section 69 of the principal enactment

9. Section 69 of the principal enactment is hereby amended as follows: -

- (1) in paragraph (d) of subsection (1) of that section, by the substitution for the words “so employed.”, of the following: -

“so employed:

Provided that, if such individual is a citizen or subject of any country other than Sri Lanka, such individual shall not, by reason of being so deemed to be resident in Sri Lanka, be liable to income tax as a resident in respect of any income other than his income from the employment on such ship:

Provided further, any individual who is deemed to be a resident in Sri Lanka only for the purpose of income tax under this paragraph shall be treated as a resident in Sri Lanka during the period he is so employed.”; and

- (2) by the insertion immediately after subsection (1) of that section, of the following new subsections: -

“(1A) Notwithstanding the provisions of subsection (1), an individual shall not be a resident in Sri Lanka for a year of assessment, if the individual holds an Investor Category Residence Visa issued by the Controller of Immigration and Emigration.

(2A) For the avoidance of doubt, it is hereby declared that if an individual leaves Sri Lanka for an employment under a contract for a period of not less than one year with an employer who is not associated with the immediate Sri Lankan employer of the individual, such individual shall not be considered as a resident of Sri Lanka for the period commencing on the first day of the year of assessment in which the individual leaves Sri Lanka and ending on the date of expiry of such contract.”.

10. Section 72 of the principal enactment is hereby amended by the addition immediately after subsection (2) of that section, of the following new subsection: -

Amendment of section 72 of the principal enactment

“(3) Notwithstanding anything to the contrary in subsection (2), a payment that has no source in Sri Lanka shall be directly deducted in calculating income, to the extent that such payment is incurred during the year of assessment in relation to the export of goods or services from Sri Lanka.”.

11. Section 79 of the principal enactment is hereby amended as follows: -

Amendment of section 79 of the principal enactment

- (1) by the renumbering of that section, as subsection (1) of that section;
- (2) in the renumbered subsection (1) of that section, by the substitution for the words “for an amount incurred”, of the words and figures “for an amount incurred in any year of assessment prior to April 1, 2025,”; and

- (3) by the addition immediately after the renumbered subsection (1) of that section, of the following new subsections: -

“(2) Where a non-resident person who carries on business through a Sri Lankan permanent establishment incurs any expenditure in any year of assessment commencing on and after April 1, 2025 in the nature of head office expenditure, a sum equal to –

- (a) the amount of such expenditure;
or
- (b) the amount equal to ten *per centum* of such person’s assessable income from such business,

whichever is lesser, shall be deducted for such year of assessment.

(3) For the purpose of this section, “head office expenditure” in relation to a non-resident person and for any year of assessment means, the executive and general administration expenditure incurred by or on behalf of such person outside Sri Lanka, including the expenditure –

- (a) which comprises the aggregate of the total income from employment of, and the total cost of travelling undertaken by every employee and every

other person employed in, or managing the affairs of any office of such company outside Sri Lanka; and

(b) which is incurred in respect of any premises outside Sri Lanka.”.

12. Section 84 of the principal enactment is hereby amended as follows: -

Amendment of section 84 of the principal enactment

(1) in subsection (2) of that section –

(a) by the re-lettering of that subsection as paragraph (a) of that subsection; and

(b) by the addition immediately after the re-lettered paragraph (a) of that subsection, of the following new paragraph: -

“(b) With effect from the year of assessment commencing on April 1, 2026, such Authority shall file a monthly tax return containing such details and, in such manner, as specified by the Commissioner-General within thirty days after the end of each calendar month.”; and

(2) in subsection (3) of that section –

(a) by the substitution for the words “This section shall”, of the words and figures “This section and section 84A shall”;

- (b) in paragraph (e) of that subsection, by the substitution for the words and figure “under section 9.”, of the words and figure “under section 9;”; and
- (c) by the addition immediately after paragraph (e) of that subsection, of the following new paragraph: -

“(f) payment of interest or discount by any financial institution to an individual resident in Sri Lanka, for any year of assessment commencing on or after April 1, 2025 on any deposit maintained by such individual in such financial institution, if the individual has no taxable income for the year of assessment and provides a self-declaration to the financial institution as specified by the Commissioner-General.”.

Amendment of section 85 of the principal enactment

13. Section 85 of the principal enactment is hereby amended in paragraph (c) of subsection (1C) of that section, by the substitution for the words “academic or any individual” of that paragraph, of the words “academic, auditor, modeller, personal trainer, coach, valuer, artist, actor, dancer, singer, musician, event organizer, photographer, videographer, therapist, counsellor, beautician, cook, electrician, dentist, veterinarian, social media specialist, brand ambassador, sports person, specialist for information technology, advertising agent, advisor, translator, writer, debt collector or any individual”.

14. Section 86 of the principal enactment is hereby amended by the addition immediately after subsection (8) of that section, of the following new subsection: -

Amendment of section 86 of the principal enactment

“(9) The Commissioner-General may specify the procedures, formats and forms for filing statements required under subsections (2) and (8). Every withholding agent shall comply with the requirements relating to such procedures, formats and forms.”.

15. Section 87 of the principal enactment is hereby amended by the addition immediately after subsection (5) of that section, of the following new subsection: -

Amendment of section 87 of the principal enactment

“(6) A withholding agent shall serve a withholding certificate on a withholder, free of any charge or payment.”.

16. Section 90 of the principal enactment is hereby amended as follows: -

Amendment of section 90 of the principal enactment

(1) in the formula setout in subsection (3) of that section-

(a) in item ‘A’ of that formula, by the substitution for the words and figures “is the current estimated tax payable under section 91 or 92 by the instalment payer for the year of assessment;”, of the following: -

“(a) for any year of assessment prior to April 1, 2026, is the estimated tax payable by the instalment payer under section 91 or 92; and

(b) for any year of assessment commencing on or after April

1, 2026, is the amount of tax payable by the instalment payer with respect to the taxable income under paragraph (a) of subsection (1) of section 2 in the immediately preceding year of assessment:

Provided however, where the instalment payer has no taxable income for the immediately preceding year of assessment, or expects to derive during the current year of assessment a taxable income lower than the taxable income of the immediately preceding year of assessment, the estimated tax payable for the current year of assessment shall be considered as ‘A’. For this purpose, the estimated tax payable for the current year of assessment shall be calculated as per the procedure, and on the basis, specified by the Commissioner-General;”;

- (b) in item ‘C’ of that formula-
 - (i) in paragraph (b) of that item, by the substitution for the words “for the year; and”, of the words and figures “for any year of assessment prior to the year

of assessment commencing on April 1, 2026;”;

- (ii) by the insertion immediately after paragraph (b) of that item, of the following new paragraph: -

“(ba) tax withheld or to be withheld during the relevant year of assessment under Division II, from payments received by the person that are included in calculating the person’s income for any year of assessment commencing on or after April 1, 2026; and;”;

- (iii) in the proviso to paragraph (c) of that item, by the substitution for the words “Provided however, in calculating”, of the words and figures “Provided however, prior to the year of assessment commencing on April 1, 2026, in calculating”; and

- (2) by the addition immediately after subsection (5) of that section, of the following new subsection: -

“(6) In ascertaining the amount of tax payable by the instalment payer for a year of assessment commencing on or after April 1, 2026, such instalment payer may take into account the foreign tax credit to be claimed under section 80. However, in doing so, the instalment payer may take into account the foreign income tax only if the instalment payer has paid such tax or the instalment payer reasonably estimates that such tax will be paid during the period corresponding to that year of assessment.”.

Amendment of
section 91 of the
principal
enactment

17. Section 91 of the principal enactment is hereby amended as follows: -

- (1) in subsection (1) of that section, by the substitution for the words “for a year of assessment”, of the words and figures “for any year of assessment commencing prior to April 1, 2026,”;
- (2) in subsection (3) of that section, by the substitution for the words and figure “Subject to subsection (6)”, of the words and figures “For any year of assessment prior to the year of assessment commencing on April 1, 2026, subject to subsection (6)”;
- (3) in subsection (4) of that section, by the substitution for the words “In estimating tax payable for a year of assessment”, of the words and figures “In estimating tax payable for a year of assessment commencing prior to April 1, 2026”;
- (4) in subsection (5) of that section, by the substitution for the words “An instalment”,

of the words and figures “Prior to the year of assessment commencing on April 1, 2026, an instalment”; and

- (5) in subsection (6) of that section, by the substitution for the words and figure “filed by a person under subsection (5)”, of the words and figures “filed by a person under subsection (5) prior to the year of assessment commencing on April 1, 2026,”.

18. Section 92 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures “an estimate under section 91.”, of the words and figures “an estimate under section 91 prior to the year of assessment commencing on April 1, 2026.”.

Amendment of section 92 of the principal enactment

19. Section 94 of the principal enactment is hereby amended as follows: -

Amendment of section 94 of the principal enactment

- (1) in subsection (1) of that section –
- (a) in paragraph (c) of that subsection, by the substitution for the word and figures “section 82.”, of the words and figures “section 82; or”; and
- (b) by the addition immediately after paragraph (c) of that subsection, of the following new paragraph: -
- “(d) an individual referred to in paragraph (c) of this subsection, whose interest income for the year of assessment does not exceed five thousand rupees.”; and

- (2) by the insertion immediately after subsection (2) of that section, of the following new subsection: -

“(2A) Notwithstanding the provisions of subsection (1), any person carrying on a Business of Strategic Importance as approved under the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021 shall file a tax return in the form and manner specified by the Commissioner-General.”.

Amendment of section 95 of the principal enactment

20. Section 95 of the principal enactment is hereby amended as follows: -

- (1) by the renumbering of that section, as subsection (1) of that section; and
- (2) by the addition immediately after the renumbered subsection (1) of that section, of the following new subsection: -

“(2) For the avoidance of doubt, it is hereby declared that a capital gains tax return shall result in a self-assessment only for the payment of tax under section 82.”.

Insertion of new section 96A in the principal enactment

21. The following new section is hereby inserted immediately after section 96 of the principal enactment, and shall have effect as section 96A of that enactment: -

“Applicability of the tax credit for salary arrears

96A. (1) Where an employee is in receipt of any arrears of salary in a year of assessment, such employee shall be entitled to a tax credit calculated in accordance with

subsection (2). Such tax credit may be deducted from the income tax payable by such employee on his employment income for that year of assessment.

(2) The tax credit referred to in subsection (1) shall be calculated according to the following formula: -

$$A = B - C$$

where: 'A' is the tax credit allowed under this section which shall not exceed the income tax payable by the employee on the arrears of salary for the current year of assessment;

'B' is the income tax payable by the employee on the arrears of salary for the current year of assessment which is equal to the income tax payable on the aggregated employment income of the current year of assessment including the arrears of salary, less the income tax payable on the aggregated employment income excluding the arrears of salary;

'C' is the income tax payable, as calculated in terms of the applicable tax law for each previous year of assessment in which the arrears of salary are derived.

(3) In this section, “arrears of salary” means, gains and profits from employment received by an employee in the current year of assessment but in relation to any previous year of assessment from the same employment, as a result of reinstatement in service of an employment or re-appointment to the same employment after a disciplinary action, promotion to a post with effect from a previous date, entitlement to any remuneration increment with effect from a previous date of a previous year of assessment and similar reasons as specified by the Commissioner-General.

(4) Tax credit granted under this section shall be considered by the Commissioner-General in specifying the circumstances under which the Advance Personal Income Tax shall be deducted under section 83A.

(5) The Commissioner-General shall pay any refund claim on the application of this section within three months of the date of the refund claim made by the employee, prior to a tax audit.”.

Amendment of
section 100 of the
principal
enactment

22. Section 100 of the principal enactment is hereby amended in subsection (1) of that section, by the insertion immediately after paragraph (h) of that subsection, of the following new paragraphs: -

“(ha) the Director of the Financial Intelligence Unit of the Central Bank of Sri Lanka, for the purpose of performing and discharging the duties and functions relating to anti-money laundering and countering the financing of terrorism under the provisions of the Prevention of Money

Laundering Act, No. 5 of 2006, the Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 and the Financial Transactions Reporting Act, No. 6 of 2006;

- (hb) the Inspector-General of Police, for the purpose of performing and discharging the duties and functions relating to anti-money laundering and countering the financing of terrorism under the provisions of the Prevention of Money Laundering Act, No. 5 of 2006 and the Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005;
- (hc) the Sri Lanka Accounting and Auditing Standards Monitoring Board established under the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, for the purpose of performing and discharging the duties and functions of such Board under that Act;”.

23. Section 102 of the principal enactment is hereby amended by the insertion immediately after subsection (1) of that section, of the following new subsection: -

Amendment of section 102 of the principal enactment

“(1A) Every company incorporated or registered in Sri Lanka, shall register with the Commissioner-General not later than thirty days from the date of such incorporation or registration.”.

24. Section 103 of the principal enactment is hereby amended by the addition immediately after subsection (5) of that section, of the following new subsections: -

Amendment of section 103 of the principal enactment

“(6) (a) The Commissioner-General shall issue a TIN Certificate to every person who is assigned a TIN under this section.

(b) With effect from April 1, 2026, a person specified under subsection (3) of section 102 shall be required to submit the TIN Certificate for each of the purposes specified in *Column I* of the *Table* below and it shall be the responsibility of the relevant official specified in the corresponding entry in *Column II* of that *Table* to ensure compliance by that person of such requirement: -

Table

<i>Column I</i>	<i>Column II</i>
<i>Purpose</i>	<i>Relevant official</i>
to open any account at any financial institution	Manager of the financial institution
to obtain approval for a building plan	Chairman, Director Enforcement or Commissioner of the Local Authority
to register a motor vehicle	Commissioner-General of Motor Traffic
to renew the licence of a motor vehicle	Provincial Revenue Commissioner or Divisional Secretary
to register a land or title to a land	Registrar-General of the Registrar General's Department
to register a business	Divisional Secretary
to transfer shares of a company incorporated in Sri Lanka, by the transferee and transferor	Registrar-General of Companies
to obtain a credit card	Manager of the bank or credit card issuing entity

(c) For the purpose of this subsection, the Commissioner-General and the relevant official specified in paragraph (b), may enter into an agreement for an alternative method of verifying the TIN Certificate.

(d) The Commissioner-General may issue guidelines for the effective implementation of the provisions of this subsection.

(7) The provisions of this section shall not apply to –

(a) a person whose registration has been refused by the Commissioner-General under the provisions of section 102; or

(b) a person who is restrained from obtaining a TIN Certificate in terms of the provisions of any other written law.

(8) For the purposes of this Act, a TIN shall not be a secret or confidential information.”.

25. Section 113 of the principal enactment is hereby amended as follows: -

Amendment of section 113 of the principal enactment

(1) in subsection (1B) of that section, by the substitution for the words and figures “Subject to subsection (1C),”, of the words and figures “Subject to subsections (1C) and (1D),”; and

(2) by the addition immediately after subsection (1C) of that section, of the following new subsection: -

“(1D) With effect from the year of assessment commencing on April 1, 2025, a senior citizen shall file such person’s tax returns either in writing or electronically through a computer system or mobile electronic device.”.

Amendment of
section 135 of the
principal
enactment

26. Section 135 of the principal enactment is hereby amended by the addition immediately after subsection (6) of that section, of the following new subsection: -

“(7) With effect from the year of assessment commencing on April 1, 2025, where an individual, for any year of assessment (in this subsection referred to as the “current year of assessment”), has-

- (a) filed a return of income and declared the tax payable with respect to such individual’s taxable income under paragraph (a) of subsection (1) of section 2, in an amount not less than one hundred and twenty *per centum* of the tax payable on the taxable income for the year of assessment immediately preceding the current year of assessment;
- (b) paid the full amount of tax without claiming a tax refund; and
- (c) furnished an affidavit stating that no fraud, evasion, or willful default has been committed in relation to the tax payable for the current year of assessment,

such return shall be accepted as filed, and no amended or additional assessment shall be made on such return under this section for the current year of assessment.”.

27. Section 150 of the principal enactment is hereby amended as follows: -

Amendment of section 150 of the principal enactment

- (1) by the repeal of the proviso to paragraph (a) of subsection (2A) of that section and the substitution therefor, of the following proviso: -

“Provided that, if such resident individual is a senior citizen who is not an instalment payer and his refund claim prior to April 1, 2025 is not exceeding sixty thousand rupees for a year of assessment or fifteen thousand rupees for any quarter ending on the thirtieth day of June, thirtieth day of September, thirty first day of December and thirty first day of March, such refund claim made prior to June 30, 2025, shall be paid within three months of the date of the refund claim made by such resident individual, prior to a tax audit.”; and

- (2) by the addition immediately after subsection (4) of that section, of the following new subsection: -

“(5) Where a person includes an amount in calculating such person’s income under cash basis accounting and any amount thereof is later refunded due to the cancellation or alteration of the original contract, such person is entitled to apply for the refund of the excess income tax paid on the refunded

amount as a refund under this section, if such person applies for the refund of such excess income tax within thirty months from the date of refund of the amount included in calculating his income.”.

Amendment of section 163 of the principal enactment

28. Section 163 of the principal enactment is hereby amended as follows: -

- (1) in subsection (2) of that section, by the substitution for the words “Where a person”, of the words and figures “Prior to April 1, 2026, where a person”;
- (2) in subsection (3) of that section, by the substitution for the words “In any proceedings”, of the words and figures “Prior to April 1, 2026, in any proceedings”;
- (3) in subsection (4) of that section, by the substitution for the words “In any proceedings”, of the words and figures “Prior to April 1, 2026, in any proceedings”;
- (4) by the insertion immediately after subsection (4) of that section, of the following new subsections: -

“(4A) (a) With effect from the year of assessment commencing on April 1, 2026, where a person fails to pay tax when it is due, the Commissioner-General may submit a certificate containing particulars of the defaulter, as specified in subsection (4B) to the Magistrate of the Magistrate’s Court within the local limits of whose jurisdiction

the defaulter resides or the place of business of the defaulter is situated:

Provided that, no such certificate shall be submitted where a taxpayer has requested for an administrative review of the tax payable pursuant to section 139 or appealed to the Tax Appeals Commission pursuant to subsection (1) of section 140 and such application is pending.

(b) Upon receipt of the certificate referred to in paragraph (a), the Magistrate shall summon the defaulter before him to show cause as to why further proceedings shall not be taken against such defaulter for the recovery of the tax in default.

(c) Where the defaulter fails to show sufficient cause to the satisfaction of the Magistrate, the tax in default shall be deemed to be a fine imposed by a sentence of the Magistrate on such defaulter for an offence punishable with fine only and not punishable with imprisonment.

(d) The provisions of subsection (1) of section 291, except the provisions of paragraphs (a), (d) and (i) of that subsection, of the Code of Criminal Procedure Act, No. 15 of 1979 relating to default of payment of a fine imposed for such an offence shall thereupon apply, and the Magistrate may make any direction which, by the provisions of that subsection, the Magistrate could have made at the time of imposing such sentence.

(4B) The certificate referred to in subsection (4A) shall contain particulars of tax, interest, penalty or any other amount payable under this Act including any tax, interest, penalty or other amount payable prior to the date on which this subsection comes into operation, the name and the last known address of the place of business or residence of the defaulter.

(4C) Unless the Commissioner-General has granted an extension of the time for payment of tax under section 151, the correctness of any statement in a certificate submitted by the Commissioner-General for the purpose of subsection (4A), shall not be called in question or examined by the Magistrate in any proceedings under this section and accordingly, nothing in that subsection shall be read and construed as authorising a Magistrate to consider or decide the correctness of any statement in such certificate or to postpone or defer such proceedings for a period exceeding thirty days.

(4D) Nothing in subsections (2) to (5) of section 291 of the Code of Criminal Procedure Act, No. 15 of 1979, shall apply in any case referred to in subsection (4A).

(4E) In any case referred to in subsection (4A) in which the defaulter is sentenced to imprisonment in default of payment of the fine deemed by that subsection to have been imposed on him, subject to subsection (6), the

Magistrate may allow time for the payment of the amount of that fine or direct payment of that amount to be made in instalments.

(4F) The Magistrate may require bail to be given as a condition precedent to allowing time to show cause as provided in subsection (4A) or for the payment of the fine under subsection (4E), and the provisions of Chapter XXXIV of the Code of Criminal Procedure Act, No. 15 of 1979, shall apply, where the defaulter is so required to give bail.

(4G) Where the Magistrate directs under subsection (4E) that the payment be made in instalments, and default is made in the payment of any one of such instalments, the proceedings may be taken as if default had been made in payment of all the instalments then remaining unpaid.

(4H) In any proceeding under subsection (4A), the Commissioner-General's certificate shall be sufficient evidence that the tax has been duly assessed and is in default, and any plea that the tax is excessive, incorrect, or under appeal, shall not be entertained.”;

- (5) in subsection (5) of that section, by the substitution for the words and figure “in subsection (3)”, of the words and figures “in subsection (3) or subsection (4A)”; and
- (6) in subsection (6) of that section, by the substitution for the words and figure “in

subsection (3).”, of the words and figures “in subsection (3) or subsection (4A).”.

Insertion of new section 175A in the principal enactment

29. The following new section is hereby inserted immediately after section 175 of the principal enactment, and shall have effect as section 175A of that enactment: -

“Service of summons and notices

175A. Notwithstanding the provisions of section 100, where the Commissioner-General or any court has issued any notice or notice to appear or summons under the provisions of this Chapter, and the Commissioner-General or such court has been unable to serve or cause to serve such notice or summons on the relevant person, it shall be lawful for the Commissioner-General or such court, after recording the reasons in writing for the inability to serve or cause to serve such notice or summons, to publish the details of such notice or summons in any newspaper circulating in Sinhala, English and Tamil languages for the purpose of giving due notice thereof.”.

Insertion of new section 178A in the principal enactment

30. The following new section is hereby inserted immediately after section 178 of the principal enactment, and shall have effect as section 178A of that enactment: -

“Non compliance by withholding agents and individuals

178A. (1) A withholding agent who fails to comply with the requirements specified under subsection (9) of section 86, shall subject to subsection (2), be liable to a penalty of a sum not exceeding two hundred thousand rupees for a year of assessment.

(2) (a) Prior to assessing the penalty under subsection (1), the Commissioner-General shall issue a notice of warning.

(b) No penalty shall be imposed under subsection (1), where the withholding agent complies with the notice of warning issued under paragraph (a) within fourteen days from the date of service of the notice.

(3) An individual who provides a self-declaration under paragraph (f) of subsection (3) of section 84, with false or misleading particulars, shall subject to subsection (4), be liable to a penalty of a sum not exceeding two hundred thousand rupees.

(4) Prior to assessing the penalty under subsection (3), the Commissioner-General shall issue a notice to the individual with details of false and misleading particulars contained in the self-declaration provided by such individual.

(5) An individual who is subjected to a penalty under subsection (3) shall not be entitled to submit a self-declaration in lieu of the declaration on which a notice has been issued under subsection (4).”.

31. The following new Chapter is hereby inserted immediately after section 185 of the principal enactment, and shall have effect as CHAPTER XVIIIA of that enactment: -

Insertion of new
CHAPTER XVIIIA
in the principal
enactment

“CHAPTER XVIIIA

PROSECUTION OF OFFENCES

Prosecution of offences relating to returns, &c.,

- 185A.** (1) Where any person fails to –
- (a) file with the Commissioner-General an annual statement as required by section 86;
 - (b) file with the Commissioner-General a return of income under section 93;
 - (c) register with the Commissioner-General as required under section 102;
 - (d) appear before the Commissioner-General in compliance with a notice given under section 123; and
 - (e) furnish a tax return under section 126,

the Commissioner-General shall serve a notice in writing on such person stating that legal proceedings will be instituted against him under this section, unless he takes necessary steps to comply with the provisions of this Act, within thirty days of serving the notice.

(2) Any person who fails, without reasonable cause to comply with the notice of the Commissioner-General issued under

subsection (1), commits an offence under this Act, and shall on conviction after summary trial before a Magistrate, be liable to a fine not exceeding four hundred thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.”.

32. Section 193 of the principal enactment is hereby amended as follows: -

Amendment of
section 193 of the
principal
enactment

- (1) in subsection (2) of that section, by the substitution for the words “writing to do so.”, of the words and figure “writing to do so and complies with the order referred to in subsection (1).”;
- (2) by the insertion immediately after subsection (2) of that section, of the following new subsection: -

“(2A) (a) Where any person makes a request for compounding an offence, such person shall undertake to withdraw any appeal filed by him and any ground of appeal contained in such appeal, insofar as such appeal or such ground relates to the offence sought to be compounded.

(b) Where an appeal contains grounds relating to the offence sought to be compounded and grounds relating to other matters under this Act, the undertaking referred to in paragraph (a) shall apply only to the grounds relating to the offence sought to be compounded, and the appeal may

continue in respect of the grounds relating to other matters.”; and

- (3) by the addition immediately after subsection (7) of that section, of the following new subsections: -

“(8) The Commissioner-General may specify the fee to be charged, when making a request for compounding an offence under this section.

(9) The Commissioner-General shall not compound an offence under this section, if such offence is directly related to, or connected with an offence under any other written law, or an investigation conducted by any law enforcement agency.”.

Amendment of section 195 of the principal enactment

33. Section 195 of the principal enactment is hereby amended as follows: -

- (1) by the repeal of sub-paragraph (iv) of paragraph (a) of the definition of the expression “authorised representative”, and the substitution therefor, of the following sub-paragraph: -

“(iv) a member of the Chartered Institute of Taxation of Sri Lanka established under the Sri Lanka Institute of Taxation (Incorporation) Act, No. 21 of 2000;”;

- (2) by the insertion immediately after the definition of the expression “Company”, of the following new definition: -

““Controller of Immigration and Emigration” means the Controller of Immigration and Emigration appointed under section 4 of the Immigrants and Emigrants Act (Chapter 351);”;

(3) in the definition of the expression “interest”-

(a) by the repeal of paragraph (a) and the substitution therefor, of the following paragraph: -

“(a) a payment, including a discount or premium, made under a debt obligation that is not a repayment of capital;”;

(b) by the repeal of paragraph (c) and the substitution therefor, of the following paragraph: -

“(c) a commitment, guarantee or service fee paid in respect of a debt obligation or swap agreement; and”;

(4) in the definition of the expression “non-governmental organization”, by the substitution for the words “does not include an approved charity;”, of the words and figure “does not include a charitable institution referred to in sub-paragraph (a) of paragraph 1 of the Fifth Schedule to this Act;”.

34. Section 202 of the principal enactment is hereby amended by the insertion immediately after subsection (2) of that section, of the following new subsection: -

Amendment of section 202 of the principal enactment

“(2A) For the avoidance of doubt, it is hereby declared that subsection (2) shall not apply –

- (a) to the deduction of any amount under this Act if such amount has been deducted under section 32, section 33, or section 34 of the repealed Act for any year of assessment prior to April 1, 2018, notwithstanding that any undeducted balance of such deduction under the repealed Act remains as at April 1, 2018;
- (b) to any claim of notional tax credit under section 137 or section 138 of the repealed Act, or any other tax credit granted under the repealed Act for any year of assessment commencing on or after April 1, 2018; and
- (c) to the application of any tax rate or tax exemption under the repealed Act for any year of assessment commencing on or after April 1, 2018.”.

Amendment of
section 203 of the
principal
enactment

35. Section 203 of the principal enactment is hereby amended by the addition immediately after subsection (5) of that section, of the following new subsection: -

“(6) Where a concessional tax rate is applicable to the whole or any part of the profits and income of a person in terms of the provisions of the Inland Revenue Act, No. 10 of 2006 for any period as specified in the relevant provisions of such Act and the period so

specified has not expired as at March 31, 2018, such concessionary tax rate shall continue to apply until the expiration of the period so specified:

Provided however, any such concessionary tax rate shall not be applicable after March 31, 2025.”.

36. The First Schedule to the principal enactment is hereby amended as follows: -

Amendment of
the First Schedule
to the principal
enactment

- (1) in item (a) of sub-paragraph (2) of paragraph 1 of that Schedule, by the substitution for the words and figures “at the rate of 10%”, of the following: -

“at the rate of –

- (i) 10%, prior to the date on which the provisions referred to in subsection (2) of section 1 come into operation; and
- (ii) 15%, with effect from the date on which the provisions referred to in subsection (2) of section 1 come into operation;”;

- (2) in item (a) of sub-paragraph (2) of paragraph 2 of that Schedule, by the substitution for the words and figures “at the rate of 10%; and”, of the following: -

“at the rate of –

- (i) 10%, prior to the date on which the provisions referred to in subsection (2) of section 1 come into operation; and

- (ii) 15%, with effect from the date on which the provisions referred to in subsection (2) of section 1 come into operation; and”;
- (3) in item (a) of sub-paragraph (2) of paragraph 3 of that Schedule, by the substitution for the words and figures “at the rate of 10%; and”, of the following : -

“at the rate of –

- (i) 10%, prior to the date on which the provisions referred to in subsection (2) of section 1 come into operation; and
 - (ii) 30%, with effect from the date on which the provisions referred to in subsection (2) of section 1 come into operation; and”;
- (4) in item (b) of sub-paragraph (2B) of paragraph 4 of that Schedule, by the substitution for the words “any liquor or tobacco product-”, of the words “any liquor or tobacco product, other than the export of such product –”;
- (5) in item (a) of sub-paragraph (2) of paragraph 5 of that Schedule, by the substitution for the words and figures “at the rate of 10%; and”, of the following: -

“at the rate of –

- (i) 10%, prior to the date on which the provisions referred to in subsection (2) of section 1 come into operation; and
 - (ii) 30%, with effect from the date on which the provisions referred to in subsection (2) of section 1 come into operation; and”;
- (6) in item (a) of sub-paragraph (2) of paragraph 7 of that Schedule, by the substitution for the words and figures “at the rate of 10%; and”, of the following : -

“at the rate of –

- (i) 10%, prior to the date on which the provisions referred to in subsection (2) of section 1 come into operation; and
- (ii) 30%, with effect from the date on which the provisions referred to in subsection (2) of section 1 come into operation; and”.

37. The Second Schedule to the principal enactment is hereby amended in paragraph 1 of that Schedule as follows: -

- (1) in sub-paragraph (1A) of that paragraph, by the substitution for the words “Fourth Schedule.”, of the following: -

Amendment
of the Second
Schedule to the
principal
enactment

“Fourth Schedule:

Provided that, the Board of Investment of Sri Lanka shall have specifically approved the expansion of such existing undertaking for such person to be eligible for the enhanced capital allowance under this sub-paragraph.”; and

- (2) by the insertion immediately after sub-paragraph (2) of that paragraph, of the following new sub-paragraph: -

“(2A) A capital allowance equal to 100% of the investment made by a person in depreciable assets in a new undertaking, other than intangible assets, during a year of assessment shall be granted to such person for that year of assessment, if the total investment in such depreciable assets that are used in such undertaking in any part of Sri Lanka exceeds USD 250,000, but does not exceed USD 3 million.”.

Amendment of the Third Schedule to the principal enactment

38. The Third Schedule to the principal enactment is hereby amended as follows: -

- (1) by the repeal of sub-paragraph (iv) of paragraph (a) of that Schedule and the substitution therefor, of the following sub-paragraph: -

“(iv) A. any Government assisted private school other than that incorporated under the Companies Act, No. 07 of 2007 which is registered with the Ministry of Education and mandated

to follow the circulars issued by the Government and the Ministry of Education;

B. for the purposes of this sub-paragraph, a “Government assisted private school” means, a private school that regularly receives assistance from the Government, whether in the form of monetary support or of essential goods required for its functioning;”;

- (2) in sub-paragraph (ii) of paragraph (i) of that Schedule, by the substitution for the words “by such person;”, of the words “by such person, subject to the conditions that the loan amount is remitted to Sri Lanka in foreign currency through a bank, and the loan proceeds are used within Sri Lanka;”;
- (3) in paragraph (s) of that Schedule, by the substitution for the word and figures “section 84.”, of the words and figures “section 84, to the extent that each amount derived by each such person is shown in the monthly tax return submitted by the National Gem and Jewellery Authority established by the National Gem and Jewellery Authority Act, No. 50 of 1993.”;
- (4) by the insertion immediately after paragraph (tt) of that Schedule, of the following new paragraph: -

“(ttt) any amount derived on or after April 1, 2025, by any non-resident

person as any payment for air craft, software licences or as for other related services from the Sri Lanka Air Force;” and

- (5) in paragraph (x) of that Schedule, by the substitution for the words “up to the extent provided for in that Act, for each year of assessment.”, of the words “subject to the provisions of that Act, and any regulations made thereunder.”.

Amendment of the Fourth Schedule to the principal enactment

39. The Fourth Schedule to the principal enactment is hereby amended in item (b) of sub-paragraph (5) of paragraph 2 of that Schedule, by the substitution for the words “in a transportation or”, of the words “in a transportation or”.

Amendment of the Fifth Schedule to the principal enactment

40. The Fifth Schedule to the principal enactment is hereby amended by the repeal of item (i) of sub-paragraph (a) of paragraph 1 of that Schedule and the substitution therefor, of the following item: -

“(i) A. a charitable institution established for the provision of institutionalized care for the sick or the needy; or

B. on or after April 1, 2025, an institution incorporated, or registered under any law in force for the registration of social service organizations that provide healthcare facilities in collaboration with healthcare or education services of the Government; and”.

Amendment of the Sixth Schedule to the principal enactment

41. The Sixth Schedule to the principal enactment is hereby amended in sub-paragraph (1) of paragraph 4 of that Schedule, by the substitution for the words “for a year

of assessment”, of the words and figures “for a year of assessment prior to April 1, 2025,”.

42. (1) Subject to the provisions of subsection (2), the Commissioner-General shall write off any interest on underpayments and late payments chargeable and remaining outstanding under the following Acts: –

Writing off any interest on underpayments and late payments

- (a) section 157 of the principal enactment, up to the year of assessment ending on March 31, 2025;
- (b) the Surcharge Tax Act, No. 14 of 2022; or
- (c) the Finance Act, No. 35 of 2018, on debt repayment levy.

(2) The Commissioner-General shall write off interest specified in subsection (1), subject to the condition that the full amount of tax and any applicable penalties excluding any amount waived off by the Commissioner-General for the relevant year of assessment are paid prior to the expiration of a period of six months from the date on which the provisions referred to in subsection (2) of section 1 come into operation.

(3) For the avoidance of doubt, it is hereby declared that –

- (a) where a taxpayer has fulfilled the condition specified in subsection (2) prior to the date on which the provisions referred to in subsection (2) of section 1 come into operation, the Commissioner-General shall consider such taxpayer as having complied with the requirements of subsection (2);

- (b) for the purpose of the application of this section, the Commissioner-General shall consider the years of assessments or taxable periods separately; and
- (c) where the principal amount of any tax payment has been applied as interest relating to the tax by the Commissioner-General under section 154 of the principal enactment, the amount so applied as interest shall be treated as the principal amount of tax solely for the purpose of the application of this section.

Sinhala text to prevail in case of inconsistency

43. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

English Acts of the Parliament can be purchased at the “prakashana piyasa”, Department of Government Printing, No. 118, Dr. Danister De Silva Mawatha, Colombo 8.