



## Tax Flash News

# Inland Revenue (Amendment) Act No 02 2025

March 2025

The Bill to amend the Inland Revenue Act No 24 of 2017 issued dated 21 February 2025 has been enacted as the Inland Revenue (Amendment) Act No 02 2025 (Amending Act) and was certified by the Speaker on 20 March 2025. The provisions of Amending Act will come into operation from 01 April 2025.

Following is the synopsis of the Amending Act

- 1 Foreign service income & foreign source income – exemption removal ; liable at 15%**
- 2 Betting & gaming, liquor & tobacco product liable at 45%**
- 3 AIT on interest & discounts increased to 10%**
- 4 Personal relief increased to LKR 1.8mn per annum & revision of the income tax slab rates**
- 5 Changes to the provisions related to the refund claim**

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## 1 Foreign Service income & Foreign Source income

• Currently applicable exemption for the following will be removed from 31 March 2025 and will be taxed at 15% for any Year of Assessment (Y/A) commencing from 01 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.

• The above rate will be applicable for companies at 15% and for individuals at a maximum rate of 15% under the progressive slab system.

• If the aforementioned conditions are not met, standard rate of income tax will apply (Companies at 30% and individuals at a maximum rate of 36% under the progressive slab system).



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## 2 Betting & gaming, liquor & tobacco product liable at 45%

- The following will be taxed at the rate 45% for any Y/A commencing from 01 April 2025 :-
  - Companies - 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 export of such product)
  - Individuals - 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



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## 3 AIT on Interest & Discounts increased to 10%

- 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. 01 April 2025.
- The AIT rate of 5% will apply till 31 March 2025.
- AIT on interest is not a final withholding payment, and the status quo remains.



- The Budget 2025 included a proposal to introduce a self declaration mechanism for senior citizen to prevent income below the personal relief being subject to tax at source. Further an individual other than a senior citizen would be eligible for a refund if the income is below the personal relief of LKR 1.8mn. However, the proposals stemming from the Budget 2025 has not been passed into Law yet.

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## 4 Personal Relief increased to LKR 1.8mn per annum & revision of the income tax slab rates

- The Personal Relief has been increased from LKR 1.2mn to LKR 1.8mn which would apply for each Y/A commencing on or after 01 April 2025.
- In arriving at the taxable income, both a resident or a nonresident citizen of Sri Lanka can utilize the Personal Relief
- The taxable income of resident or nonresident individual will be taxed as follows for a Y/A commencing from 01 April 2025.

Taxable income	Tax Rate
Not exceeding LKR 1.8mn (Personal Relief)	0%
Next LKR 1mn	6%
Next LKR 500k	18%
Next LKR 500k	24%
Next LKR 500k	30%
Balance	36%

- The CGIR should issue the APIT tables taking into consideration the above revision.

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## 4 Personal Relief increased to LKR 1.8mn per annum & revision of the income tax slab rates

The tax savings at various monthly income levels is tabulated below

Monthly Income (LKR)	Tax payable w.e.f. 01 April 2025 (LKR) (p.m)	Tax payable up 31 March 2025 (LKR) (p.m)	Tax Saving amount (LKR) (p.m)	Tax Saving %
200,000	3,000	10,500	7,500	71.4%
300,000	18,500	35,000	16,500	47.1%
400,000	50,000	70,500	20,500	29%
500,000	86,000	106,500	20,500	19.2%
600,000	122,000	142,500	20,500	14.4%
700,000	158,000	178,500	20,500	11.5%
1,000,000	266,000	286,500	20,500	7.1%

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## 5 Changes to the provisions related to the refund claim

### 5.1 Mechanism to issue refunds within 03 months prior to an audit

- The CGIR to pay refunds within 03 months (prior to an audit) to a resident individual if the refund claim is :
  - a. **Resident Individual (other than a senior citizen)**
    - Less than LKR 60,000 for Y/A prior to 01 April 2025 (the refund amount earlier was Rs 100,000);
    - Less than LKR 180,000 for Y/A w.e.f. 01 April 2025.
  - b. **Resident individual (a senior citizen who is not an installment payer )**
    - Less than LKR 60,000 for Y/A or less than LKR 15,000 per quarter prior to 01 April 2025;
    - Less than LKR 180,000 for Y/A or less than LKR 45,000 per quarter w.e.f. 01 April 2025.

### 5.2 Time period to claim a refund reduced from 04 years from the date of the payment to 30 months of the deadline to file the Return

- For any Y/A commencing from 01 April 2024, a refund or credit maybe 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.

**The above provision (5.2) is effective from 01 April 2024**

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