FISCAL REVIEW REPORT

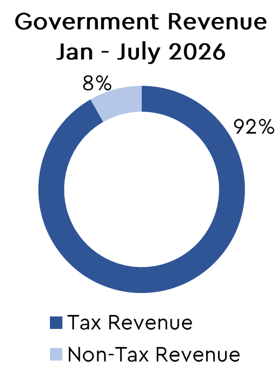
January – July 2026

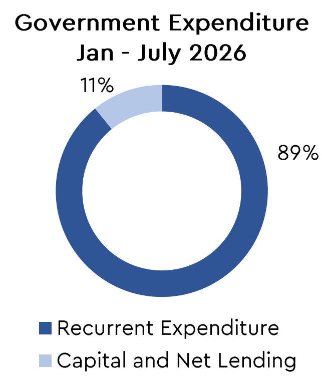
Department of Fiscal Policy

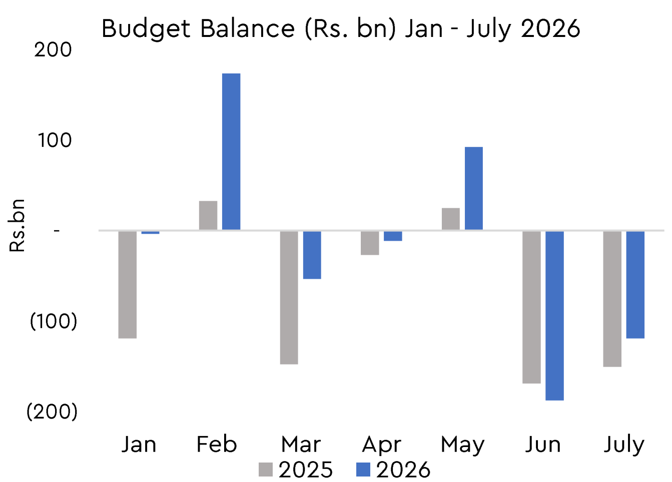
Ministry of Finance, Planning and Economic Development

Highlights of Fiscal Performance

Government Revenue & Grants	• Jan - July 2026 : Rs. 3,421.3 Bn • Jan - July 2025 : Rs. 2,734.9 Bn
Government Expenditure	• Jan - July 2026 : Rs. 3,531.0 Bn • Jan - July 2025 : Rs. 3,291.0 Bn
Primary Surplus	• Jan - July 2026 : Rs. 1,348.6 Bn • Jan - July 2025 : Rs. 973.6 Bn
Budget Balance	• Jan - July 2026 : Rs. -109.7 Bn • Jan - July 2025 : Rs. -556.1 Bn

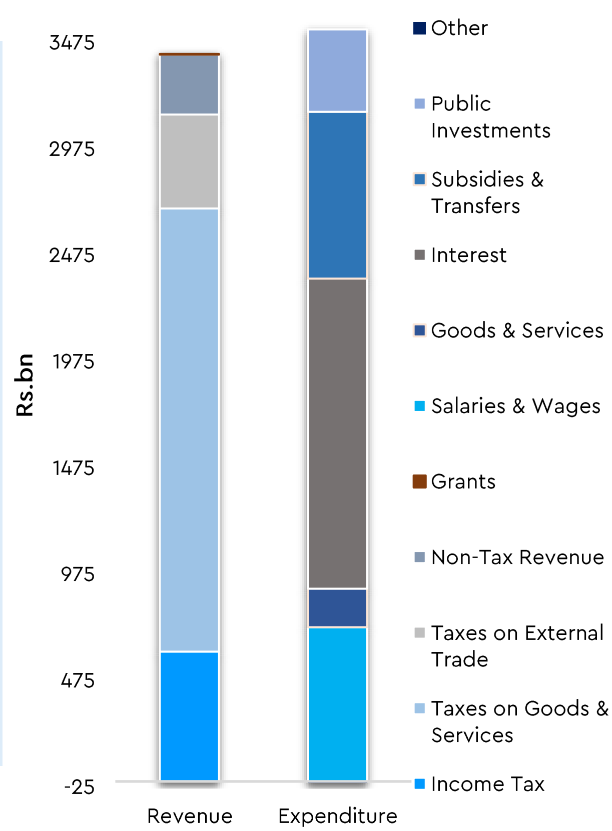






The budget balance, in nominal terms, narrowed to a deficit of Rs. 109.7 billion in the first seven months of 2026 from a deficit of Rs. 556.1 billion in the same period of 2025, mainly due to the robust increase in government revenue by 25 percent to Rs. 3,421.3 billion in the first seven months of 2026 from Rs. 2,734.9 billion in the same period of 2025, together with the rationalization of government expenditure.

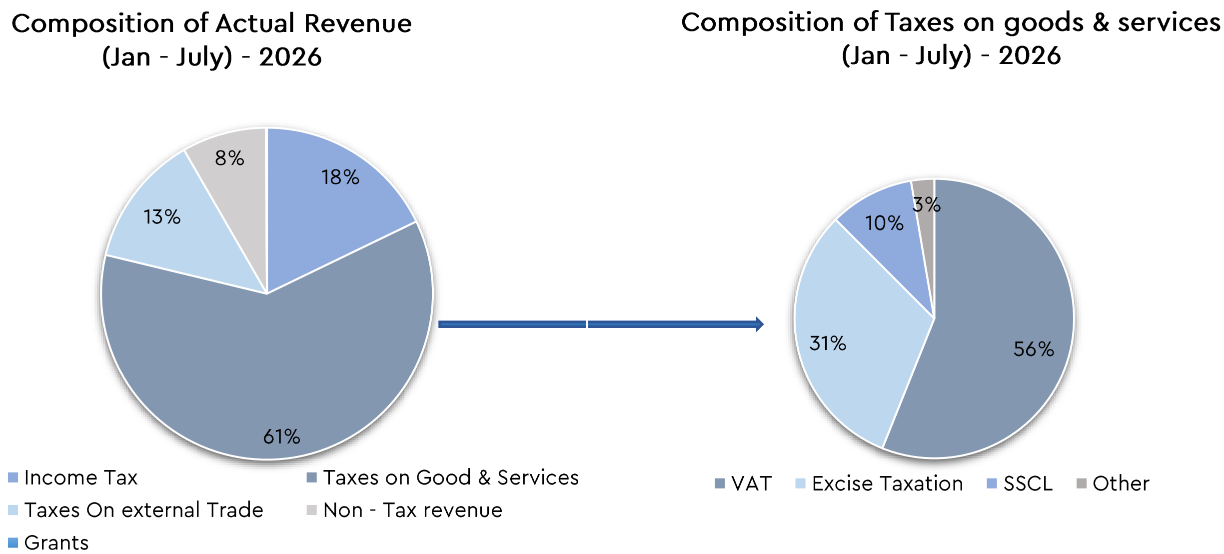
Total Revenue and Expenditure (Jan – July) 2026 (Rs.bn)

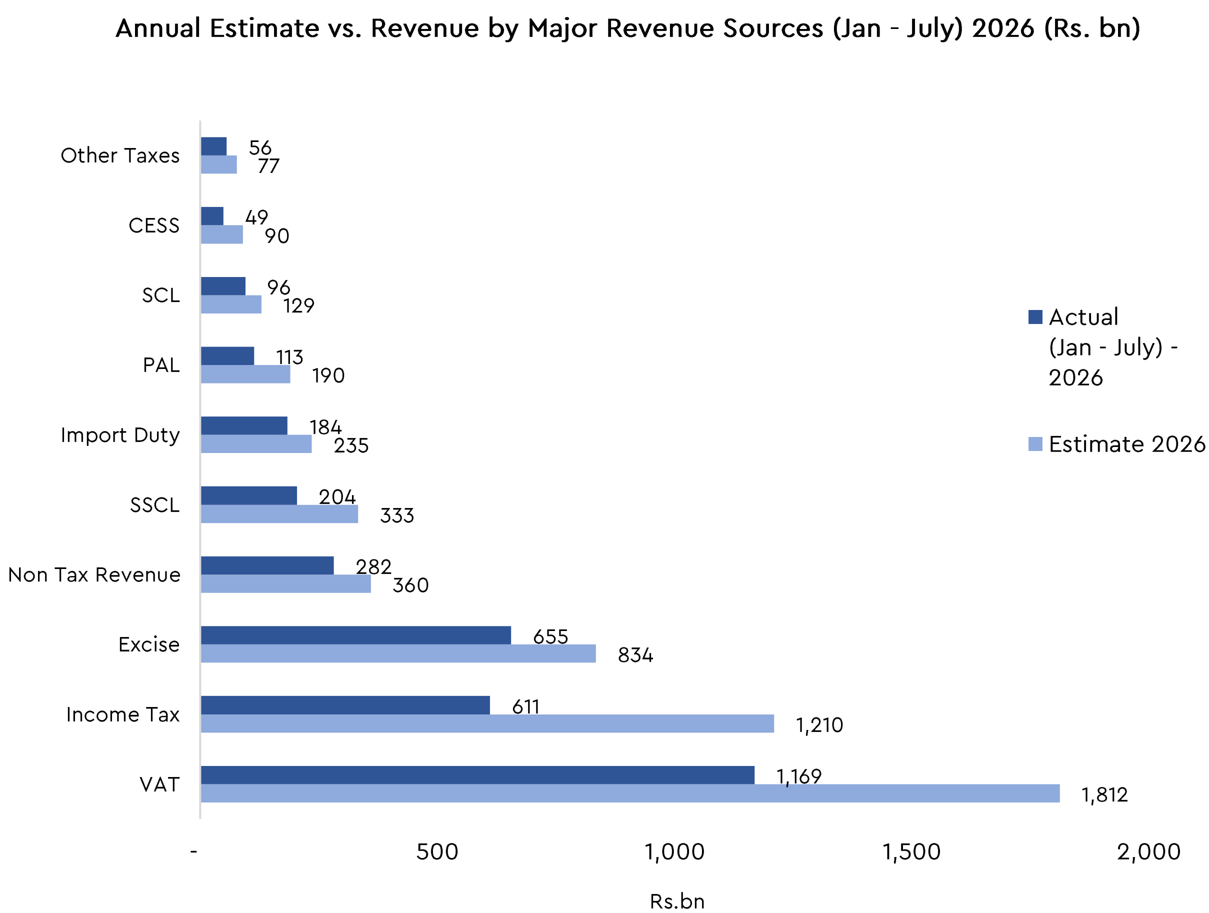


Jan - July 2025 ➡ Jan - July 2026

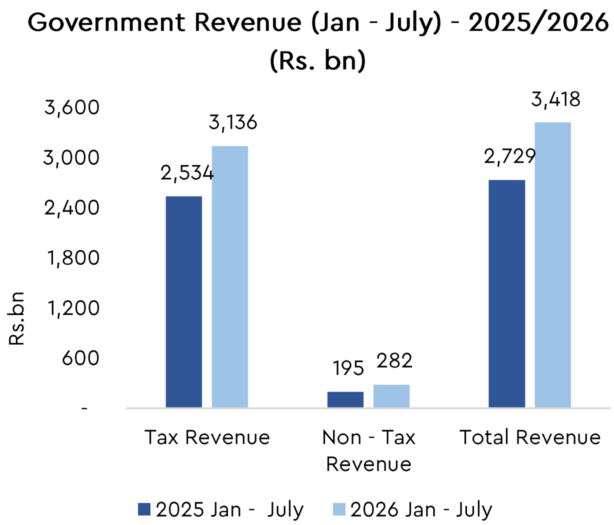
- Total Revenue, including grants increased by 25 percent
- Tax Revenue increased by 24 percent
- Non-Tax Revenue increased by 44 percent
- Recurrent Expenditure increased modestly by 5 percent
- Capital and net lending increased by 32 percent
- GDP at constant prices was Rs. 3,652.5 billion in the first 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.

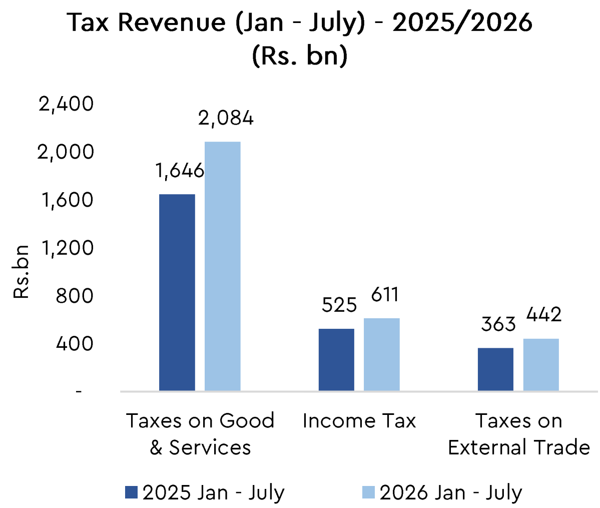
Revenue Performance





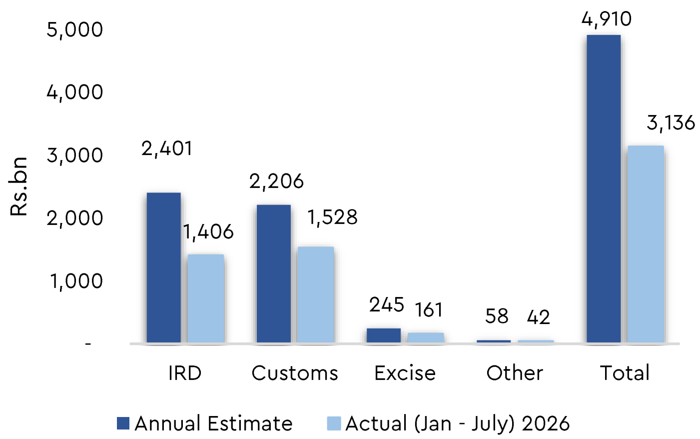
Revenue Performance





The total revenue (excluding grants) increased by 25 percent to Rs. 3,417.9 billion in the first seven months of 2026 from Rs. 2,729.4 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. 610.5 billion in the first seven months of 2026 from Rs. 524.8 billion in the same period of 2025. Revenue from VAT increased by 25 percent to Rs. 1,168.6 billion in the first seven months of 2026 from Rs. 935.3 billion in the same period of 2025.

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



Sri Lanka Customs achieved 69 percent of its annual estimate in the first seven months of 2026 mainly due to the increase of revenue collection from motor vehicles. Inland Revenue Department achieved 59 percent of its annual estimate in the first seven months of 2026 reflecting strong performance of VAT on domestic activities. Further, Excise Department achieved 66 percent of its annual estimate in the first seven months of 2026.

Revenue Performance

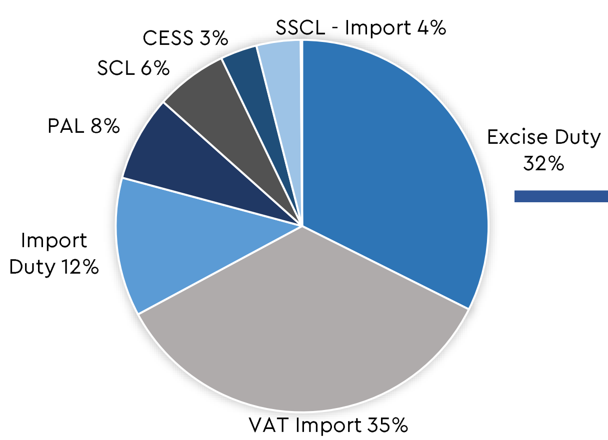
Tax Revenue from 3 Key Revenue collecting agencies during - (Jan – Jul) 2026

	Annual Estimate (Rs. bn)	Actual (Jan – July) 2026 (Rs. bn)	Achievement (%)
IRD	2,401	1,406	58.6
Customs	2,206	1,528	69.2
Excise	245	161	65.6
Other	58	42	72.4
Total	**4,910**	**3,136**	**63.9**

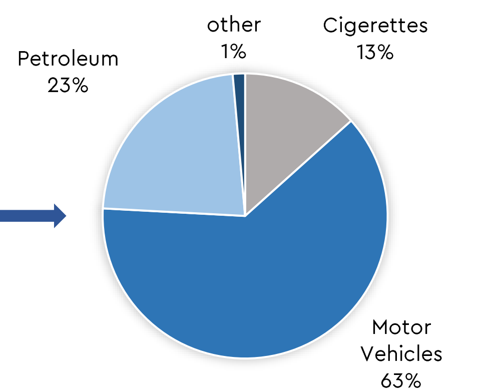
In the first seven months of 2026, Sri Lanka Customs became the largest contributor to the Government Revenue, accounting for 49 percent of the total tax revenue collected. The Inland Revenue Department was the second-largest contributor, representing 45 percent of the total tax revenue collected, while Excise Department was the third-largest contributor.

Sri Lanka Customs

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



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

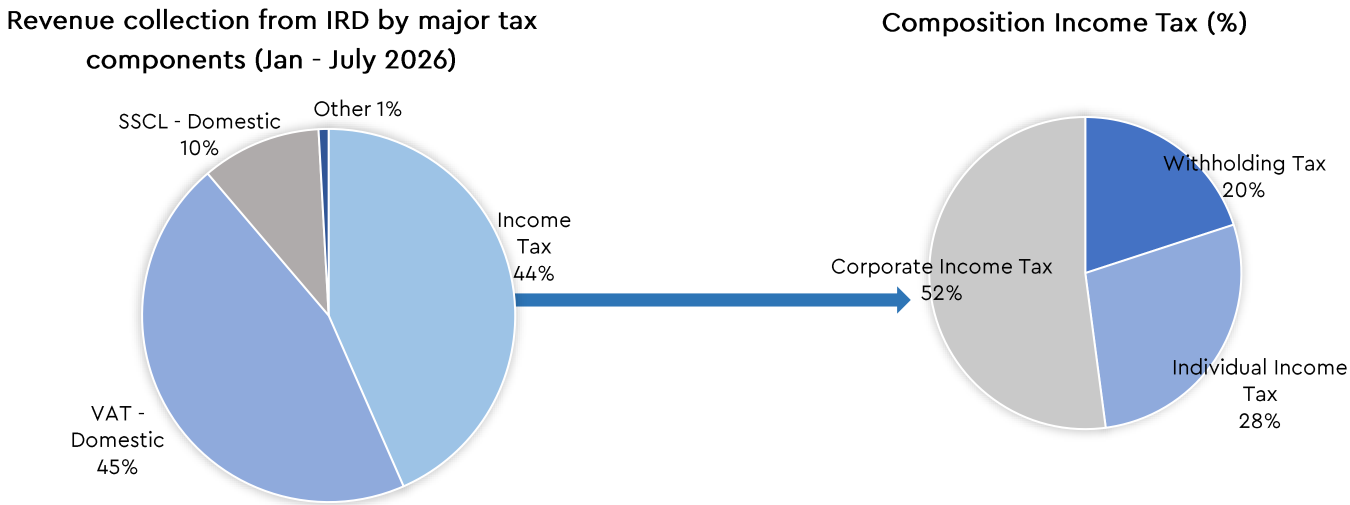


Revenue from VAT on imports is the largest revenue component among the Custom's major tax components. The revenue from VAT on imports increased by 23 percent to Rs. 531.0 billion in the first seven months of 2026 from Rs. 432.3 billion in the same period of 2025. Revenue from Excise Duty increased by 34 percent to Rs. 494.6 billion in the first seven months of 2026 compared to the same period of 2025.

Revenue from Excise Duty on motor vehicles significantly increased by Rs. 116.3 billion to Rs. 309.1 billion in the first seven months of 2026 from Rs. 192.7 billion in the same period of 2025.

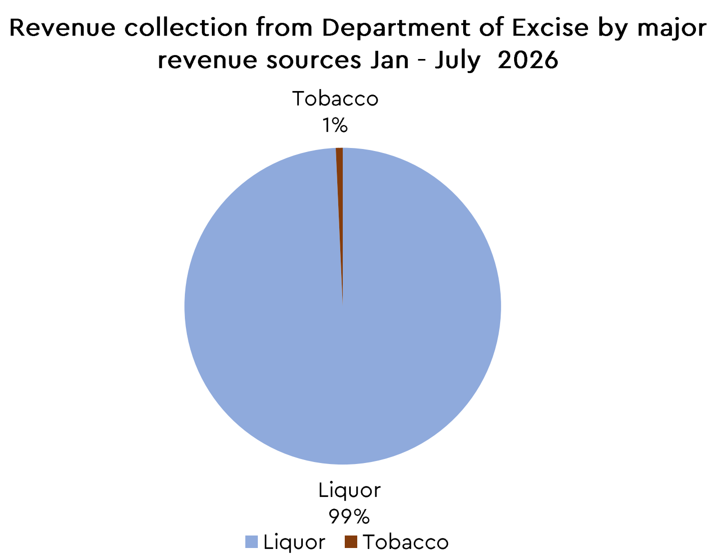
Revenue Performance

Inland Revenue Department



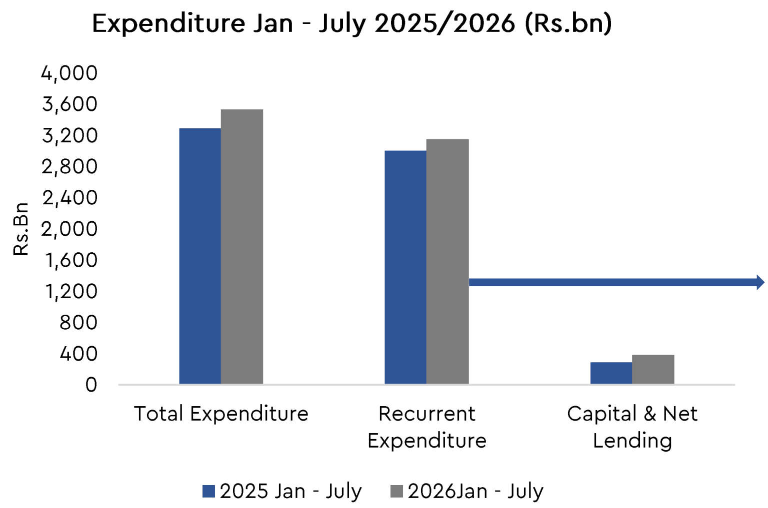
Revenue collection from Income Tax increased by 16 percent to Rs. 610.5 billion in the first seven months of 2026, compared to the same period of 2025. Revenue from VAT on domestic activities increased by 27 percent and SSCL on domestic activities increased by 14 percent in the first seven months of 2026 compared to the same period of 2025.

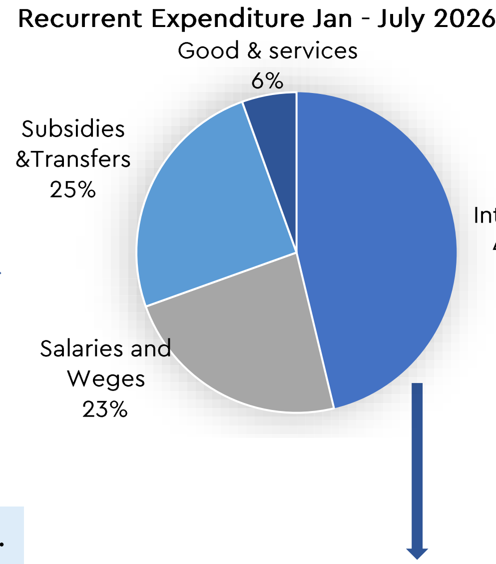
Excise Department



The revenue from excise duty on liquor increased by 26 percent to Rs. 159.6 billion in the first seven months of 2026 from Rs. 126.5 billion in the same period of 2025.

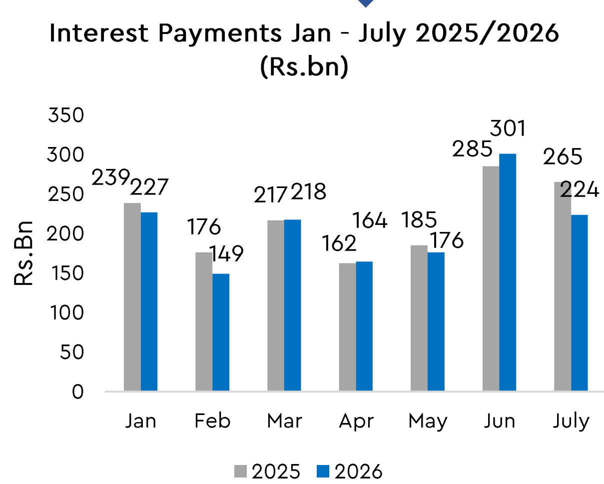
Execution of Government Expenditure





The total expenditure increased by 7 percent to Rs. 3,531.0 billion in the first seven months of 2026 from Rs. 3,291.0 billion in the same period of 2025. Recurrent expenditure increased by 5 percent to Rs. 3,149.1 billion in the first seven months of 2026 from Rs. 3,000.8 billion in the same period of 2025. The capital and net lending increased by 32 percent to Rs. 381.8 billion in the first seven months of 2026 from Rs. 290.2 billion in the same period of 2025.

Total Interest payments declined by 5 percent to Rs. 1,458.3 billion in the first seven months of 2026 from Rs. 1,529.7 billion in the same period of 2025.



Budget Outturn : Jan - July 2026

	Annual Estimate 2026 (Rs. bn)	Jan- July 2025 (Rs. bn) (Actual)	Jan – July 2026 (Rs. bn) (provisional)	Growth (%) Jan – July 2025/26	Achievement against the estimate 2026 (%)
Total Revenue & Grants	5,300	2,734.9	3,421.3	25.1	64.6
Tax Revenue	4,910	2,533.9	3,136.3	23.8	63.9
Non-Tax Revenue	360	195.5	281.6	44.0	78.2
Grants	30	5.5	3.4	-38.3	11.3
Total Expenditure	7,557	3,291.0	3,531.0	7.3	46.7
Recurrent Expenditure	5,838	3,000.8	3,149.1	4.9	53.9
Capital and Net Lending	1,719	290.2	381.8	31.6	22.2
Primary Balance (+)/ (-)	360	973.6	1,348.6		
Budget Balance (+)/ (-)	-2,257	-556.1	-109.7		