



IRD CIRCULAR NO. SEC/2026/E/06 (RE-REVISED) · 12 AUGUST 2026

Quarterly Income Tax Instalments

A Simple Guide for Y/A 2026/27

The IRD's re-revised circular of 12 August 2026 — replacing the versions of 3 and 6 August — explained step by step, with a worked example for every scenario.

New on 12 August: declarations now due **30 November 2026** (uploadable via RAMIS) · SET basis allowed for the 1st instalment · UVW example figure corrected · applicable period narrowed to **Y/A 2026/27 only** (no longer "and subsequent years")

FIRST INSTALMENT DUE

15 August 2026

DECLARATIONS DUE

30 November 2026

STEP 1 · THE FORMULA

One Calculation Decides Every Payment

$$\text{Instalment} = (A - C) \div B$$

Section 90(3), Inland Revenue Act No. 24 of 2017 (as amended by Act No. 11 of 2026)

A Last year's gross tax

Tax on the Y/A 2025/26 taxable income — *before* deducting any credits.

B Instalments remaining

Including the current one:
1st = 4, 2nd = 3, 3rd = 2,
4th = 1.

C Tax already paid

Earlier instalments plus
WHT / AIT credits withheld
or to be withheld.

STEP 2 · THE DUE DATES

15 Aug 2026

1st · B = 4

15 Nov 2026

2nd · B = 3

15 Feb 2027

3rd · B = 2

15 May 2027

4th · B = 1

STEP 3 · PICK YOUR METHOD FOR "A"

Everything in this circular is about how to work out "A". There are three methods — and you don't get to choose freely:

Method 1 — Standard

You had taxable income in Y/A 2025/26. This is the default — and if it applies, the others are off-limits.

Method 2 — Alternatives

Only if you had no taxable income last year, expect lower income this year, or are newly registered.

Method 3 — Can't estimate

Unusual circumstances only — written request to the Commissioner (Tax Policy & Legislation Unit).

Standard basis = no paperwork. Just pay on time — but under-, late- or non-payment attracts interest and penalties on these figures.

Had Taxable Income Last Year? Start Here

"A" is simply your **gross tax on the Y/A 2025/26 taxable income** — apply the current rates to last year's figures, then run the formula. Nothing needs to be filed with the Commissioner-General for these payments (the credit schedule on page 6 still applies).

Example 1 — Mr. X, hardware shop owner

Assessable income for Y/A 2025/26: Rs. 3,800,000 → less personal relief Rs. 1,800,000 → taxable income **Rs. 2,000,000** → gross tax **Rs. 270,000** (6% / 18% / 24% slabs). No WHT or AIT credits.

1st instalment = $(270,000 - 0) \div 4 =$ **Rs. 67,500** — payable by 15 August 2026.

Example 2 — Liquor (Pvt) Ltd, manufacturer

Taxable income for Y/A 2025/26: Rs. 1,653 Mn → gross tax **Rs. 742.95 Mn** (45% on liquor profits; 30% on investment income). WHT / AIT credits for Y/A 2026/27: Rs. 880,000.

1st instalment = $(742,950,000 - 880,000) \div 4 =$ **Rs. 185,517,500** — payable by 15 August 2026.

Three compliance notes:

- 1 · No documentation is filed with the Commissioner-General under this basis.
- 2 · Any under-, late- or non-payment attracts interest and penalties computed on these standard figures.
- 3 · If you are **eligible** for the standard method, you **cannot** use the alternative methods that follow.

Who moves to the next page? Only taxpayers with **no prior tax liability** in Y/A 2025/26, those who **reasonably expect lower taxable income** in Y/A 2026/27, or the **newly registered**. Every alternative route comes with a declaration.

No Taxable Income Last Year

2(i) — Nothing last year, nothing expected this year

No taxable income in Y/A 2025/26 and no assessable income expected in Y/A 2026/27 (e.g. heavy deductible losses) → **"A" is Zero**. No instalment is payable — but a statement under **Attachment 1 (paragraphs 6 and 8.2)** must still be filed.

Illustration (ours) — Delta (Pvt) Ltd

Delta's brought-forward losses fully absorbed its Y/A 2025/26 income, and its remaining losses will absorb Y/A 2026/27 as well. $A = 0$, so each instalment = **Rs. 0** — Delta simply declares the position in Attachment 1 (paras 6 & 8.2).

2(ii) — Nothing last year, but income expected this year

Losses are running out, or a tax exemption (e.g. BOI) ends this year → estimate "A" from the Y/A 2025/26 figures **disregarding** the losses deducted or exemptions applied. File **Attachment 1**.

Example 3 — ABC (Pvt) Ltd, expiring losses

Only Rs. 24 Mn of losses remain for Y/A 2026/27. Re-computing 2025/26 with just those losses gives taxable income Rs. 478 Mn → $A = \text{Rs. 143.4 Mn}$. AIT credits: Rs. 1.2 Mn.

1st instalment = $(143,400,000 - 1,200,000) \div 4 = \text{Rs. 35,550,000}$.

Example 4 — XYZ (Pvt) Ltd, BOI exemption ending

Software-export profits of Rs. 44 Mn were exempt up to Y/A 2025/26. Estimating without the exemption at 15%: $A = \text{Rs. 6.6 Mn}$.

1st instalment = $6,600,000 \div 4 = \text{Rs. 1,650,000}$.

NEW · 12 AUG

2025/26 computation not finalised by 15 August? You may use the final **SET (Statement of Estimated Tax)** for Y/A 2025/26 to calculate the **1st instalment** — then revise from the filed tax return for the **2nd instalment onwards**. SET users file Attachment 1 for Q1 and **Attachment 1 (Revised)** from Q2, with **only one revision permitted**. (Applies to 2(ii) and 2(iii).)

Lower Income, New Taxpayers & Special Cases

2(iii) — Income existed, but a significant reduction is expected

Business decline, higher expenditure or reduced investment this year → recalculate last year's tax **excluding** the business or investment streams not expected to recur. File **Attachment 1 with supporting calculations** proving the loss. Expecting *no* taxable income at all? Declare that in **paragraph 8.2** of Attachment 1. The SET rule from page 4 applies here too.

Example 5 — UVW (Pvt) Ltd, lost its major customer

42% of revenue came from a lost customer (15% expected back via a new one) and two fixed deposits earning 80% of interest income were withdrawn. Re-assessed taxable income: Rs. 427.58 Mn → A = **Rs. 128.274 Mn**, no credits.

1st instalment = $128,274,000 \div 4 =$ **Rs. 32,068,500** (figure corrected in the 12 August circular).

2(iv) — Newly registered taxpayers

No prior-year computation exists, so **estimate the current year's** taxable income at current rates. This applies for **one year of assessment only** — thereafter the normal methods take over. File **Attachment 2**.

Illustration (ours) — Nova (Pvt) Ltd, registered in 2026

Nova estimates Y/A 2026/27 taxable income of Rs. 4 Mn → estimated tax Rs. 1,200,000, no credits.

1st instalment = $1,200,000 \div 4 =$ **Rs. 300,000**, with Attachment 2 filed.

Method 3 — Practically unable to estimate

If unusual circumstances make "A" impossible to calculate under 2(ii) or 2(iii), submit a **written request** outlining your restrictions to the **Commissioner – Tax Policy & Legislation Unit**, seeking another reasonable alternative method.

Illustration (ours) — a restructuring group

Mid-merger, with businesses being transferred between entities, Group P cannot reasonably attribute income to compute "A" — it writes to the Commissioner (TPL Unit) proposing an alternative basis and awaits approval.

Deadlines, RAMIS & Special Rules

NEW • 12 AUG

Declarations now due 30 November 2026

Attachments under this circular are due **on or before 30 November 2026** — they may be uploaded together with the Y/A 2025/26 Return of Income. In RAMIS: **Upload Supporting Documents** → **Supporting Documents** → **Other Relevant Documents**, with the file titled **"TIN_2627_INSAttachment1"** (e.g. 111122222_2627_INSAttachement1) — or "INSAttachment1_Revised" / "INSAttachment2" as applicable. Attachment 1 and Attachment 1 (Revised) may be submitted the same day. Manual filing at the CDMU, Metro or Regional Office remains available.

Credit schedules ("C")

Still required — file in the specified format with CDMU / Metro / Regional Office by each instalment month-end: 31 Aug, 30 Nov, 28/29 Feb, 31 May.

Mid-year revisions

Standard-basis payers projecting a lower year may switch to Method 2/3 — notify CDMU with support by 31 Oct, 31 Jan or 30 Apr.

Foreign tax credits

May reduce "A" under s.80 of the IR Act — only if the foreign tax is already paid or reasonably expected to be paid this year.

Alternative accounting periods

Approved 12-month alternative periods follow these same rules, unchanged.

Employees — APIT / AIT exemptions (APIT Table 8)

APIT / AIT deducted (or to be deducted) by the employer may be subtracted before applying the formula. So: **employment-only income under APIT** → **no instalments, no credit schedule**. The same applies where rent or interest AIT covers the remaining liability.

Example 6 — Mrs. P, employee with interest income

Y/A 2025/26 taxable income Rs. 4.2 Mn → A = **Rs. 1,032,000**. Her APIT credit (Rs. 960,000) plus AIT credit (Rs. 90,000) total **Rs. 1,050,000** — more than the liability, so she pays **no quarterly instalments** and files no credit schedule.

Payment instructions will be provided separately by the IRD as assistance to taxpayers.

QUICK REFERENCE

Every Scenario on One Page

Circumstance	Method	Basis for "A"	Filing (by 30 Nov 2026)
Taxable income existed in Y/A 2025/26	1	Preceding year's gross tax liability	No statement – credit schedule only
No taxable income last year, none expected this year	2(i)	A = Nil	Attachment 1 (paras 6 & 8.2)
No taxable income last year, but income expected (expiring losses / ending exemptions)	2(ii)	2025/26 figures, disregarding losses / exemptions – SET basis allowed for Q1*	Attachment 1 (+ Attachment 1 Revised from Q2 if SET used*)
Income existed, but significantly lower income expected this year	2(iii)	2025/26 recalculated, excluding non-recurring streams – SET basis allowed for Q1*	Attachment 1 + supporting calculations (para 8.2 if no income expected)
Newly registered taxpayer	2(iv)	Estimated current-year tax (first Y/A only)	Attachment 2
Unable to reasonably estimate under Method 2	3	Alternative method, subject to IRD approval	Written request to Commissioner (TPL Unit)

* Where the Y/A 2025/26 computation is not finalised by the first due date – one revision only; select the applied basis (Return of Income / SET) in Attachment 1. † This circular applies to **Y/A 2026/27 only** – earlier versions covered "subsequent years" as well, so expect fresh IRD guidance for Y/A 2027/28.

✦ **The Summary** Pay $(A - C) \div B$ on last year's tax by **15 August 2026**. Alternatives are strictly reserved – and every one needs its declaration, now due **30 November 2026** via RAMIS or in person.

Talk to us — we'll compute it with you

Évolve Consultants (Pvt) Ltd · 136/1 Hill Street, Dehiwala · info@evoluer.lk · +94 112 719 762

General summary of IRD Circular SEC/2026/E/06 (Re-Revised), 12 Aug 2026 – not professional advice. Illustrations marked "(ours)" are Évolve's own examples.



ANNEXURE

IRD Circular No. SEC/2026/E/06 (Re-Revised)

Circular to Taxpayers on Calculating Quarterly Income Tax Instalments,
dated 12 August 2026, including Attachments 1 (Original / Revised) and 2
(Forms SEC/2026/SA/01 and SEC/2026/SA/02).

Changes made in the re-revised circular are highlighted in the source document.
Reproduced on the following pages for ease of reference. Source: Inland Revenue Department, Sri Lanka.



දෙශීය ආදායම් දෙපාර්තමේන්තුව உள்ளநாட்டு இறைவரித் திணைக்களம் INLAND REVENUE DEPARTMENT

ලේකම් අංශය
14 වන මහල

දේශීය ආදායම් ගොඩනැගිල්ල
ශ්‍රීමත් වික්‍රමපාලම් ඒ ගාඩිනර් මාවත
නු.පෙ. 515, කොළඹ 2- ශ්‍රී ලංකාව

සெயலகம்
14 වது மாடி

உள்ளநாட்டு இறைவரித் திட்டம்
சேர் சிறும்பலம் ஏ காடினர் மாவத்தை
த.பெ.இல. 515, கொழும்பு - 2, இலங்கை

Secretariat
14th Floor

Inland Revenue Building
Sir Chittampalam A Gardiner Mawatha
P.O. 515, Colombo 2 - Sri Lanka

ෆැක්ස්
பக்ஸ்
Fax } 011 - 2338635

දුරකථන
தொலைபேசி
Telephone } 011- 2135300/ 2135410/ 2135412 /
2135413

E-Mail - tpl@ird.gov.lk / itp@ird.gov.lk
Web: www.ird.gov.lk

Circular No: SEC/2026/E/06 (Re-Revised Circular) August 12th 2026

Circular to Taxpayers

Circular on Calculating Quarterly Income Tax Instalments (Section 90 of the Inland Revenue Act, No. 24 of 2017 (as amended))

Applicable Period: Year of Assessment 2026/2027

This re-revised circular amending the circular No. SEC/2026/E06 dated August 3rd and 06th, 2026 specifies the method for the computation of quarterly instalment payable amount along with the related procedures applicable to the year of assessment 2026/2027. It has been issued in compliance with subsection (3) of Section 90 of the Inland Revenue Act, No. 24 of 2017 (as amended).

At the request of taxpayers, certain changes have been made to the original circular. The changes introduced in the *revised circular* are shown in *italic text*, while the changes made in the **re-revised circular** are highlighted.

Payment instructions will be separately provided as an assistance for the taxpayers.

1. Statutory Due Dates & Formula

According to the Section 90 of the Inland Revenue Act, No 24 of 2017, an instalment payers shall pay quarterly instalments of tax for the year of assessment on or before the -

- **1st Instalment:** On or before August 15th of the Year of Assessment
- **2nd Instalment:** On or before November 15th of the Year of Assessment
- **3rd Instalment:** On or before February 15th of the Year of Assessment
- **4th Instalment:** On or before May 15th of the next succeeding Year of Assessment

The Calculation Formula

Following formula is applicable in calculating the amount of income tax payable for each installment by a person as provided in Section 90(3) of the Inland Revenue Act, No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act, No. 11 of 2026.

$$\frac{A - C}{B}$$

Where,

A = the amount of tax payable by the person on the taxable income (gross income tax payable before deducting any tax credit) for the immediately preceding year of assessment

B = Number of Instalments Remaining for the Year of Assessment including Current Instalment. Accordingly,

- 1st Instalment: B=4
- 2nd Instalment: B=3
- 3rd Instalment: B=2
- 4th Instalment: B=1

C = the total of tax paid during the year of assessment, prior to the due date of the instalment. This includes previous instalment payments, Withholding Tax (WHT) / Advance Income Tax (AIT) credits already withheld or to be withheld..

2. Methodology for Determining Component "A"

Methods for the calculating "A" in the above formula in different circumstances are discussed here.

Method 1: Standard Basis (Taxpayers with Taxable Income for the Year of Assessment 2025/2026)

For all taxpayers "A" is the amount of tax payable by such taxpayer with respect to the **taxable income in the immediately preceding year of assessment**. For an example, if the calculation of "A" is for the year of assessment 2026/2027, then the immediately preceding year of assessment is the year of assessment 2025/2026 and the tax payable is the amount calculated by applying applicable tax rates to the taxable income for the year of assessment 2025/2026.

Example 1: Mr. X is running a hardware shop. His assessable income for the year of assessment 2025/2026 is Rs. 3,800,000.

Accordingly, his gross income tax liability of the year of assessment 2025/2026 is as follows.

	Rs.
Total Assessable Income	3,800,000

Less: Personal Relief	(1,800,000)
Taxable Income	2,000,000
Gross Income Tax Payable	
First Rs. 1,000,000 @ 6% =	60,000
Next Rs. 500,000 @ 18% =	90,000
Next Rs. 500,000 @ 24% =	<u>120,000</u>
Total Gross Tax	= 270,000

Therefore, 'A' in the above formula amounts to Rs. 270,000. If no withholding tax credits are available to him for the year of assessment 2026/2027, his first quarterly installment payment will be as follows.

$$\frac{A - C}{B} = \frac{270,000 - 0}{4} = \text{Rs. } 67,500$$

Therefore, Mr. X should pay Rs. 67,500 as the first quarterly installment for the year of assessment 2026/2027, on or before August 15, 2026.

Example 2: The following is the tax computation of Liquor (Pvt) Ltd for the year of assessment 2025/2026. The company has engaged in manufacturing liquor for the local market.

	Rs. '000
Business Income – from sale of manufactured liquor	1,650,000
Investment Income	6,000
Total Assessable Income	1,656,000
Less: Qualifying Payment	(3,000)
Taxable Income	1,653,000
Gross Income Tax Payable	
On gains and Profit from manufacturing and sale of liquor Products =	1,647,000 @ 45% = 741,150
On investment income 6,000 @ 30% =	<u>1,800</u>
Total Gross Tax	= 742,950

Accordingly, for the year of assessment 2026/2027, 'A' in the above formula amounts to Rs. 742,950,000. If withholding tax (or Advance Income Tax – AIT) credits available to the company for the year of assessment 2026/2027 amount to Rs. 880,000, the first quarterly installment payment will be as follows.

$$\frac{A - C}{B} = \frac{742,950,000 - 880,000}{4} = \text{Rs. } 185,517,500$$

Therefore, Liquor (Pvt) Ltd should pay Rs. 185,517,500 as the first quarterly installment for the year of assessment 2026/2027, on or before August 15, 2026.

Compliance Note:

1. No documentation needs to be filed with the Commissioner-General for payments made under this standard basis.
2. Any under payment, late payment or no payment will attract an interest and penalty on basis of these standard calculations.
3. If you are eligible to use the standard method to calculate your quarterly installments, you **cannot** use the alternative methods outlined below.

Method 2: Alternative Bases (No Income / Lower Expected Income)

The alternative methods are strictly reserved for taxpayers who meet either of the following conditions:

- **No prior tax liability:** You had no taxable income in the immediately preceding year of assessment (2025/2026).
- **Lower expected income:** You reasonably expect your taxable income for the current year of assessment (2026/2027) to be lower than the previous year of assessment (2025/2026).

i. No Preceding Taxable Income & No Current Assessable Income Expected

If a taxpayer has no taxable income for the preceding year of assessment (2025/2026) and expects no assessable income for the year of assessment 2026/2027 (e.g., due to heavy deductible tax losses), **“A” is considered Zero (0).**

- **Requirement:** No instalment payment is due, but the taxpayer **must submit a statement** as specified in **Attachment 1** (paragraph 6 and 8.2 of the attachment 1).

ii. No Preceding Taxable Income but Current Assessable Income is Expected

Where a person has no taxable income for the immediately preceding year of assessment (2025/2026) but expects to have assessable income for the current year of assessment (2026/2027) either due to the absence or reduction of deductible losses from previous years (as permitted under the Inland Revenue Act), or due to tax exemptions that applied in the immediately preceding year of assessment but will not apply in the current year of assessment, the gross income tax for the current year of assessment shall be estimated. In such cases, the tax payable for the current year of assessment should be estimated based on the figures for immediately preceding year of assessment, with 'A' of the formula calculated by applying all taxing rules and the income tax rates specified in the First Schedule to the IR Act to the taxable

income of immediately preceding year of assessment, disregarding any losses deducted or tax exemptions applied in that year, as applicable.

Where the tax computation for the year of assessment 2025/2026 has not been finalized by the due date of the first instalment, the taxpayer may use the final SET (Statement of Estimated Tax) for the year of assessment 2025/2026 in applying this basis for calculating the tax payable for **1st quarterly installment** of the year of assessment 2026/2027. However, for the 2nd quarter installment, this should be revised on the basis of the tax return of the year of assessment 2025/2026.

These taxpayers are required to submit a statement as specified in Attachment 1. Taxpayers who used the SET basis for the first quarter are required to submit Attachment 1 for the first quarter and Attachment 1 (Revised) for the second quarter and subsequent quarters, with only one revision permitted.

Example 3: [(Expiring Losses - ABC (Pvt) Ltd.):

The following is the tax computation of ABC (Pvt) Ltd for the year of assessment (Y/A) 2025/2026. The company engages in manufacturing biscuits for the local market. As at the end of the year of assessment 2024/2025, the company had unrelieved losses of Rs. 526,000 carried forward to the next year of assessment. These losses were incurred during the year of assessment 2022/2023 and are allowable to be deducted under the provisions of the Inland Revenue Act.

The tax computation of the Y/A 2025/2026 is given below.

	Rs. '000
Business Income of the Year of Assessment prior to the deduction of tax losses brought forward	490,000
Less: B/F Business Loss setoff	(490,000)
Investment Income	12,000
Less: Business Loss setoff	(12,000)
Total Assessable Income	NIL
Business Loss Carried Forward to the Y/A 2026/2027 [526,000 – (490,000 + 12,000)] =	24,000

Calculation of gross income tax liability for the year of assessment 2026/2027, based on the amounts of 2025/2026 is as follows.

	Rs. '000
Business Income of the Y/A 2025/2026 prior to the deduction of tax losses brought forward	490,000

Less: Business Loss B/F and available to set off in Y/A 2026/2027	(24,000)
Business Income	466,000
Investment Income	12,000
Total Assessable Income	478,000
Taxable Income	478,000
Gross Income Tax Payable	
478,000 @ 30% =	143,400
Total Gross Tax	= 143,400

Accordingly, 'A' in the above formula amounts to Rs. 143,400,000. If withholding tax (or Advance Income Tax – AIT) credits available to the company for the year of assessment 2026/2027 amount to Rs. 1,200,000, the first quarterly installment payment will be as follows.

$$\frac{A - C}{B} = \frac{143,400,000 - 1,200,000}{4} = \text{Rs. } 35,550,000$$

Therefore, ABC (Pvt) Ltd should pay Rs. 35,550,000 as the first quarterly installment for the year of assessment 2026/2027, on or before August 15, 2026.

Example 4: (Expiring BOI Exemption - XYZ Pvt Ltd):

The following is the tax computation of XYZ (Pvt) Ltd for the year of assessment 2025/2026. The company is exempted from income tax, as per the Agreement entered with Board of Investment Sri Lanka up to the year of assessment 2025/2026.

	Rs. '000
Exempt Amounts (BOI Exemption)– Gains and profit from development of software for the Foreign Market (foreign currency received to the bank)	44,000
Total Assessable Income	NIL
Taxable Income	NIL

Estimation of gross income tax liability for the year of assessment 2026/2027, based on the amounts of 2025/2026 is as follows.

	Rs. '000
Business Income— Gains and profit from development of software for the Foreign Market (foreign currency received to the bank)	44,000
Total Assessable Income	44,000
Taxable Income	44,000
Gross Income Tax Payable	
44,000 @ 15% =	6,600
Total Gross Tax	= 6,600

Accordingly, 'A' in the above formula amounts to Rs.6,600,000. The first quarterly installment payment will be as follows.

$$\frac{A - C}{B} = \frac{6,600,000 - 0}{4} = \text{Rs. } 1,650,000$$

Therefore, XYZ (Pvt) Ltd should pay Rs. 1,650,000 as the first quarterly installment for the year of assessment 2026/2027, on or before August 15, 2026.

iii. Previous Income Existed but Significant Reduction is Expected in the Current Year of Assessment

Where a person has assessable income for the previous year of assessment (2025/2026) and expects to derive a lower amount of assessable income for the current year of assessment (2026/2027) (due to reasons such as a significant decline in business, an increase in expenditure or reduction of investment during the current year of assessment) such persons may recalculate the income tax payable for the previous year of assessment by excluding the gains or profits from business or investment activities that are not expected to arise in the current year of assessment.

Similar to item ii of this circular, where the tax computation for the year of assessment 2025/2026 has not been finalized by the due date of the first instalment, the taxpayer may use the final SET (Statement of Estimated Tax) for the year of assessment 2025/2026 in applying this basis for calculating the tax payable for 1st quarterly installment of the year of assessment 2026/2027. However, for the 2nd quarter installment, this should be revised on the basis of the tax return of the year of assessment 2025/2026.

These taxpayers are required to submit a statement as specified in Attachment 1. Taxpayers who used the SET basis for the first quarter are required to submit Attachment 1 for the first quarter and Attachment 1 (Revised) for the second quarter and subsequent quarters, with only one revision permitted.

Attachment 1 should be submitted with supporting details (calculations) to prove the loss of business or investments.

* Where a person expects to have no taxable income for the current year of assessment due to losses or any other allowable deductions, the person shall declare that status in the statement set out in paragraph 8.2 of Attachment 1.

Example 5 (Reduction of Revenue - UVW Pvt Ltd):

The following is the tax computation of UVW (Pvt) Ltd for the year of assessment 2025/2026. During the year of assessment, company lost business operations done with major DDD (Pvt) Ltd. 42% of business revenue generated from that company during the year of assessment 2025/2026. However, new customer added to the company business and estimated that 15% of previous sales amount can be made with that new customer. Further, company has withdrawn two fixed deposits which generated 80% of interest income.

Computation of 2025/2026 income tax liability is as follows

	Rs. '000
Business Income of the Year of Assessment	636,000
Less: B/F Business Loss setoff	(42,000)
Investment Income	26,500
Total Assessable Income	620,500
Taxable Income	620,500
Gross Income Tax Payable 620,500 @ 30% = 186,150	
Total Gross Tax	= 186,150

Estimation of gross income tax liability for the year of assessment 2026/2027, based on the amounts of 2025/2026 is as follows.

	Rs. '000
Business Income of the Year of Assessment (Adjusted net business reduction of 27%)	464,280
Less: B/F Business Loss setoff	(42,000)
Investment Income (Adjusted net business reduction of 80%)	5,300
Total Assessable Income (re-assessed)	427,580
Taxable Income	427,580
Gross Income Tax Payable 427,580 @ 30% = 128,274	
Total Gross Tax	= 128,274

Accordingly, 'A' in the above formula amounts to Rs. 128,274,000. If withholding tax (or Advance Income Tax – AIT) credits are not available to the company for the year of assessment 2026/2027, the first quarterly installment payment will be as follows.

$$\frac{A - C}{B} = \frac{128,274,000 - 0}{4} = \text{Rs. } 32,068,500$$

Therefore, UVW (Pvt) Ltd should pay Rs. 32,068,500 as the first quarterly installment for the year of assessment 2026/2027, on or before August 15, 2026.

iv. Newly Registered Taxpayers

Since these persons may not have tax computation for the previous year of assessment, they must calculate their taxable income by estimating it for the current year of assessment. Applicable tax provisions and rates are also should be applied for the current year of assessment. This specification applies only one year of assessment for a particular taxpayer. For subsequent years of assessment, above specified appropriate procedure should be applied. **These individuals are also required to submit a statement as specified in Attachment 2.**

Method 3: Taxpayers Unable to Estimate

If a taxpayer is practically unable to calculate "A" under the alternative bases of item ii or iii, (*due to unusual circumstances*) they shall submit a written request outlining their valid restrictions to the **Commissioner – Tax Policy and Legislation Unit** (on behalf of the Commissioner General) seeking for another reasonable alternative method.

3. General Administrative Rules & Special Clarifications

1. Credit Schedules (with respect to "C" of the Formula)

The above specifications relate solely to the calculation of amount "A" in the formula. As components "B" and "C" remain unchanged, you are advised to file a credit schedule in the specified format. *The credit schedule shall be submitted to Central Document Management Unit (CDMU), Regional or Metro Office on or before the last day of the relevant month in which the quarterly instalment is due (i.e., 31 August, 30 November, 28 or 29 February, and 31 May).*

2. Employment Income Exemptions (APIT/AIT):

According to the provisions of the IR Act, when calculating the tax payable by an instalment payer, any Advance Personal Income Tax (APIT) or Advance Income Tax (AIT) deducted or expected to be deducted by the employer for the year of assessment may be subtracted before applying the formula referred to above.

- i. Therefore, if **an individual derives income solely** from the employment and that income is subject to APIT, there is no requirement to make quarterly instalment payments, and the credit schedule mentioned above is also not required.
- ii. if an individual receives **employment income** as described above, **along with rent or interest income** that is subject to Advance Income Tax (AIT), and the AIT deducted on such rent or interest payments is sufficient to cover the remaining

income tax liability for the current year of assessment, that individual is also not required to make quarterly instalment payments or submit the credit schedule. This specification also applies to employees whose APIT is being calculated and paid using APIT Table 8.

Example 6

Mrs. P's income details for the Year of Assessment 2025/2026 and her projected income details for the Year of Assessment 2026/2027 are as follows:

	2025/2026	2026/2027 (projected)
<i>Employment Income</i>	5,000,000	5,800,000
<i>Interest Income</i>	1,000,000	900,000
<i>Total Assessable Income</i>	6,000,000	6,700,000
<i>Less: Personal Relief</i>	1,800,000	1,800,000
<i>Taxable Income</i>	4,200,000	4,900,000
Gross Income Tax Payable	<i>First Rs. 1,000,000 @ 6% = 60,000</i> <i>Next Rs. 500,000 @ 18% = 90,000</i> <i>Next Rs. 500,000 @ 24% = 120,000</i> <i>Next Rs. 500,000 @ 30% = 150,000</i> <i>Balance Rs. 1,700,000 @ 36% = 612,000</i> <i>Total Gross Tax = 1,032,000</i>	

Accordingly, the value of 'A' in the above formula is Rs. 1,032,000. As the APIT credit of Rs. 960,000 and the AIT credit of Rs. 90,000 (APIT and AIT already deducted and to be deducted during the year of assessment) available to Mrs. P for the Year of Assessment 2026/2027 amount to a total of Rs. 1,050,000, she is not required to make any quarterly instalment payments.

3. Foreign Tax Credits

When estimating tax payable for a year of assessment on taxable income ("A" in the above referred formula), a person may take in to consideration a foreign tax credit available under section 80 of the IR Act. However, foreign income tax can only be considered if it has already been paid or is reasonably expected to be paid during the year.

4. Alternative Accounting Periods

If a person prepares accounts based on an alternative 12-month period for computing income tax for a given year of assessment, with the approval of the Commissioner General, the above specifications will still apply without any change.

5. Submission Deadline

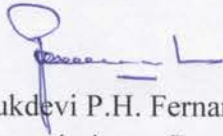
Attachments required under this circular shall be submitted on or before November 30, 2026. Accordingly, attachments prepared for the Year of Assessment 2026/2027 may be uploaded when submitting the Return of Income for the Year of Assessment 2025/2026.

Taxpayers may upload the relevant attachments to the RAMIS system when filing the Return of Income under "Upload Supporting Documents → Supporting Documents → Other Relevant Documents." The file should be titled "TIN_2627_INSAttachment1". (Example = 111122222_2627_INSAttachment1) Where applicable, the title should be changed to "INSAttachment1_Revised" or "INSAttachment2", as appropriate. Both Attachment 1 and Attachment 1 (Revised) may be submitted on the same date, where applicable.

Taxpayers who wish to submit the documents manually may submit them to the CDMU, Metro, or the relevant Regional Office.

6. Mid-Year Revision Requests

A taxpayer who has been paying quarterly instalments under Method 1 (Standard Basis) of this Circular may, on or before the last day of the month preceding the relevant quarterly instalment due date (i.e., 31 October, 31 January, or 30 April), inform a revision to the basis of calculation if the projected taxable income for the current year of assessment is lower than that of the preceding year. The request must be submitted to CDMU, together with supporting information, on or before the applicable deadline and the taxpayer may adopt either Method 2 or Method 3, as applicable.



Rukdevi P.H. Fernando
Commissioner General of Inland Revenue

Rukdevi P.H. Fernando
Commissioner General of Inland Revenue
Inland Revenue Department
Sir Chittampalam A. Gardiner Mawatha
Colombo 02.

Attachment 1 –Original /Revised**Form No. SEC/2026/SA/01**

For office use only

Serial number	Unit /RO	Officer

Declaration of Tax Amount Payable / Not Payable in Installments**Year of Assessment:**

1. **Name of the Taxpayer:**.....
.....
2. **TIN:**
3. **Address:**
4. **Type of the Taxpayer:** Individual / Partnership/ Company (incorporated in or outside Sri Lanka) / Public Corporation/ Trust / Unit Trust or Mutual Fund/ Charitable Institution/ Non-Governmental Organization/ Employees Trust Fund / Employees Provident Fund / Pension Fund/ Employees Termination Fund/ Employees Gratuity Fund/ Other Fund /Other (Please specify).....
5. **Whether Resident or Non Resident for the Relevant Year of Assessment:**
.....

6. Brought Forward Unrelieved Losses (Rs.)

Year of Assessment	Business Losses	Investment Losses	Total

7. Income Tax Exemptions Claimed During the Previous Year/s of Assessment with Amounts (Rs.)

.....

.....

.....

.....

.....

(Explain the exemption/s together with applicable law/agreement details)

8. 8.1 Estimated Assessable Income during the Year of Assessment (After the deduction of losses) ** In the event of any loss adjustment, a separate computation must be attached.

Applied Basis: Previous Year Return of Income Basis / Previous Year SET Basis (Select the applied basis) **Rs.**

Year of Assessment	Employment Income	Business Income	Investment Income	Other Income	Total
Taxable Income					
Gross Tax Payable					

8.2 Estimated losses/deductions during the Year of Assessment (if no assessable income)

Rs.

Year of Assessment	Business Loss	Investment Loss	Deductions (Ex: Qualifying Payments)	Total

**** Attach calculation details for estimated losses during the year of assessment.**

9. Declaration

I declare to the best of my knowledge and belief that all particulars furnished in this form are accurate and complete. I am aware that making an incorrect or false statement or giving false information is an offence.

Full Name of the Declarant:
.....

Designation:
(Individual/Partner/Managing Director/Director/Secretary/Principal Officer/Duly Authorized Agent)

Telephone Number: Office Mobile:

E-mail :

Signature: Official Frank

NIC Number/ Passport Number:

Attachment 2**Form No. SEC/2026/SA/02**

For office use only

Serial number	Unit /RO	Officer

**Declaration of Tax Amount Payable / Not Payable in Installments
Year of Assessment:**

1. **Name of the Taxpayer:**
2. **TIN:**
3. **Address:**
4. **Type of the Taxpayer:** Individual / Partnership/ Company (incorporated in or outside Sri Lanka) / Public Corporation/ Trust / Unit Trust or Mutual Fund/ Charitable Institution/ Non-Governmental Organization/ Employees Trust Fund / Employees Provident Fund / Pension Fund/ Employees Termination Fund/ Employees Gratuity Fund/ Other Fund /Other (Please specify).....
5. **Whether Resident or Non Resident for the Relevant Year of Assessment:**
.....
6. **6.1 Estimated Assessable Income during the Year of Assessment (After the deduction of losses) ** In the event of any loss adjustment, a separate computation must be attached.**

Rs.

Year of Assessment	Employment Income	Business Income	Investment Income	Other Income	Total
Taxable Income					
Gross Tax Payable					

6.2 Estimated loss during the Year of Assessment (if no assessable income)

Rs.

Year of Assessment	Business Loss	Investment Loss	Total

**** Attach calculation details for estimated losses during the year of assessment.**

7. Declaration

I declare to the best of my knowledge and belief that all particulars furnished in this form are accurate and complete. I am aware that making an incorrect or false statement or giving false information is an offence.

Full Name of the Declarant:

Designation:

(Individual/Partner/Managing Director/Director/Secretary/Principal Officer/Duly Authorized Agent)

Telephone Number: Office Mobile:

E-mail :

Signature:

Official Frank

NIC Number/ Passport Number: