

FISCAL REVIEW REPORT

January – February 2026



Department of Fiscal Policy

Ministry of Finance, Planning and Economic Development

Highlights of Fiscal Performance

Government Revenue & Grants

- Jan - Feb 2026 : Rs. 1,031.2 Bn
- Jan - Feb 2025 : Rs. 760.9 Bn

Government Expenditure

- Jan - Feb 2026 : Rs. 861.4 Bn
- Jan - Feb 2025 : Rs. 847.5 Bn

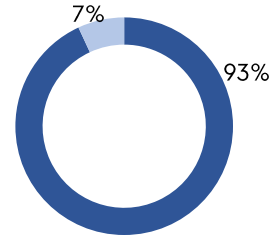
Primary Surplus

- Jan - Feb 2026 : Rs. 545.4 Bn
- Jan - Feb 2025 : Rs. 328.4 Bn

Budget Balance

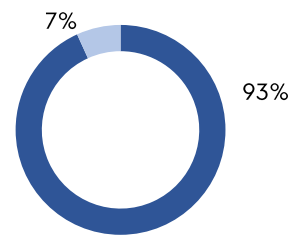
- Jan - Feb 2026 : Rs. 169.7 Bn
- Jan - Feb 2025 : Rs. -86.6 Bn

Government Revenue Jan - Feb 2026



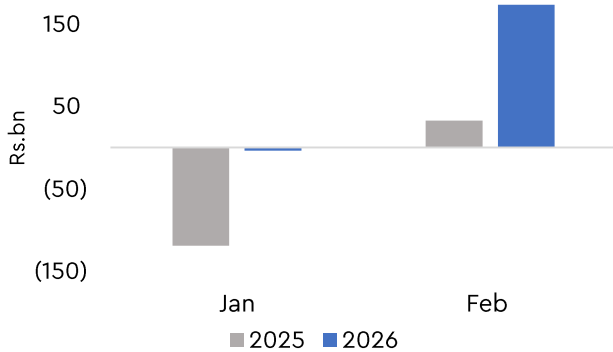
- Tax Revenue
- Non-Tax Revenue

Government Expenditure Jan - Feb 2026



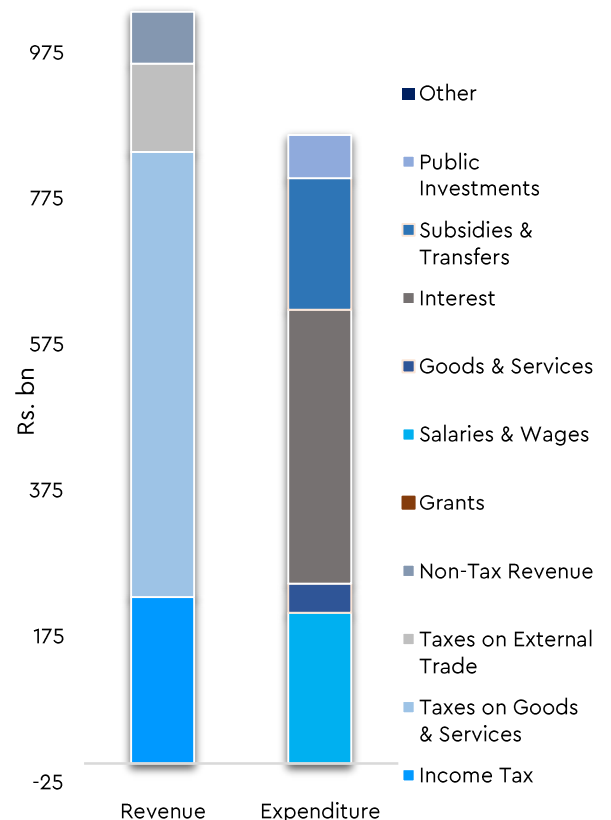
- Recurrent Expenditure
- Capital and Net Lending

Budget Deficit (Rs. bn) Jan - Feb 2026



The budget balance, in nominal terms, increased to a surplus of Rs. 169.7 billion in the first two months of 2026 from a deficit Rs. 86.6 billion in the same period of 2025, mainly due to the increase in government revenue by 35.5 percent to Rs. 1,031.2 billion in the first two months of 2026 from Rs. 760.9 billion in the same period of 2025.

Total Revenue and Expenditure (Jan - Feb) 2026

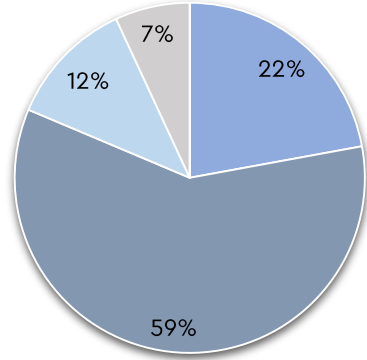


Jan - Feb 2025 → Jan - Feb 2026

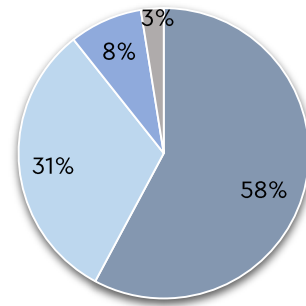
- Total Revenue, including grants increased by 35.5 percent
- Tax Revenue increased by 35.8 percent
- Non-Tax Revenue increased by 32.8 percent
- Recurrent Expenditure increased by 1.5 percent
- Capital and net lending increased by 4.2 percent
- GDP at constant prices was Rs. 13,128.6 billion in 2025 compared to Rs. 12,509.0 billion in 2024.
- In 2024 and 2025, economy expanded by 5.0 percent

Revenue Performance

Composition of Actual Revenue
(Jan - Feb) - 2026

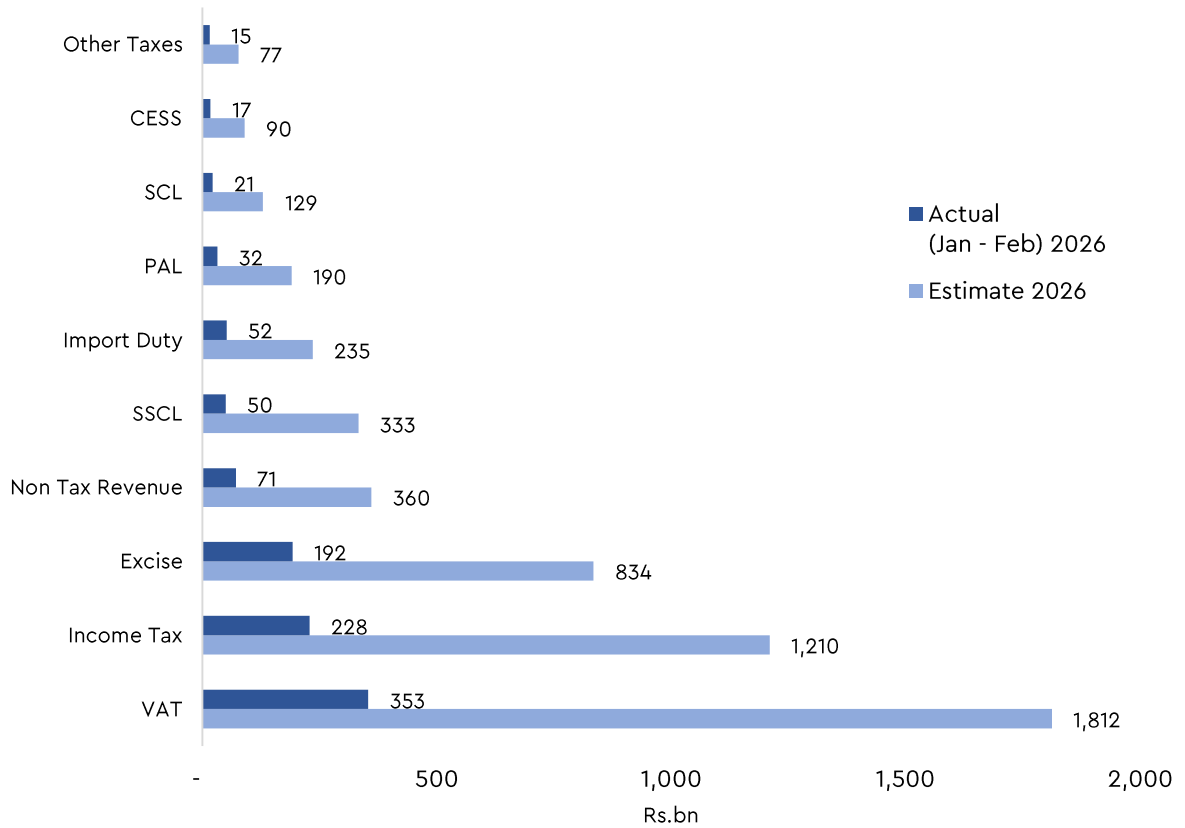


Composition of Taxes on goods & services
(Jan - Feb) - 2026



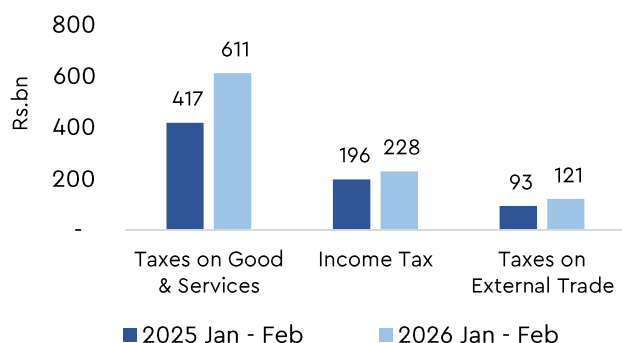
- Income Tax
- Taxes On external Trade
- Grants
- Taxes on Good & Services
- Non - Tax revenue
- VAT
- Excise Taxation
- SSCL
- Other

Annual Estimate vs. Revenue by Major Revenue Sources (Jan - Feb) 2026 (Rs. bn)

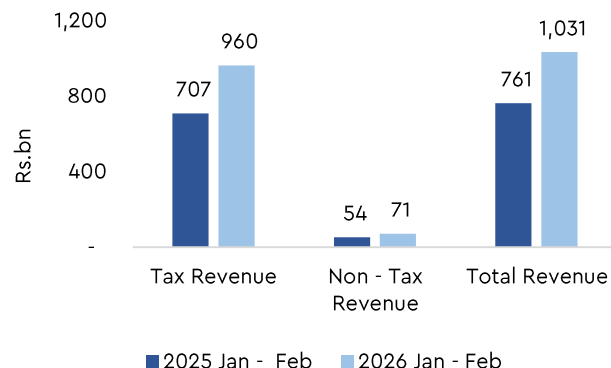


Revenue Performance

Tax Revenue (Jan - Feb) 2025/2026 (Rs. bn)

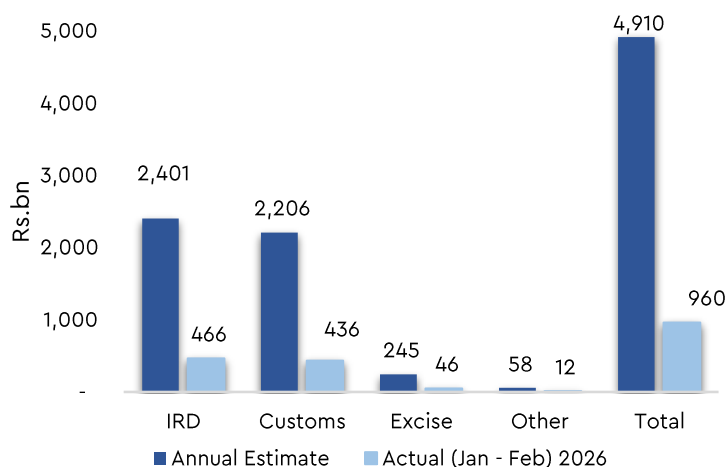


Government Revenue (Jan - Feb) 2025/2026 (Rs. bn)



The total revenue increased by 35.6 percent to Rs. 1,031.2 billion in the first two months of 2026 from Rs. 760.7 billion in the same period of 2025. The revenue from income tax increased by 16.1 percent to Rs. 228.1 billion in the first two months of 2026 from Rs. 196.4 billion in the same period of 2025. Revenue from VAT increased by 32.1 percent to Rs. 353.2 billion in the first two months of 2026 from Rs. 267.4 billion in the same period of 2025.

Tax revenue (Annual estimate vs. achievement in 2026) from different revenue collecting agencies in 2026 (Rs.bn)



This chart depicts the revenue performance of three major revenue collecting agencies during the first two months of 2026. Customs achieved 19.7 percent of its annual estimate in the first two months of 2026 mainly due to the increase of revenue collection from motor vehicles.

Revenue Performance

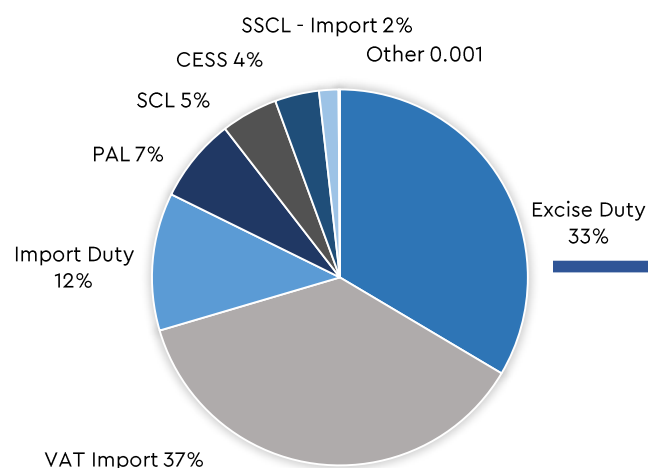
Tax Revenue from 3 Key Revenue collecting agencies during (Jan – Feb) 2026

	Annual Estimate (Rs. bn)	Actual (Jan – Feb) 2026 (Rs. bn)	Achievement (%)
IRD	2,401	466	19.4
Customs	2,206	436	19.7
Excise	245	46	18.9
Other	58	12	20.6
Total	4,910	960	19.6

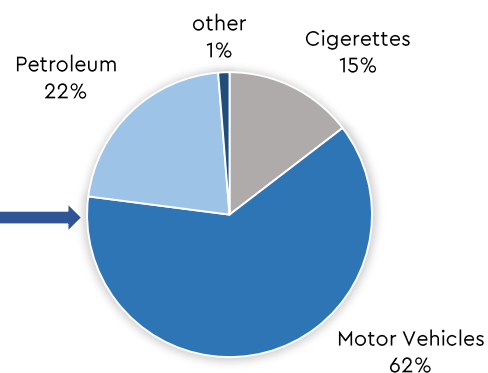
In the first two months of 2026, Inland Revenue Department became the largest contributor, accounting for 48.5 percent of the total tax revenue collected. The Sri Lanka Customs was the second-largest contributor, representing 45.4 percent of the total tax revenue collected, while Excise Department was the third-largest contributor.

Sri Lanka Customs

Revenue collection from Sri Lanka customs by major tax components (Jan - Feb 2026)



Composition of Excise Duty collected from Sri Lanka Customs (Jan - Feb 2026)



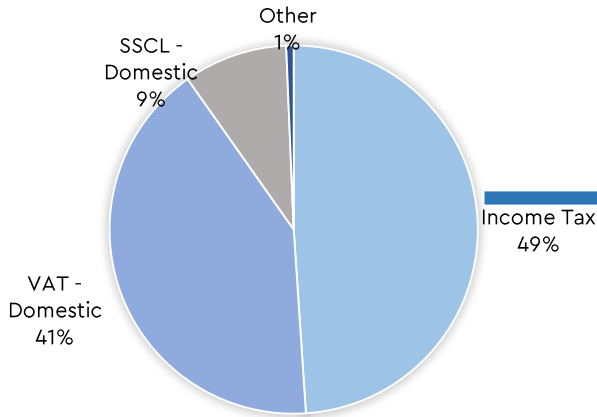
Revenue from VAT on imports is the largest revenue component among the Custom's major tax components. The revenue from VAT on imports increased by 57.4 percent to Rs. 160.8 billion in the first two months of 2026 from Rs. 102.1 billion in the same period of 2025. Revenue from Excise Duty increased by 85.1 billion to Rs. 146.0 billion in the first two months of 2026 compared to the same period of 2025.

Revenue from Excise Duty on motor vehicles significantly increased by 84.0 billion to Rs. 91.2 billion in the first two months of 2026 from Rs. 7.2 billion in the same period of 2025.

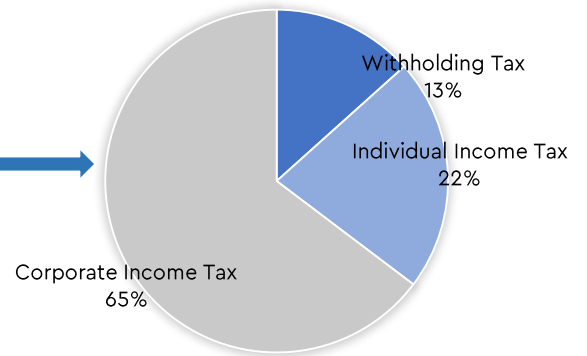
Revenue Performance

Inland Revenue Department

Revenue collection from IRD by major tax components (Jan - Feb 2026)



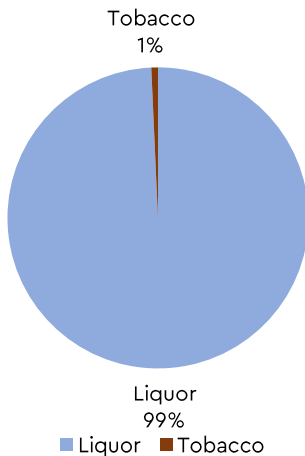
Composition Income Tax (%)



This graph demonstrates revenue collection from IRD by major tax components. Revenue collection from Income Tax increased by 16.1 percent to Rs. 228.1 billion in the first two months of 2026, compared to the same period of 2025. Revenue from VAT on domestic activities increased by 16.4 percent and SSCL on domestic activities increased by 6.4 percent in the first two months of 2026 compared to the same period of 2025.

Excise Department

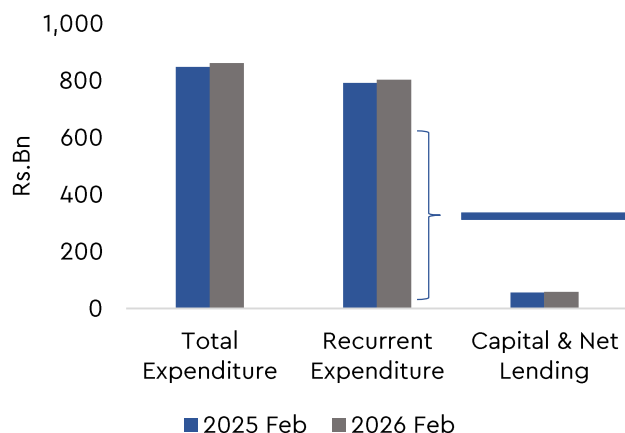
Revenue collection from Department of Excise by major revenue sources (Jan - Feb 2026)



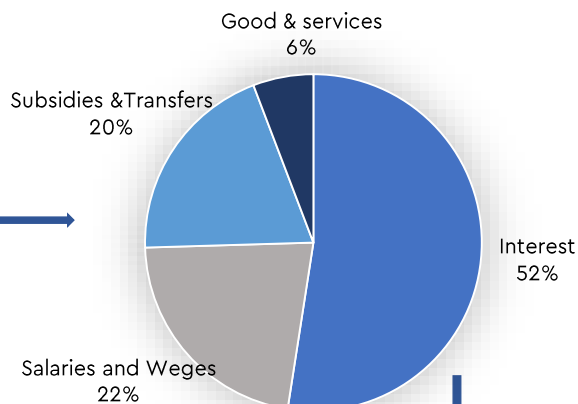
The revenue from excise duty on liquor increased by 52.9 percent to Rs. 46.1 billion in the first two months of 2026 from Rs. 30.1 billion in the same period of 2025.

Execution of Government Expenditure

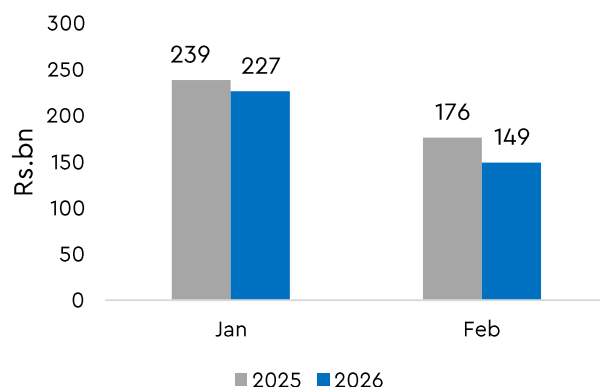
Expenditure Jan - Feb 2025/2026 (Rs.bn)



Recurrent Expenditure Jan - Feb 2026 (%)



Interest Payments Jan - Feb 2025/2026 (Rs.bn)



The total expenditure increased by 1.6 percent to Rs. 861.4 billion in the first two months of 2026 from Rs. 847.5 billion in the same period of 2025. Recurrent expenditure increased by 1.5 percent to Rs. 802.9 billion in the first two months of 2026 from Rs. 791.3 billion in the same period of 2025. The capital and net lending increased by 4.2 percent to Rs. 58.5 billion in the first two months of 2026 from Rs. 56.2 billion in same period of 2025.

Total Interest payments decreased by 9.5 percent to Rs. 375.7 billion in the first two months of 2026 to Rs. 415.1 billion in the same period of 2025.

Budget Outturn : Jan - Feb 2026

	Annual Estimate 2026 (Rs. bn)	(Jan- Feb) - 2025 (Rs. bn)	(Jan - Feb) - 2026 (Rs. bn) (provisional)
Total Revenue & Grants	5,300	761	1,031
Tax Revenue	4,910	707	960
Non-Tax Revenue	360	54	71
Grants	30	204	-
Total Expenditure	7,557	847	861
Recurrent Expenditure	5,838	791	803
Capital and Net Lending	1,719	56	58
Primary Balance (+)/ (-)	360	328	545
Budget Balance (+)/ (-)	-2,257	-87	170

