

SRI LANKA AMENDS PERSONAL INCOME TAX STRUCTURE

CHANGES TO BE EFFECTIVE FROM APRIL 2025

- Following negotiations with IMF, cabinet ministers approved the amendments for the personal income tax structure as follows
 - Tax free income schedule to remain at LKR 1.2Mn per annum
 - Tax bands increase from LKR 500,000- LKR 720,000
 - Marginal tax rate at each band remains at 6% with the top tax rate remaining at 36%
- The adjustment would be effective from April 2025.
- This was made possible due to the government meeting its revenue targets and exceeding expectations on several fiscal benchmarks, including the primary balance target. As a result, the government had the opportunity to revisit negotiations on the Personal Income Tax (PIT) structure during the IMF staff visit in July 2024.

TAX FREE THRESHOLD REMAINS AT LKR 1.2MN PER ANNUM

TAX BANDS INCREASES FROM LKR 500,000-720,000 , MARGINAL TAX BAND REMAINING THE SAME

Current income tax slabs

Monthly salary slabs (LKR)	Tax %
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<100,000	0%
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100,000-141,667	6%
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141,667- 183,333	12%
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183,333-225,000	18%
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225,000-266,667	24%
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266,667-308,333	30%
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> 308,333	36%
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Proposed income tax slabs

Monthly salary slabs (LKR)	Tax %
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<100,000	0%
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100,000-160,000	6%
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160,000-220,000	12%
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220,000-280,000	18%
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280,000-340,000	24%
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340,000-400,000	30%
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>400,000	36%
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MIDDLE & HIGH-INCOME EARNERS BENEFIT THE MOST FROM TAX SAVINGS

SALARY OF >LKR 400K PER MONTH TO SEE A SAVING OF LKR 16,500 PER MONTH

Monthly salary slabs (LKR)	Taxable Income (LKR)	Tax under current system	Tax under proposed system	Saving per month (LKR)
<100,000	0	0	0	0
150,000	50,000	3,500	3,000	500
200,000	100,000	10,500	8,400	2,100
250,000	150,000	21,000	16,200	4,800
300,000	200,000	35,000	26,400	8,600
350,000	250,000	52,500	39,000	13,500
>400,000				16,500

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