

FISCAL REVIEW REPORT

January – May 2026



Department of Fiscal Policy

Ministry of Finance, Planning and Economic Development

Highlights of Fiscal Performance

Government Revenue & Grants

- Jan - May 2026 : Rs. 2,536.9 Bn
- Jan - May 2025 : Rs. 1,942.4 Bn

Government Expenditure

- Jan - May 2026 : Rs. 2,339.6 Bn
- Jan - May 2025 : Rs. 2,179.0 Bn

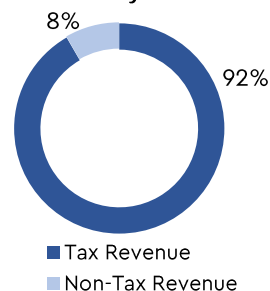
Primary Surplus

- Jan - May 2026 : Rs. 1,131.2 Bn
- Jan - May 2025 : Rs. 742.9 Bn

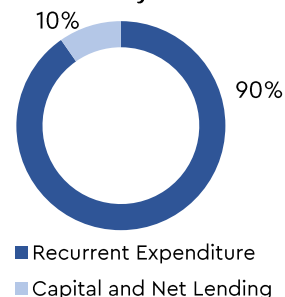
Budget Balance

- Jan - May 2026 : Rs. 197.3 Bn
- Jan - May 2025 : Rs. -236.6 Bn

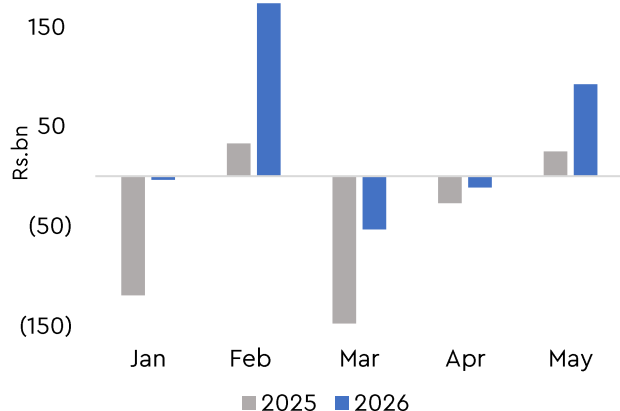
Government Revenue Jan - May 2026



Government Expenditure Jan - May 2026

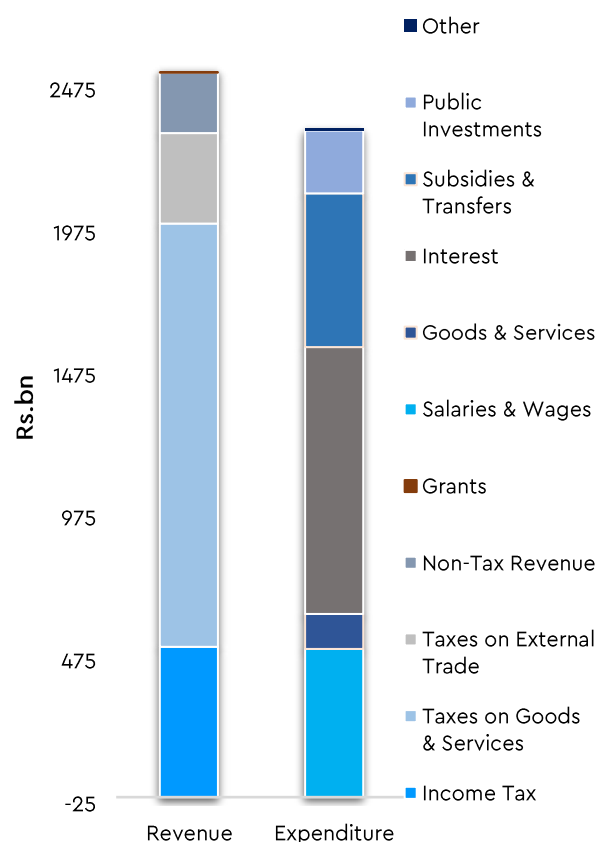


Budget Deficit (Rs. bn) Jan - May 2026



The budget balance, in nominal terms, recorded a surplus of Rs. 197.3 billion in the first five months of 2026 from a deficit of Rs. 236.6 billion in the same period of 2025, mainly due to the robust increase in government revenue by 31 percent to Rs. 2,536.9 billion in the first five months of 2026 from Rs. 1,942.4 billion in the same period of 2025, together with the rationalization of government expenditure.

Total Revenue and Expenditure (Jan - May) 2026 (Rs.bn)

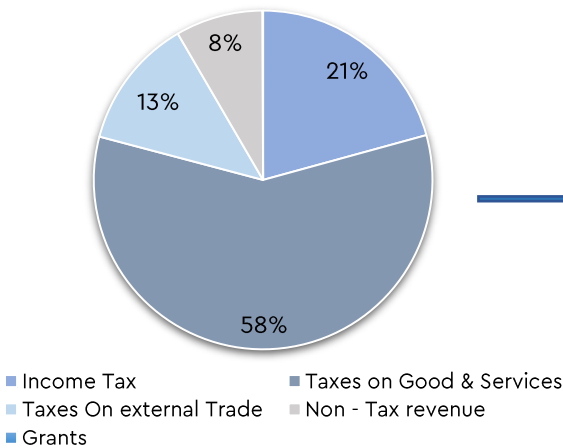


Jan - May 2025 → Jan - May 2026

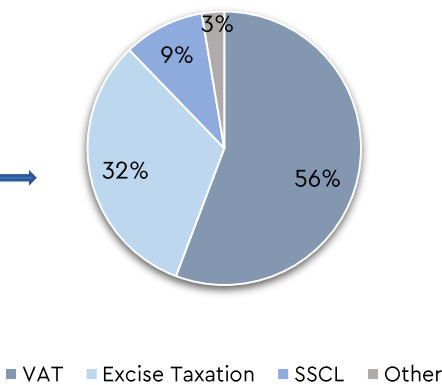
- Total Revenue, including grants increased by 31 percent
- Tax Revenue increased by 29 percent
- Non-Tax Revenue increased by 54 percent
- Recurrent Expenditure increased modestly by 5 percent
- Capital and net lending increased by 29 percent
- GDP at constant prices was Rs. 3,652.5 billion in the first 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

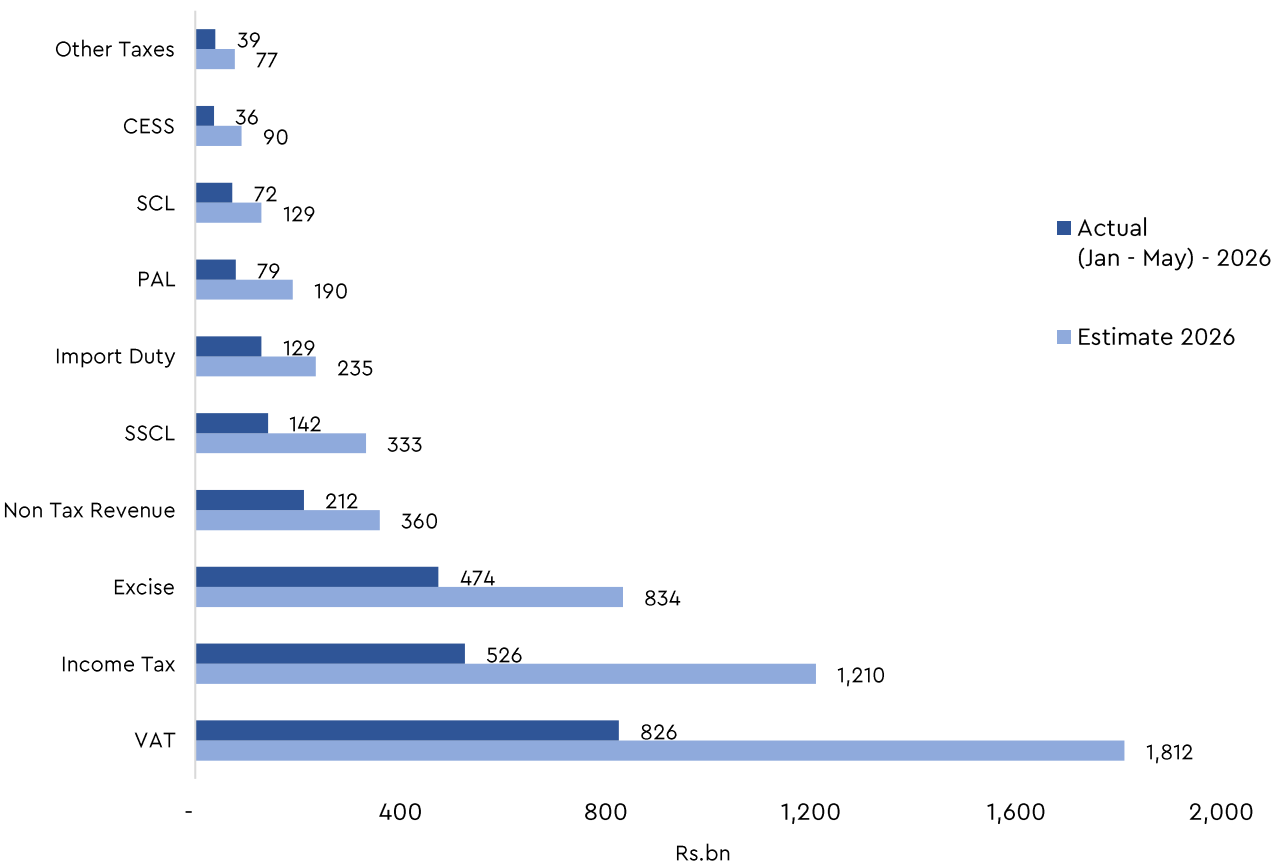
Composition of Actual Revenue
(Jan - May) - 2026



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

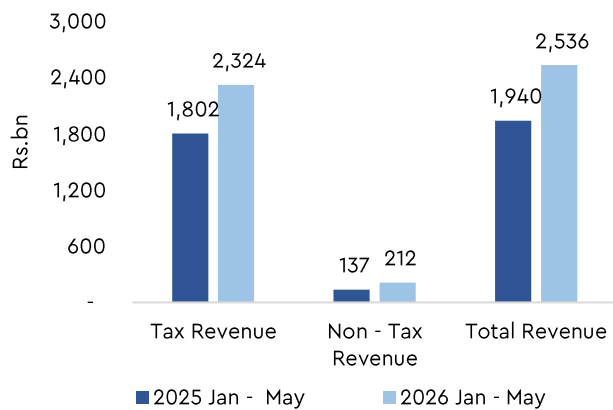


Annual Estimate vs. Revenue by Major Revenue Sources (Jan - May) 2026 (Rs. bn)

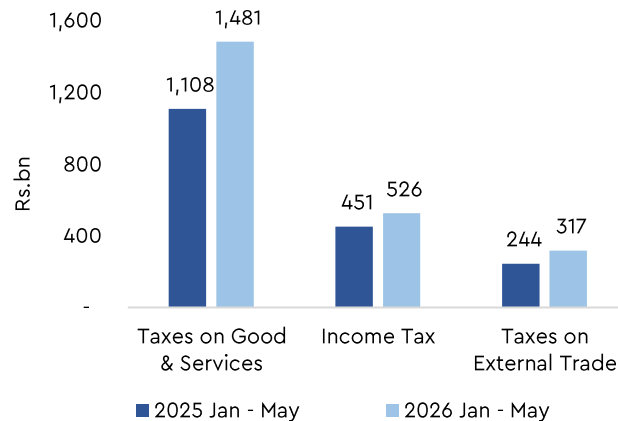


Revenue Performance

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

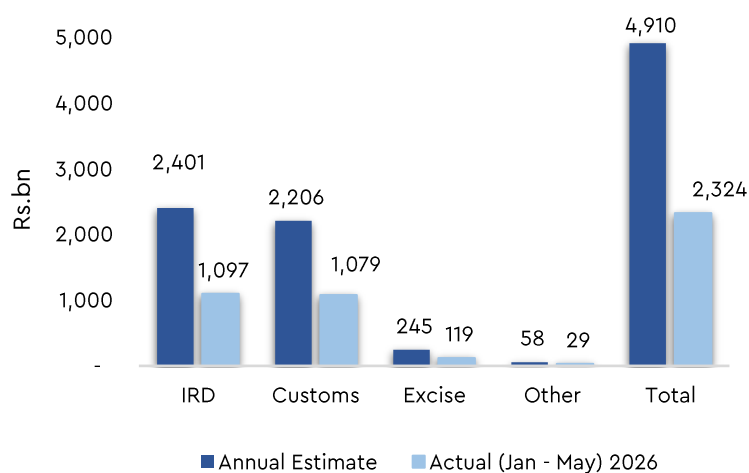


Tax Revenue (Jan - May) - 2025/2026
(Rs. bn)



The total revenue increased by 31 percent to Rs. 2,535.6 billion in the first five months of 2026 from Rs. 1,939.9 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 17 percent to Rs. 526.1 billion in the first five months of 2026 from Rs. 450.6 billion in the same period of 2025. Revenue from VAT increased by 29 percent to Rs. 825.7 billion in the first five months of 2026 from Rs. 641.4 billion in the same period of 2025.

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



Sri Lanka Customs achieved 49 percent of its annual estimate in the first five months of 2026 mainly due to the increase of revenue collection from motor vehicles. Inland Revenue department achieved 46 percent of annual estimate in the first five months of 2026 reflecting strong performance of VAT on domestic activities. Further Excise department achieved 48 percent of its annual estimate in the first five months of 2026.

Revenue Performance

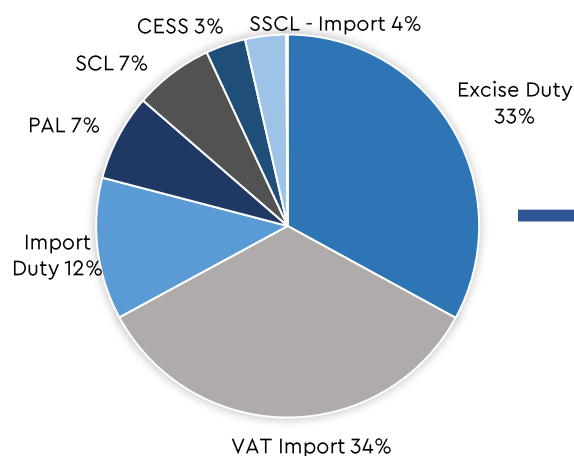
Tax Revenue from 3 Key Revenue collecting agencies during - (Jan – May) 2026

	Annual Estimate (Rs. bn)	Actual (Jan – May) 2026 (Rs. bn)	Achievement (%)
IRD	2,401	1,097	45.7
Customs	2,206	1,079	48.9
Excise	245	119	48.4
Other	58	29	51.0
Total	4,910	2,324	47.3

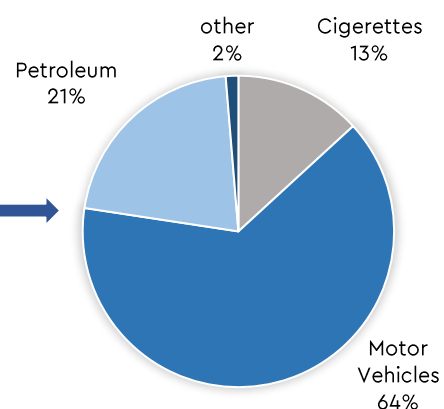
In the first five months of 2026, The Inland Revenue Department became the largest contributor to the Government Revenue, accounting for 47 percent of the total tax revenue collected. The Sri Lanka Customs was the second-largest contributor, representing 46 percent of the total tax revenue collected, while Excise Department was the third-largest contributor.

Sri Lanka Customs

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



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



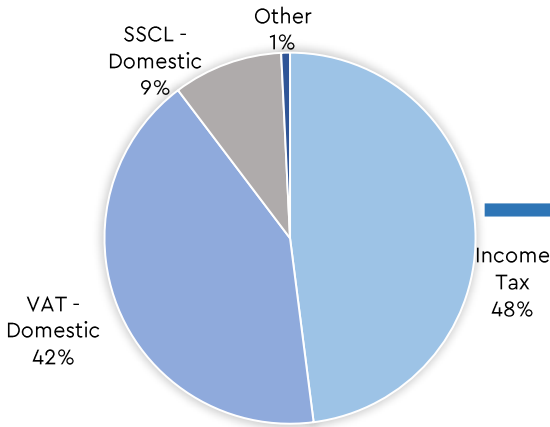
Revenue from VAT on imports is the largest revenue component among the Custom's major tax components. The revenue from VAT on imports increased by 31 percent to Rs. 368.2 billion in the first five months of 2026 from Rs. 280.5 billion in the same period of 2025. Revenue from Excise Duty increased by 55 percent to Rs. 355.7 billion in the first five months of 2026 compared to the same period of 2025.

Revenue from Excise Duty on motor vehicles significantly increased by 142.0 billion to Rs. 228.4 billion in the first five months of 2026 from Rs. 86.4 billion in the same period of 2025.

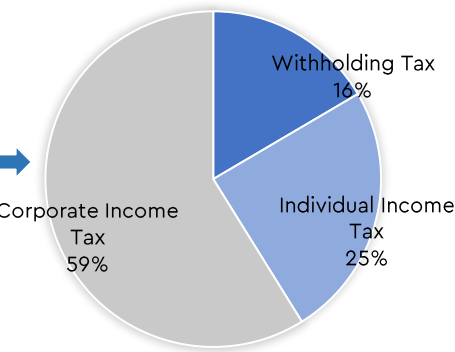
Revenue Performance

Inland Revenue Department

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



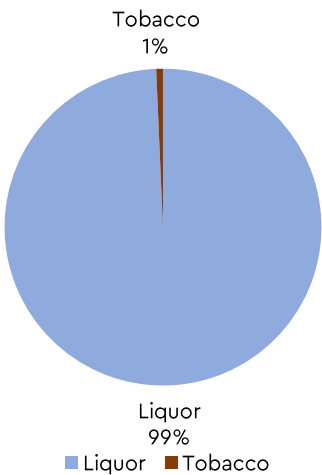
Composition Income Tax (%)



Revenue collection from Income Tax increased by 17 percent to Rs. 526.1 billion in the first five 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 16 percent in the first five months of 2026 compared to the same period of 2025.

Excise Department

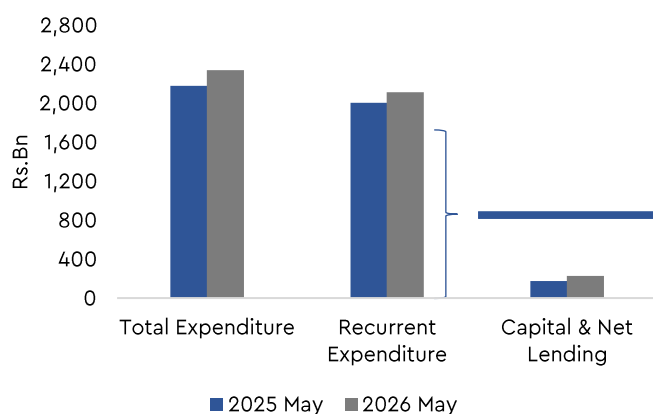
Revenue collection from Department of Excise by major revenue sources Jan - May 2026



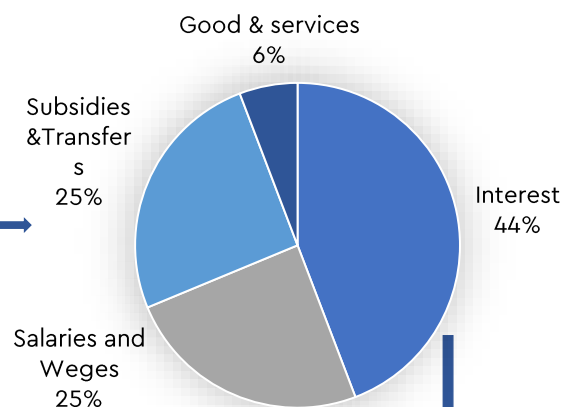
The revenue from excise duty on liquor increased by 30 percent to Rs. 117.7 billion in the first five months of 2026 from Rs. 90.5 billion in the same period of 2025.

Execution of Government Expenditure

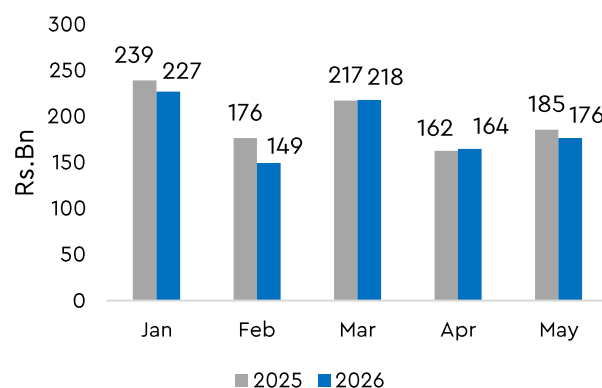
Expenditure Jan - May 2025/2026 (Rs.bn)



Recurrent Expenditure Jan - May 2026 (%)



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



The total expenditure increased by 7 percent to Rs. 2,339.6 billion in the first five months of 2026 from Rs. 2,179.0 billion in the same period of 2025. Recurrent expenditure increased by 5 percent to Rs. 2,112.7 billion in the first five months of 2026 from Rs. 2,003.6 billion in the same period of 2025. The capital and net lending increased by 29 percent to Rs. 226.8 billion in the first five months of 2026 from Rs. 175.4 billion in same period of 2025.

Total Interest payments declined by 5 percent to Rs. 933.8 billion in the first five months of 2026 from Rs. 979.6 billion in the same period of 2025.

Budget Outturn : Jan - May 2026

	Annual Estimate 2026 (Rs. bn)	Jan- May 2025 (Rs. bn) (Actual)	Jan - May 2026 (Rs. bn) (provisional)	Growth (%) Jan - May 2025/26	Achievement against the estimate 2026 (%)
Total Revenue & Grants	5,300	1,942.4	2,536.9	30.6	47.9
Tax Revenue	4,910	1,802.5	2,323.7	28.9	47.3
Non-Tax Revenue	360	137.4	211.8	54.2	58.8
Grants	30	2.5	1.3	-46.2	4.5
Total Expenditure	7,557	2,179.0	2,339.6	7.4	31.0
Recurrent Expenditure	5,838	2,003.6	2,112.7	5.4	36.2
Capital and Net Lending	1,719	175.4	226.8	29.3	13.2
Primary Balance (+)/ (-)	360	742.9	1,131.2		
Budget Balance (+)/ (-)	-2,257	-236.6	197.3		