



INLAND REVENUE DEPARTMENT • SRI LANKA

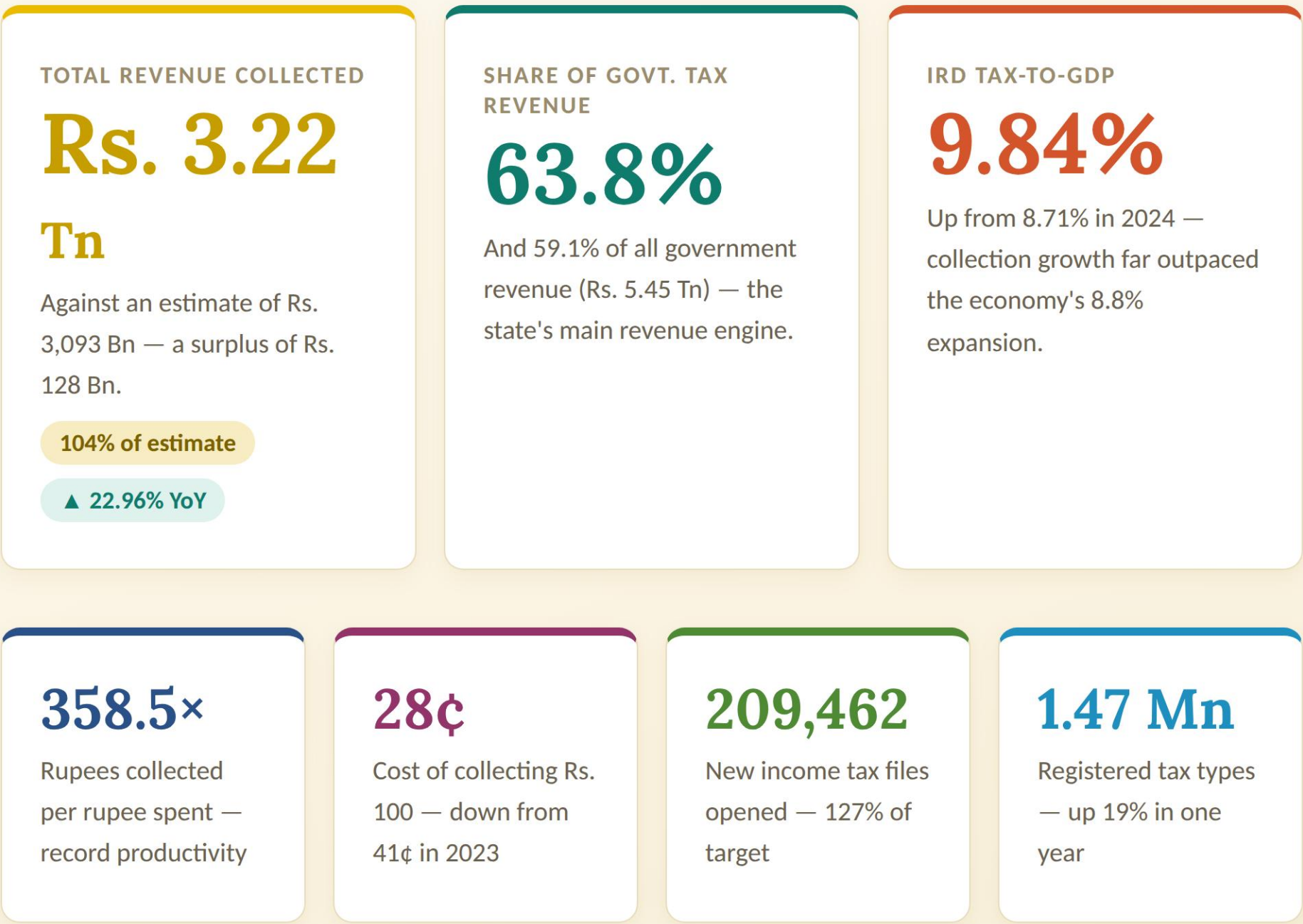
Annual Performance Report 2025

A Visual Summary in Infographics & Charts

Expenditure Head No. 246 • Published by the Commissioner General of Inland Revenue

2025 at a Glance

The IRD's record year: from a 4.4% shortfall in 2024 to a 4.1% surplus — the highest collection in its history.



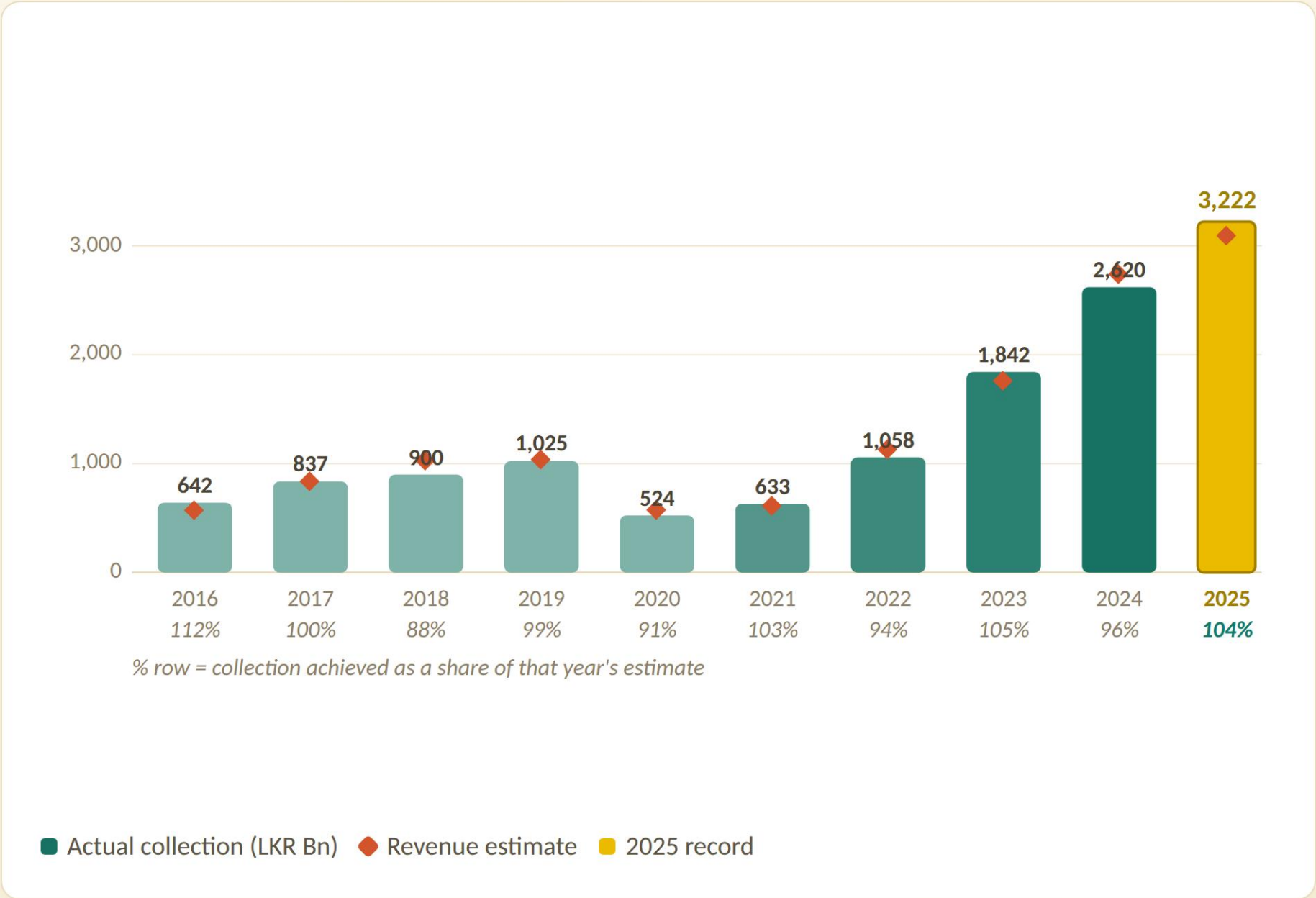
KPI Scoreboard

actual vs. expected output



A Decade of Revenue, 2016 → 2025

Net IRD collection (bars, LKR Bn) against annual estimates (◆). Collections have quintupled since the 2020 trough.



2025 ESTIMATE BEATEN BY

Rs. 128.1 Bn

The target itself was already 12.9% higher than 2024's.

5-YEAR GROWTH

5.1×

From Rs. 633 Bn (2021) to Rs. 3,222 Bn (2025).

ESTIMATES BEATEN

4 of 10

Years where collection exceeded estimate: 2016, 2021, 2023 & 2025.

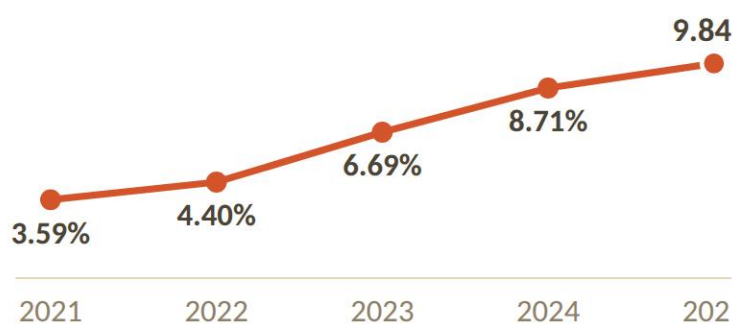
The IRD's Weight in the Economy

Government revenue surged 35% in 2025 — and the IRD delivered the biggest slice of it.

Government revenue vs. IRD collection LKR Tn



Tax-to-GDP: nearly tripled in 5 years



IRD collection as a share of GDP (Rs. 32.75 Tn in 2025).

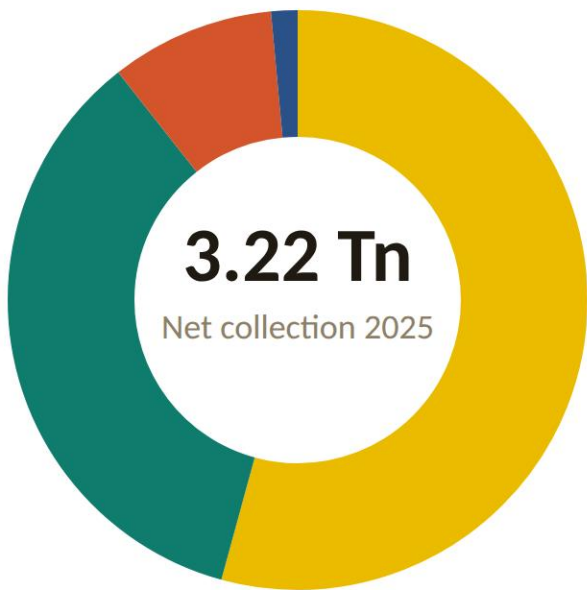
Share of national finances

YEAR	OF GOVT. REVENUE • OF TAX REVENUE
2022	53.5% • 60.4%
2023	60.4% • 67.7%
2024	65.0% • 70.7%
2025	59.1% • 63.8%

The 2025 share eased only because customs & excise also boomed as imports reopened. Rs. 22.3 Bn of stamp duty (99.3%) was passed to Provincial Councils.

Where the Rs. 3.22 Tn Came From

Just two taxes — VAT and Income Tax — deliver 89% of everything the IRD collects.



VAT 54.2% Income Tax 35.1% SSCL 9.1%
Other 1.5%

Collection & growth vs. 2024 LKR Bn

Value Added Tax	1,746.9 ▲ 33.4%
Income Tax	1,131.3 ▲ 10.5%
Social Security Contribution Levy	294.5 ▲ 17.4%
Stamp Duty	22.5 ▲ 49.9%
Betting & Gaming Levy	10.2 ▲ 4.4%
Capital Gains Tax	8.0 ▲ 332.7%
Share Transaction Levy	7.5 ▲ 138.1%
Migrating Tax	0.07 ▲ 97.3%
Casino Licence Fee	0.0 ▼ 100%

VAT's leap came largely from lifting vehicle-import restrictions; CGT and STL rode the property and stock-market recovery.

INCOME TAX DETAIL

59 : 41

Corporate Rs. 670 Bn vs. non-corporate Rs. 462 Bn split.

FASTEST GROWER

CGT ×4.3

Capital Gains Tax hit 182% of its own estimate.

LEGACY TAXES

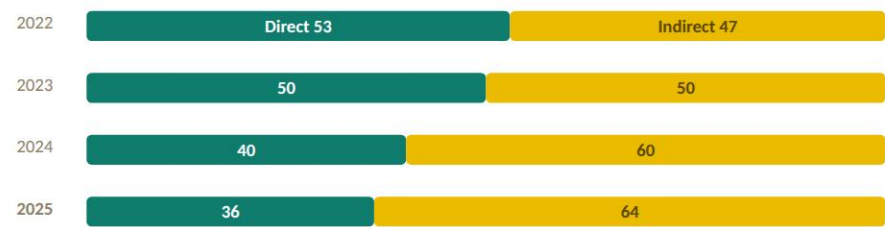
Rs. 23 Bn

Still trickling in from NBT, ESC, DRL & other repealed taxes.

A System Leaning on Indirect Taxes

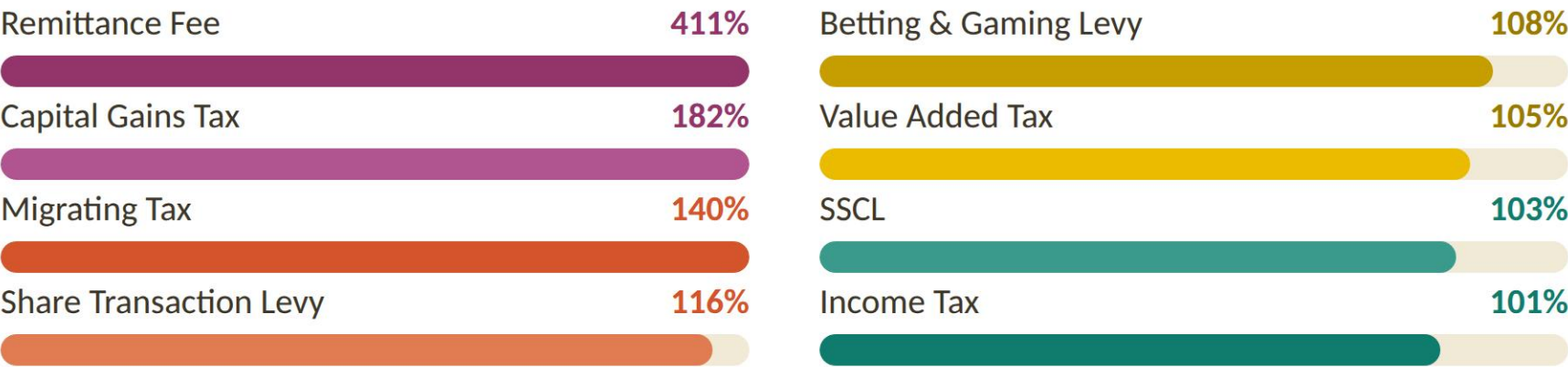
The direct-to-indirect balance moved the "wrong" way in 2025 — against a government target of 60:40 in favour of direct taxes.

Direct vs. indirect tax ratio



The IRD attributes the skew to the informal economy and SMEs outside the tax net — countered with a door-to-door **Field Observation Programme** using mobile technology, and 209,462 new registrations.

Forecast accuracy — collection vs. estimate by tax, 2025



Every major tax type beat its estimate. Only the Casino Licence Fee (budgeted Rs. 500 Mn) collected nothing.

INDIRECT SHARE OF TOTAL

~64%

VAT + SSCL + levies dominate collections.

POLICY TARGET

60 : 40

Direct-favouring ratio the government wants to reach.

2025 CHARITIES APPROVED

2

New charitable institutions gazetted; DTAA's in force with 46 countries + SAARC.

VAT: The Rs. 1.75 Trillion Engine

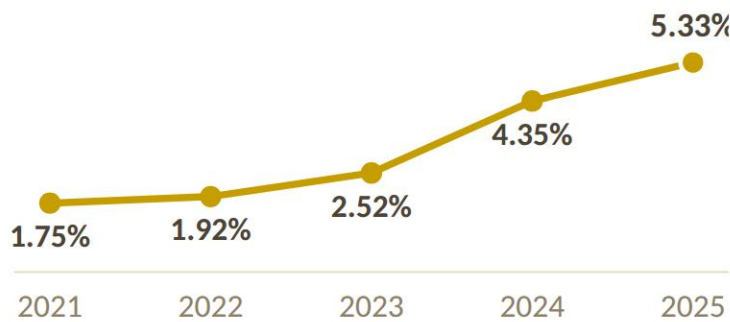
Up 33.4% in a single year — driven by the reopening of vehicle imports and stronger collection mechanics.

Net VAT by sector



- Imports 51%
- Non-fin. services 22%
- Manufacturing 16%
- Financial services 11%

VAT contribution to GDP



Total VAT tripled as a share of GDP in five years — import VAT alone now equals 2.72% of GDP.

IMPORT VAT

Rs. 891 Bn

▲ ~49% — vehicles led the surge

FINANCIAL SERVICES VAT

Rs. 198 Bn

▲ 65% on bank profitability

REFUNDS PAID

Rs. 11.8 Bn

Gross Rs. 1,758.7 Bn
→ net Rs. 1,746.9 Bn

VAT REGISTRANTS

33,187

▲ 56% in one year — biggest register jump

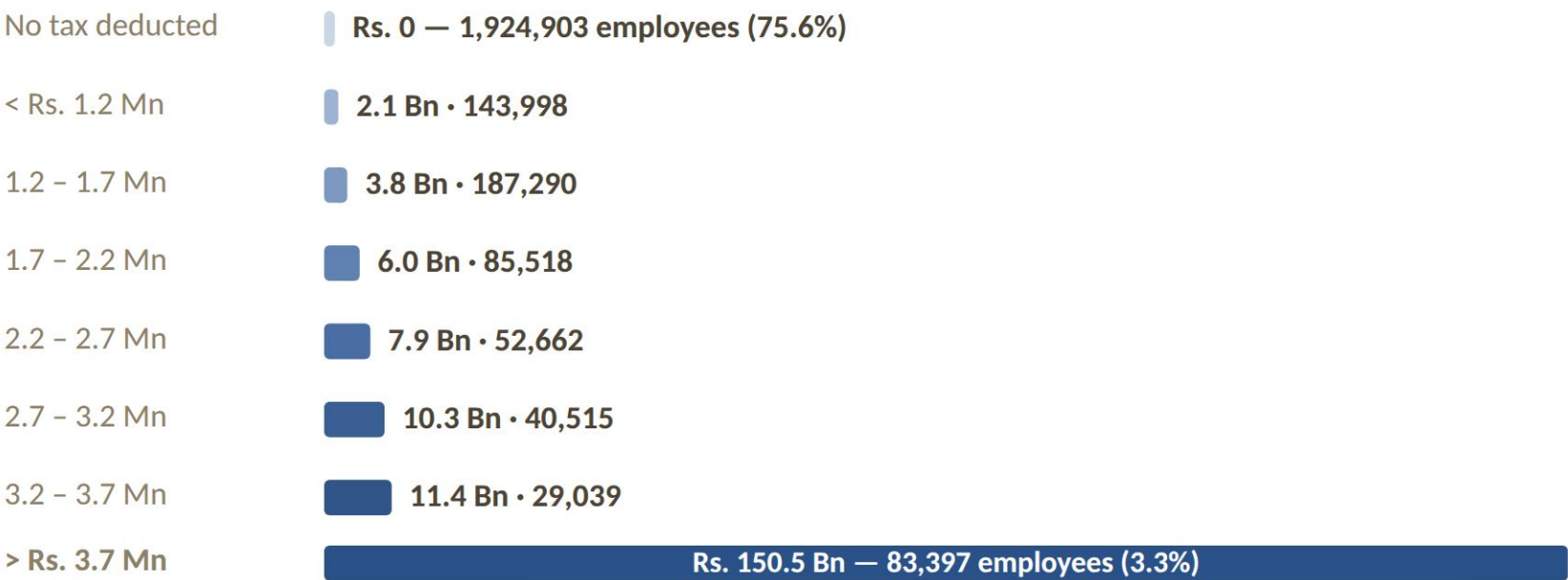
45 days

New statutory deadline for VAT refunds to specified projects — while zero-rating now requires foreign-currency receipt through a Sri Lankan bank within six months. The Tourist VAT Refund Scheme also relaunched at exit points, targeting gem & jewellery retail.

Who Actually Pays Income Tax?

Rs. 1,131 Bn collected — with a striking concentration at the top of the employment income ladder.

APIT by income bracket Y/A 2024/25 • employer returns



78%

of all APIT comes from the top bracket — **just 3.3% of employees** earning over Rs. 3.7 Mn/year.

75.6%

of the 2.55 Mn employees reported had **no tax deducted** — below the taxable threshold.

59 : 41

Corporate (Rs. 670 Bn) vs. non-corporate (Rs. 462 Bn) split of total income tax.

APIT (PAYE) TOTAL

Rs. 201.1 Bn

▲ 1.8% • beat estimate by 1.6%

AIT / WHT TOTAL

Rs. 175.8 Bn

▲ 7.3% • interest WHT Rs. 71.6 Bn (104% of estimate)

INDIVIDUAL TAXPAYERS

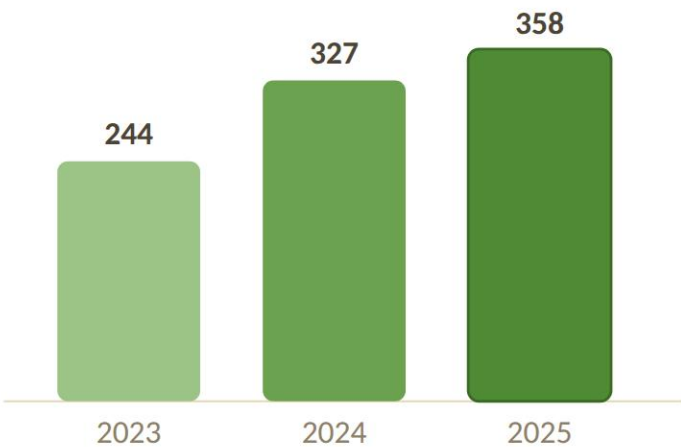
1.16 Mn

registered IIT files • ~68% male / 32% female

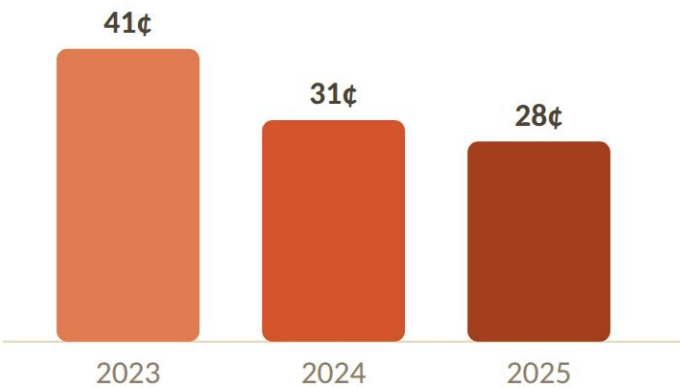
More Revenue, Leaner Machine

The IRD spent Rs. 8.99 Bn to collect Rs. 3,222 Bn — efficiency improved for the third straight year.

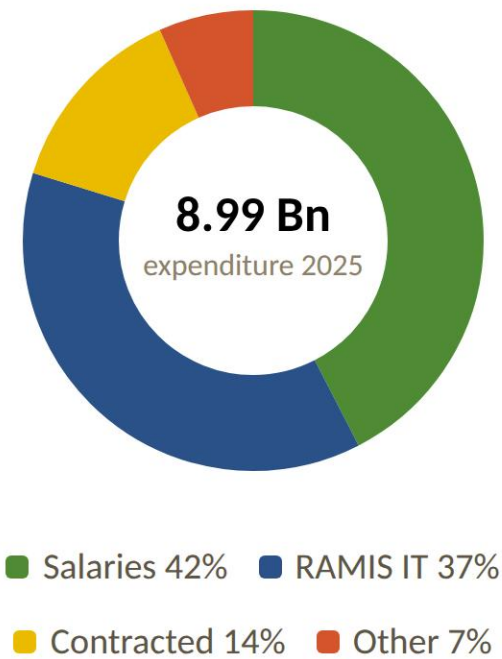
Productivity ratio Rs. collected
per Re. spent



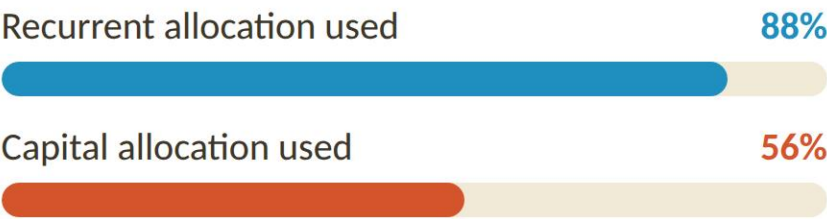
Cost of collecting Rs. 100



Where the Rs. 8.99 Bn budget went



Budget utilisation & assets



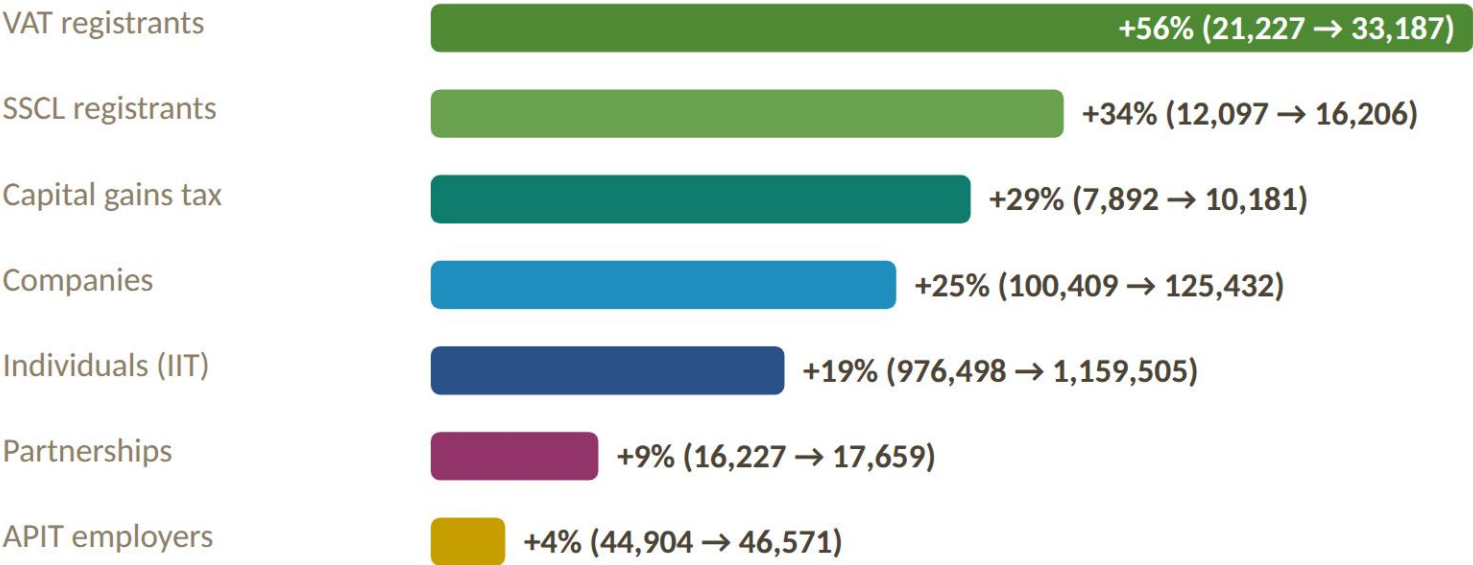
Rs. 5.54 Bn of 6.30 Bn recurrent and Rs. 3.44 Bn of 6.14 Bn capital allocations were spent. The RAMIS digital platform remains the single largest investment at Rs. 3.35 Bn.

NON-FINANCIAL ASSETS (YEAR-END)	LKR MN
Intangible assets (mainly RAMIS)	15,248
Buildings & structures	2,765
Land	2,081
Machinery & equipment	831

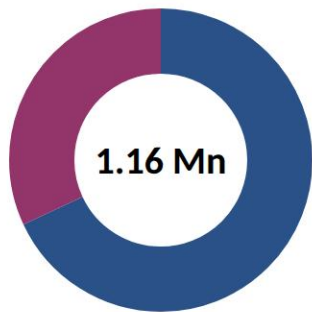
A Wider Net Than Ever

Total registrations jumped from 1.24 Mn to 1.47 Mn tax types — every register grew.

Register growth 2024 → 2025 % increase



IIT base by gender



Male 68% Female 32%

NEW INCOME TAX FILES

209,462

opened in 2025 — 127% of target, powered by data mining, third-party data matching and door-to-door field registration.

OUTREACH

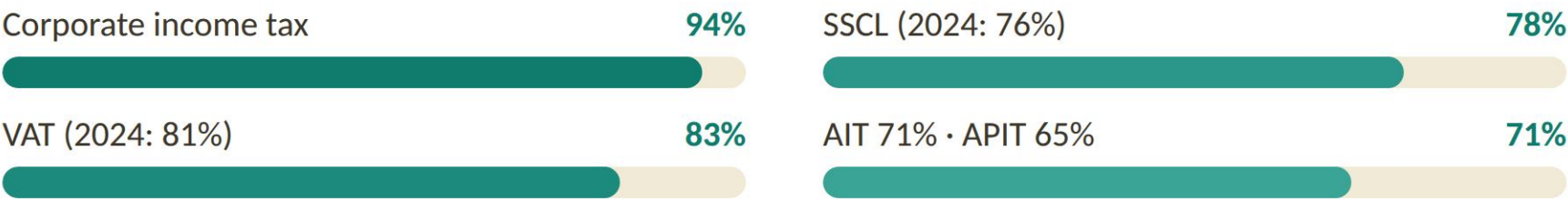
47,597

people reached through 143 awareness programs (263% of target) plus "Badu Shakthi" National Tax Week and 3 new Taxpayer Service Centers (Kaduwela, Avissawella, Moratuwa).

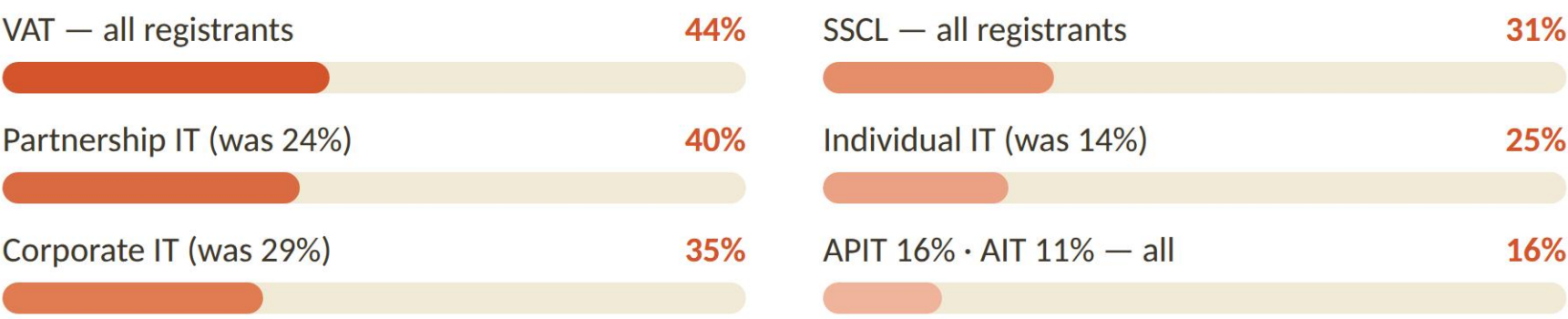
Large Taxpayers File. The Long Tail Lags.

On-time return filing rates, Y/A 2024/25 — the gap between segments is the IRD's biggest administration challenge.

Large taxpayer segment strong & improving



All registered taxpayers the long tail



Within one month of the due date, rates improve sharply — e.g. all-VAT reaches 56% and LTO SSCL hits 92% — pointing to a late-filing habit more than outright non-compliance.

SIMPLIFIED RETURN EFFECT

IIT on-time filing nearly **doubled** (14% → 25%) after the simplified return for straightforward income profiles.

100% E-FILING

All corporate returns filed electronically; manual filing needs prior CGIR approval and is now negligible.

CYCLONE DITWAH RELIEF

Grace period to 31 Dec 2025 for CIT/IIT/PIT returns after severe late-November weather disruption.

Audits, Appeals & the Courts

Enforcement recovered Rs. 65 Bn — but the stock of outstanding assessments nearly doubled.

6,893

audits commenced;
6,350 finalised

Rs. 83
Bn

additional tax assessed;
Rs. 65 Bn collected

265

investigations opened,
incl. 16 tax-crime probes

1,632

appeals settled; 1,453
still pending

Recovery litigation, 2025

FORUM	FILED • ENDED • PENDING
Magistrate Court	951 • 245 • 1,054
District Court	0 • 42 • 127
High Court	19 • 13 • 37
Court of Appeal	259 • 23 • 866
Supreme Court	8 • 9 • 139
All courts	1,237 • 332 • 2,223
Tax Appeals Commission	478 • 508 • 469

Pending court cases grew 69% (1,318 → 2,223) as compulsory recovery intensified.

Outstanding taxes — the overhang

01 Jan '25 974 176

31 Dec '25 Disputed 1,679 485

LKR Bn — incl. penalties & interest

Disputed (under appeal) Collectible (final)

Gross outstanding rose from Rs. 1,150 Bn to Rs. 2,164 Bn — the collectible slice alone equals 15% of a year's collection.

HWI UNIT

100%

IIT compliance across all 100 High Wealth Individuals + 1,250 linked entities; 4 high-risk audits opened.

INTELLIGENCE BRANCH

46 evasion cases identified • 45 new HWI-potential taxpayers flagged • 124 CIABOC referrals • 189 information requests handled.

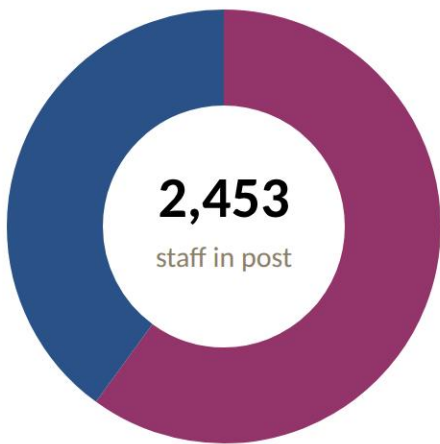
INFORMANT REWARDS

Confidential reporting under IRA s.101 / VAT Act s.72 — informants can earn up to 15% of revenue recovered.

The Workforce Behind Rs. 3.22 Tn

2,453 officers run the nation's tax engine — majority female, heavily experienced, and facing a generational turnover.

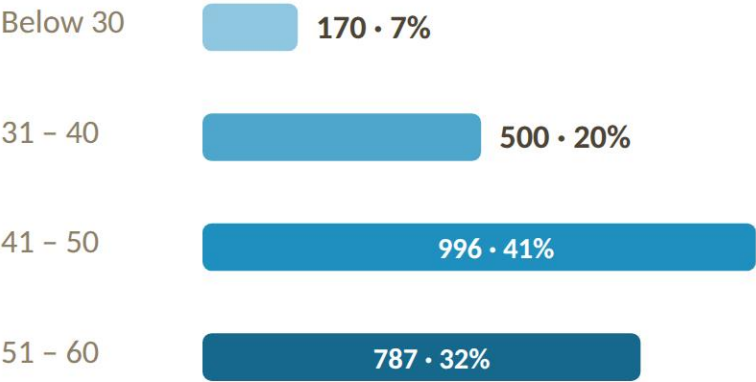
Staff by gender



Female 60% (1,476) Male 40% (977)

A striking inversion of the taxpayer base, where the individual register is ~68% male.

Staff by age group



73% of staff are over 40 — and within the Inland Revenue Service itself, 83% are. Succession planning is becoming as critical as recruitment.

RETIREMENTS IN 2025

79

Including the **Commissioner General**, 2 Deputy CGs, 4 Senior Commissioners, 12 Commissioners and 16 Senior Deputy Commissioners.

LEADERSHIP TRANSITION

New CGIR

Mrs. W.A.S. Chandrasekara retired in Feb 2025 after 32 years; **Mrs. R.P.H. Fernando** now leads as Commissioner General.

INVESTING IN SKILLS

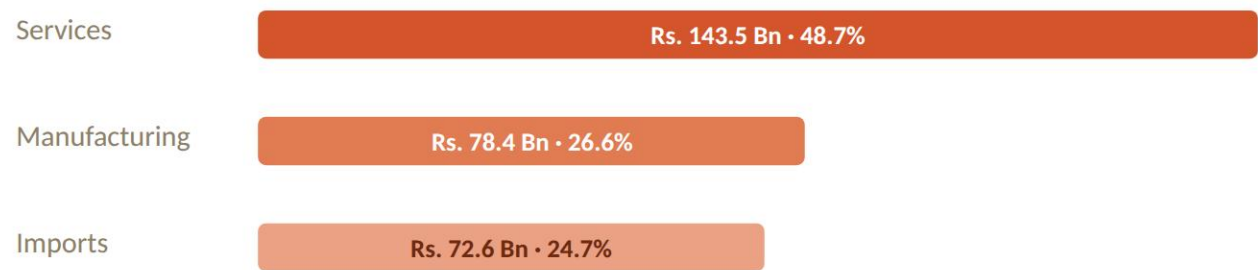
42 officers

sent on 24 foreign development programs; 12 sponsored for local Masters degrees; 52 trained in Tamil (200-hour course); 12 hrs of seminars per IRS officer.

Funding Welfare, Aligned to the SDGs

The Social Security Contribution Levy grew 17.4% — and the IRD maps its work to seven UN Sustainable Development Goals.

SSCL by sector Rs. 294.5 Bn • 103% of estimate



Collected at 2.5% on liable turnover, SSCL underwrites social welfare and social security programs — with 16,206 registrants (▲ 34% in 2025).

How the IRD's work maps to the SDGs

SDG 1 • NO POVERTY

Mobilising domestic resources that fund poverty-reduction programs and essential services.

SDG 3 • GOOD HEALTH

Higher taxes on tobacco and alcohol — including the new 45% rate on liquor & tobacco profits.

SDG 5 • GENDER EQUALITY

Qualifying-payment deductions under Section 52 of the IRA supporting women's economic rights.

SDG 7 • CLEAN ENERGY

Tax incentives for investments in clean and renewable energy.

SDG 10 & 16 • EQUALITY, INSTITUTIONS

200% Enhanced Capital Allowance for Northern Province assets; full automation & data analytics to deter evasion.

SDG 17 • PARTNERSHIPS

Strengthening domestic resource mobilisation — tax revenue as a share of GDP is the headline indicator.

What Changed — and What's Next

Inland Revenue (Amendment) Act No. 2 of 2025, plus VAT, SSCL and Betting & Gaming Levy amendments.

New individual tax bands from 1

Apr 2025

TAXABLE INCOME SLAB (LKR)	RATE
First 1,000,000	6%
Next 500,000	18%
Next 500,000	24%
Next 500,000	30%
Above 2,500,000	36%

Other headline changes

- ◆ Service exports & foreign income: exemption removed — max 15%
- ◆ Betting & gaming, liquor & tobacco profits: 45%
- ◆ AIT on interest doubled: 5% → 10%
- ◆ Refunds ≤ Rs. 180k processed in 3 months pre-audit; senior citizens: quarterly refunds ≤ Rs. 45k
- ◆ Advance Pricing Agreement framework formalised

The people behind the numbers

Staff in post (of 2,868 approved) **2,453**

Vacancies — ICT worst at 21% **415 (14%)**

92 new Assistant Commissioners appointed in Dec 2025; approval sought for 200 more IRS recruits. TIWB programme with UK HMRC builds transfer-pricing muscle to 2027.

2025 institutional milestones

- ◆ Tourist VAT Refund Scheme relaunched
- ◆ Export Refund Processing Unit created
- ◆ Internal Affairs Unit established (Apr 2025)
- ◆ Risk Management Unit operationalised
- ◆ 3 new Taxpayer Service Centers opened
- ◆ "Badu Shakthi" National Tax Week — *Your Tax, Your Future*

Challenges the IRD names

The informal economy • the 36:64 indirect skew vs. a 60:40 direct-tax target • 415 staff vacancies & infrastructure limits • public tax & digital literacy gaps slowing RAMIS adoption.

Stated goals ahead

Expand the tax base & voluntary compliance • go paperless via e-services • strengthen transfer-pricing, tax-crime & HWI enforcement • lift capital budget utilisation beyond 56%.

