



Tax Flash News

A Bill to Amend the Inland Revenue Act No 24 of 2017

February 2025

A Bill to amend the Inland Revenue Act No. 24 of 2017 was published on 21 February 2025. The Bill includes tax proposals that were pronounced in Parliament by the Hon. President on 18 December 2024. Income Tax proposals referred to in the Budget Speech 2025 such as the revision of the Capital Gains Tax (CGT) rate, removal of the lodgment of Statement of Estimated Tax Payable, methodology of computation of installment payments, etc. are not part of this Bill

Unless at the Committee Stage Process other measures are not included to the Bill, a further amendment would have to be introduced to incorporate the other Budgetary proposals.

The content of the Bill would obtain legal enforceability only after following the constitutional process pertaining to the enactment of a Statute.

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Personal Income Tax

1 Income Tax Refunds

Commissioner General of Inland Revenue (CGIR) to pay refunds within 3 months (prior to an audit) to a resident individual if the refund claim is :

- a. **Resident Individual (other than a senior citizen)**
 - < Rs 60,000 for Y/A prior to 1 April 2025 (the refund amount earlier was Rs 100,000) ;
 - < Rs 180,000 for Y/A with effect from 1 April 2025.
- b. **Resident individual (a senior citizen)**
 - < Rs 60,000 for Y/A or < Rs 15,000 per quarter prior to 1 April 2025 ;
 - < Rs 180,000 for Y/A or < Rs 45,000 per quarter with effect from 1 April 2025.

2 Revision of Personal Relief from Rs 1.2 mn to 1.8 mn

- The Personal Relief of Rs. 1.8 mn would apply for each Year of Assessment (Y/A) commencing on or after 1 April 2025. In arriving at the taxable income, a resident or a nonresident citizen of Sri Lanka can deduct the Personal Relief

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Personal Income Tax

3 Income tax rate of 45%

- Income received by a resident or nonresident individual from a business consisting of betting and gaming, import & sale or manufacture & sale of liquor or tobacco will be taxed at 45% w.e.f 1 April 2025.

4 Tax rate & slab changes

- The taxable income of resident or nonresident individual will be taxed as follows for a Y/A commencing from 1 April 2025.

Taxable income	Tax payable
Not exceeding Rs. 1 mn	6% of the amount in excess of Rs.0
Exceeding Rs. 1 mn but not exceeding Rs. 1.5 mn	Rs. 60,000 plus 18% of the amount in excess of Rs. 1,000,000
Exceeding Rs. 1.5 mn but not exceeding Rs. 2 mn	Rs. 150,000 plus 24% of the amount in excess of Rs. 1,500,000
Exceeding Rs. 2 mn but not exceeding Rs. 2.5 mn	Rs. 270,000 plus 30% of the amount in excess of Rs. 2,000,000
Exceeding Rs. 2.5 mn	Rs. 420,000 plus 36% of the amount in excess of Rs. 2,500,000

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Personal Income Tax

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Foreign Service income and Foreign Source income exemptions substituted up to a maximum rate of 15% under the progressive tax system

- An individual will be taxed at the maximum rate of 15% on the following gains and profits with effect from 1 April 2025
 - a) the gains and profits earned or derived from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka;
 - b) the gains and profits earned or derived from any Foreign Source where such gains and profits are earned or derived in foreign currency and remitted through a bank to Sri Lanka.

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Corporate Income Tax

1 Foreign Service income and Foreign Source income exemptions substituted with a tax rate of 15%

- The following gains and profits of a company shall be taxed at 15% for any Y/A commencing from 1 April 2025.
 - a) the gains and profits earned or derived from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka;
 - b) the gains and profits earned or derived from any Foreign Source where such gains and profits are earned or derived in foreign currency and remitted through a bank to Sri Lanka.

2 CIT rate of 40% increased to 45%

- The gains and profits from conducting betting and gaming and gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product other than the export of such product would be taxed at 45% for any Y/A commencing from 1 April 2025

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Income Tax (applies to all taxpayers)

1 AIT of 10% on payment of Interest or Discount paid

- Payment of Interest or Discount paid will be subject to an Advance Income Tax (AIT) deduction at source at the rate 10% w.e.f. 1 April 2025. The current rate of 5% will apply till 31 March 2025.

2 Reducing the time period to claim a refund or credit to 30 months

- For any Y/A commencing from 1 April 2024, a refund or credit may be claimed only if application is made
 - a) within 30 months of the last date where the taxpayer is required to file a tax return for that Y/A (i.e for Y/A 24/25 – 30 months from 30 November 2025), or
 - b) within the time period specified by the CGIR where such refund or credit is made on the CGIR's initiative.

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