

FISCAL REVIEW REPORT

January – June 2026



Department of Fiscal Policy

Ministry of Finance, Planning and Economic Development

Highlights of Fiscal Performance

Government Revenue & Grants

- Jan - June 2026 : Rs. 2,956.0 Bn
- Jan - June 2025 : Rs. 2,325.1 Bn

Government Expenditure

- Jan - June 2026 : Rs. 2,946.5 Bn
- Jan - June 2025 : Rs. 2,730.7 Bn

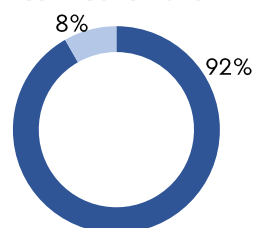
Primary Surplus

- Jan - June 2026 : Rs. 1,244.1 Bn
- Jan - June 2025 : Rs. 859.0 Bn

Budget Balance

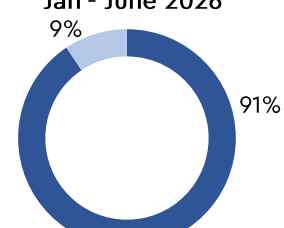
- Jan - June 2026 : Rs. 9.5 Bn
- Jan - June 2025 : Rs. -405.6 Bn

Government Revenue Jan - June 2026



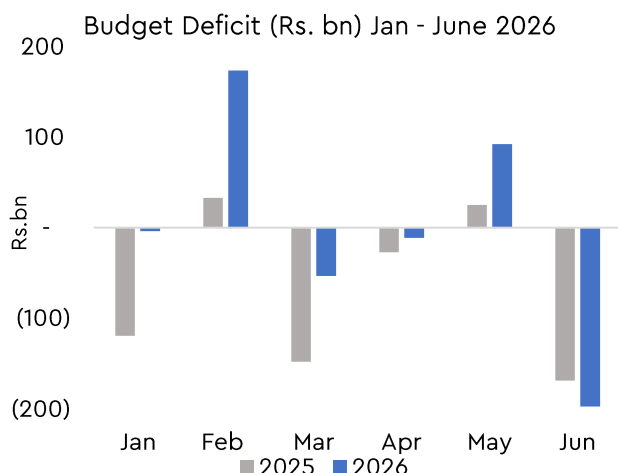
■ Tax Revenue
■ Non-Tax Revenue

Government Expenditure Jan - June 2026



■ Recurrent Expenditure
■ Capital and Net Lending

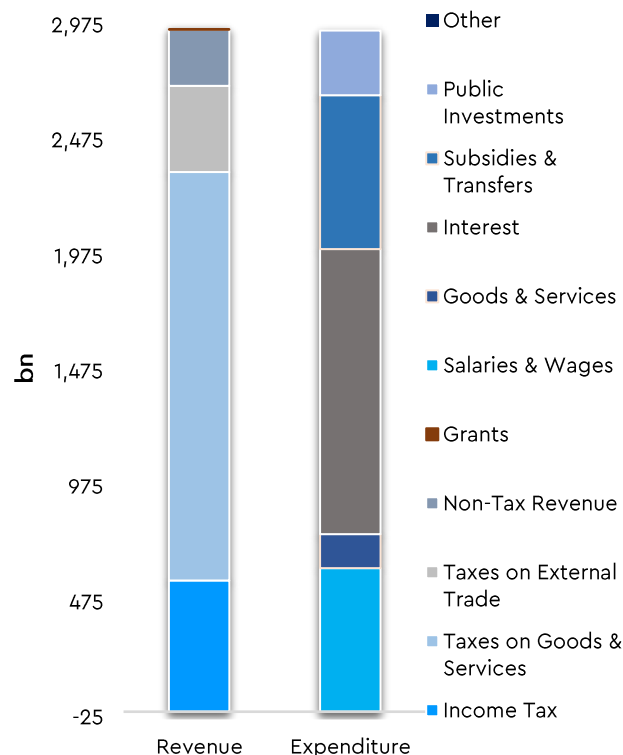
The budget balance, in nominal terms, recorded a surplus of Rs. 9.5 billion in the first six months of 2026 from a deficit of Rs. 405.6 billion in the same period of 2025, mainly due to the robust increase in government revenue by 27 percent to Rs. 2,956.0 billion in the first six months of 2026 from Rs. 2,325.1 billion in the same period of 2025, together with the rationalization of government expenditure.



Total Revenue and Expenditure (Jan - June) 2026

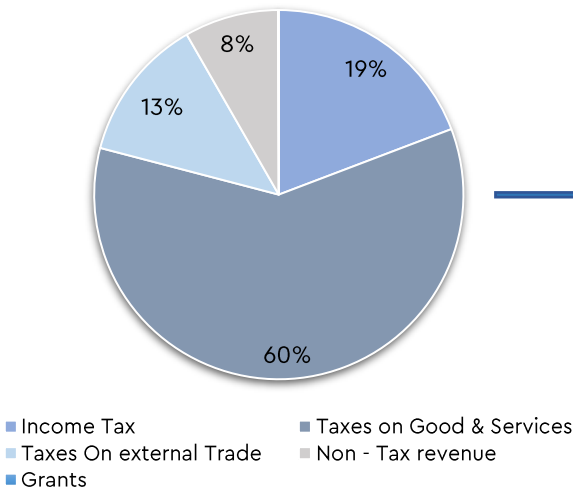
Jan - June 2025 → Jan - June 2026

- Total Revenue, including grants increased by 27 percent
- Tax Revenue increased by 26 percent
- Non-Tax Revenue increased by 44 percent
- Recurrent Expenditure increased modestly by 7 percent
- Capital and net lending increased by 24 percent
- GDP at constant prices was Rs. 3,652.5 billion in the first quarter of 2026, compared to Rs. 3,476.7 billion in the same period of 2025.
- The economy expanded by 5.1 percent in the first quarter of 2026 compared to the 4.7 percent expansion recorded in the first quarter of 2025.

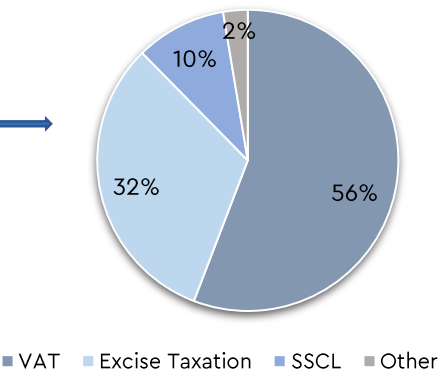


Revenue Performance

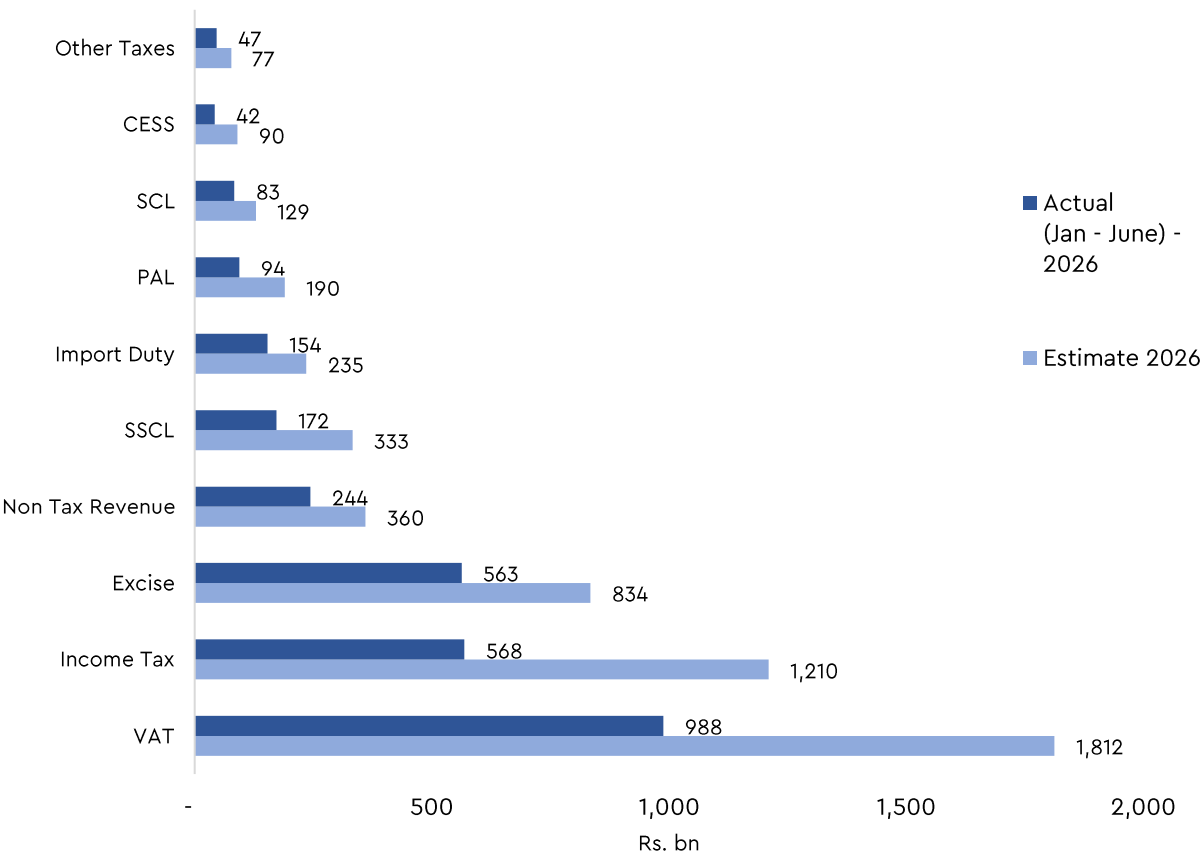
Composition of Actual Revenue
(Jan - June) - 2026



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

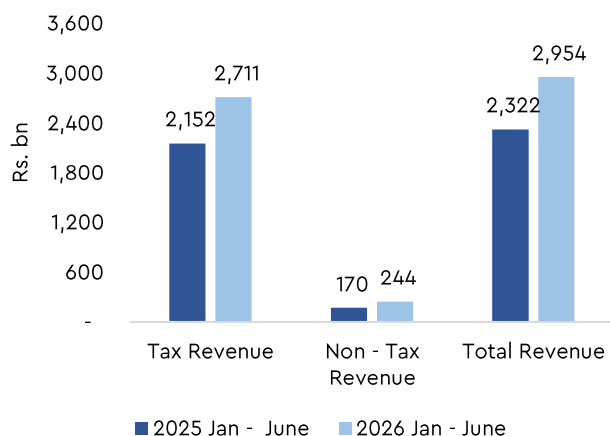


Annual Estimate vs. Revenue by Major Revenue Sources (Jan - June) 2026 (Rs. bn)

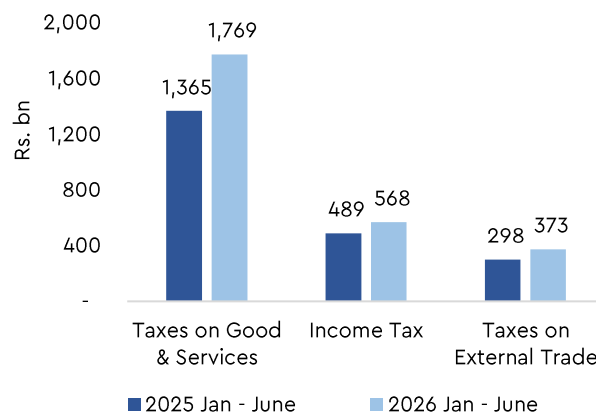


Revenue Performance

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

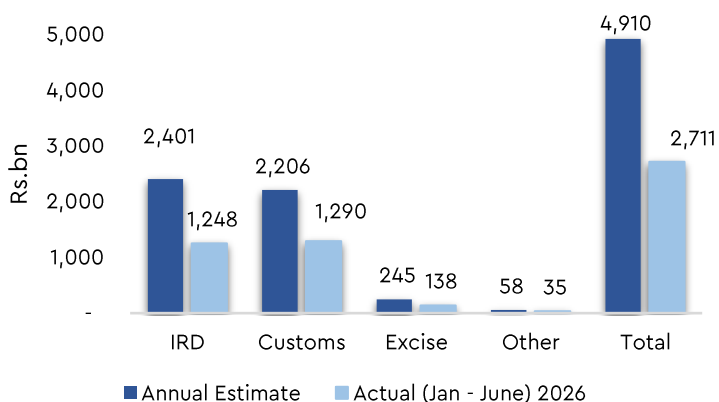


Tax Revenue (Jan - June) - 2025/2026
(Rs. bn)



The total revenue increased by 27 percent to Rs. 2,954.2 billion in the first six months of 2026 from Rs. 2,321.7 billion in the same period of 2025, mainly due to the substantial revenue collection from motor vehicles. Further, the revenue from income tax increased by 16 percent to Rs. 568.4 billion in the first six months of 2026 from Rs. 488.5 billion in the same period of 2025. Revenue from VAT increased by 25 percent to Rs. 987.6 billion in the first six months of 2026 from Rs. 787.3 billion in the same period of 2025.

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



Sri Lanka Customs achieved 59 percent of its annual estimate in the first six months of 2026 mainly due to the increase of revenue collection from motor vehicles. Inland Revenue department achieved 52 percent of annual estimate in the first six months of 2026 reflecting strong performance of VAT on domestic activities. Further Excise department achieved 57 percent of its annual estimate in the first six months of 2026.

Revenue Performance

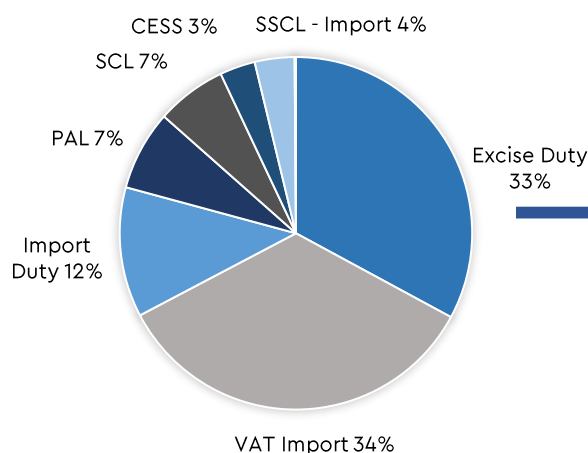
Tax Revenue from 3 Key Revenue collecting agencies during - (Jan – Jun) 2026

	Annual Estimate (Rs. bn)	Actual (Jan – Jun) 2026 (Rs. bn)	Achievement (%)
IRD	2,401	1,248	52.0
Customs	2,206	1,290	58.5
Excise	245	138	56.5
Other	58	35	60.1
Total	4,910	2,711	55.2

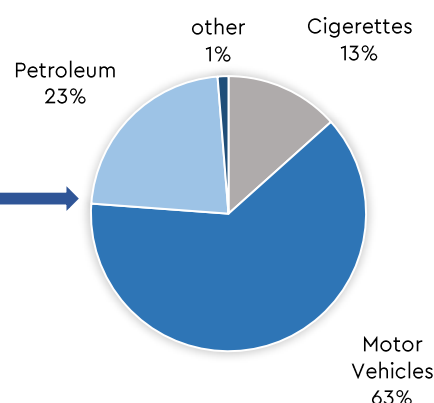
In the first six months of 2026, Sri Lanka Customs became the largest contributor to the Government Revenue, accounting for 48 percent of the total tax revenue collected. The Inland Revenue Department was the second-largest contributor, representing 46 percent of the total tax revenue collected, while Excise Department was the third-largest contributor.

Sri Lanka Customs

Revenue collection from Sri Lanka Customs by major tax components (Jan - June 2026)



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



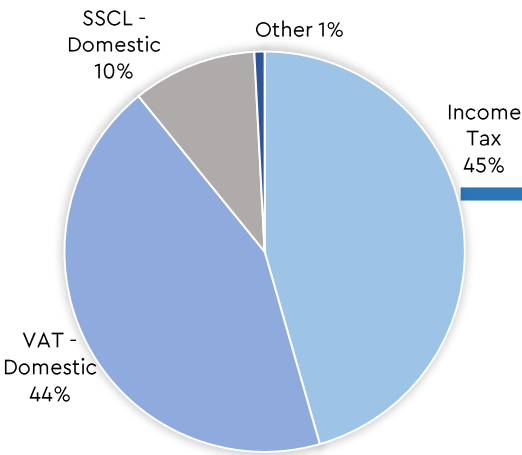
Revenue from VAT on imports is the largest revenue component among the Custom's major tax components. The revenue from VAT on imports increased by 25 percent to Rs. 443.7 billion in the first six months of 2026 from Rs. 354.0 billion in the same period of 2025. Revenue from Excise Duty increased by 46.0 percent to Rs. 424.2 billion in the first six months of 2026 compared to the same period of 2025.

Revenue from Excise Duty on motor vehicles significantly increased by Rs. 137.2 billion to Rs. 266.4 billion in the first six months of 2026 from Rs. 129.1 billion in the same period of 2025.

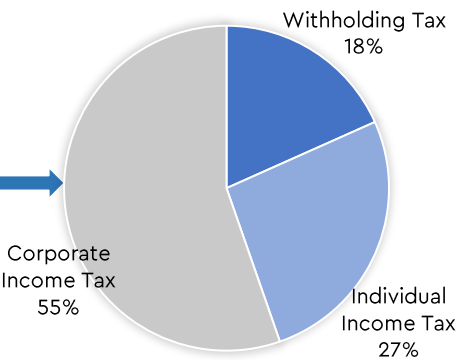
Revenue Performance

Inland Revenue Department

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



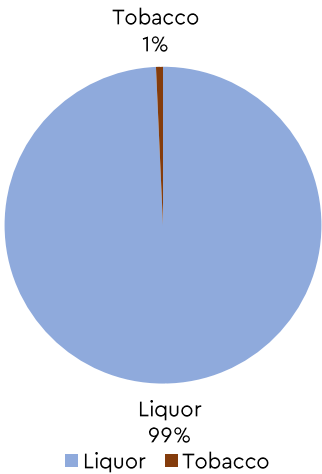
Composition Income Tax (%)



Revenue collection from Income Tax increased by 16 percent to Rs. 568.4 billion in the first six months of 2026, compared to the same period of 2025. Revenue from VAT on domestic activities increased by 26 percent and SSCL on domestic activities increased by 15 percent in the first six months of 2026 compared to the same period of 2025.

Excise Department

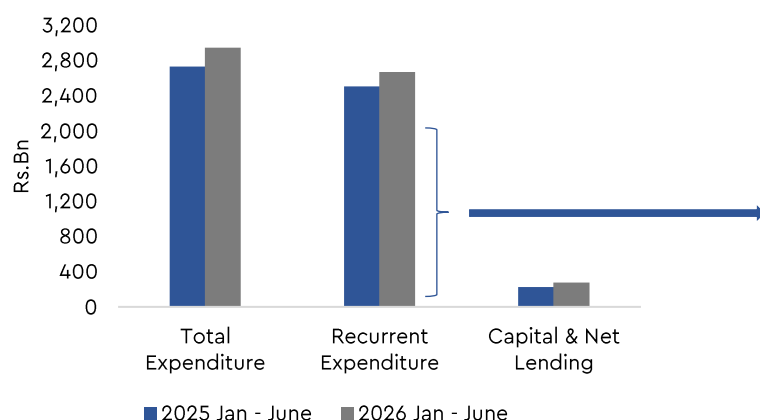
Revenue collection from Department of Excise by major revenue sources Jan - June 2026



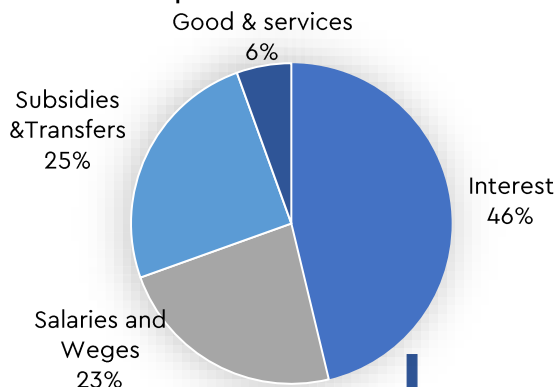
The revenue from excise duty on liquor increased by 27 percent to Rs. 137.5 billion in the first six months of 2026 from Rs. 108.2 billion in the same period of 2025.

Execution of Government Expenditure

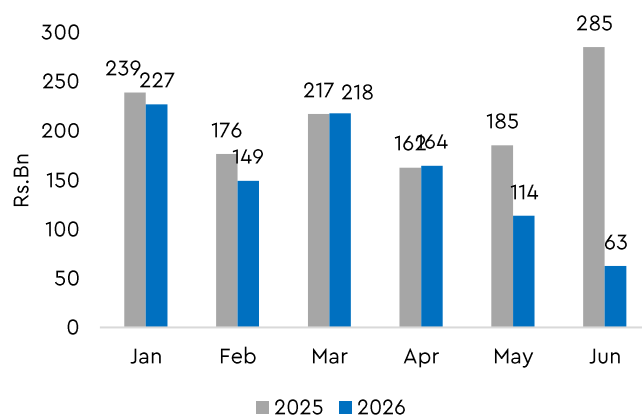
Expenditure Jan - June 2025/2026 (Rs.bn)



Recurrent Expenditure Jan - June 2026



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



The total expenditure increased by 8 percent to Rs. 2,946.5 billion in the first six months of 2026 from Rs. 2,730.7 billion in the same period of 2025. Recurrent expenditure increased by 7 percent to Rs. 2,669.9 billion in the first six months of 2026 from Rs. 2,506.8 billion in the same period of 2025. The capital and net lending increased by 24 percent to Rs. 276.6 billion in the first six months of 2026 from Rs. 223.9 billion in same period of 2025.

Total Interest payments declined by 2 percent to Rs. 1,234.6 billion in the first six months of 2026 from Rs. 1,264.6 billion in the same period of 2025.

Budget Outturn : Jan - June 2026

	Annual Estimate 2026 (Rs. bn)	Jan- June 2025 (Rs. bn) (Actual)	Jan - June 2026 (Rs. bn) (provisional)	Growth (%) Jan - June 2025/26	Achievement against the estimate 2026 (%)
Total Revenue & Grants	5,300	2,325.1	2,956.0	27.1	55.8
Tax Revenue	4,910	2,152.1	2,710.6	25.9	55.2
Non-Tax Revenue	360	169.6	243.6	43.6	67.7
Grants	30	3.4	1.8	-46.4	6.0
Total Expenditure	7,557	2,730.7	2,946.5	7.9	39.0
Recurrent Expenditure	5,838	2,506.8	2,669.9	6.5	45.7
Capital and Net Lending	1,719	223.9	276.6	23.6	16.1
Primary Balance (+)/ (-)	360	859.0	1,244.1		
Budget Balance (+)/ (-)	-2,257	-405.6	9.5		