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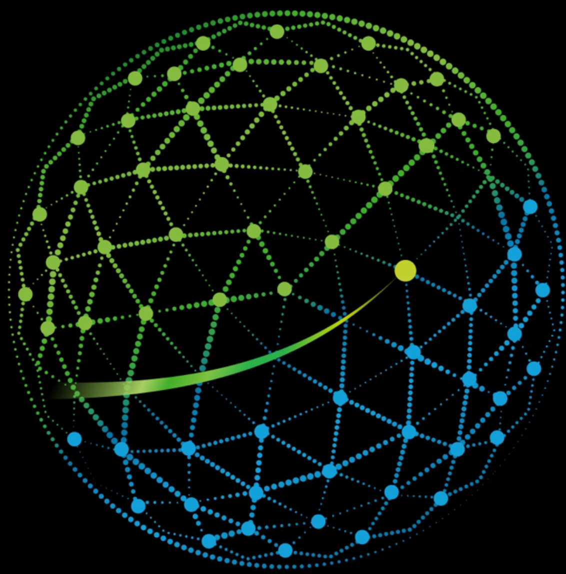

Tax Alert

Circular on calculating quarterly income tax instalments

Synopsis of Circular No: SEC/2026/E/06 on calculating quarterly income tax instalments (Dated 03.08.2026 – Published on 06.08.2026)

Applicable Period: Y/A 2026/2027 and subsequent years of assessment

Due dates for payment of quarterly instalments of tax

Instalment	Example for Y/A 2026/2027
1st	On or before 15 August 2026
2nd	On or before 15 November 2026
3rd	On or before 15 February 2027
4th	On or before 15 May 2027

Formula to calculate the amount of income tax payable for each instalment

Formula = $\frac{A - C}{B}$

Reference	Example for Y/A 2026/2027
A	• **Tax payable in Y/A 2025/2026** (Gross income tax payable before deducting any tax credit) OR • **Estimated tax payable for Y/A 2026/2027** *(to be calculated as per the procedure, and on the basis, specified by the CGIR)* **if** - ▪ No taxable income for Y/A 2025/2026 or ▪ Expect to derive a taxable income during Y/A 2026/2027 < the taxable income for Y/A 2025/2026
B	Number of instalments remaining for the Y/A including the current instalment 1st Instalment = 4 2nd Instalment= 3 3rd Instalment = 2 4th Instalment = 1
C	Sum of - (a) Tax paid during Y/A 2026/2027, but prior to the due date for payment of the instalment (b) Tax withheld or to be withheld during the Y/A 2026/2027 (i.e. WHT/AIT) (c) WHT/AIT paid by a withholding agent or withholdee under section 86 (3) or (4) during the Y/A 2026/2027 but prior to the instalment payment due date Note: Foreign tax credit under section 80 may be deducted only if – • It has already been paid or • Is reasonably expected to be paid during the year

The specifications in the Circular relate solely to the calculation of amount “A” in the formula.

Calculation of “A” in the formula - Methodology and corresponding compliance obligations

Example for Y/A 2026/2027						
Taxable income for Y/A 2025/2026	**Taxable income <u>expected</u> for Y/A 2026/2027**	**Method**	**Basis**	**A**	**Documentation to be filed**	**If practically unable to calculate “A” under alternative basis II or III (i.e. Method 3)**
Yes	**<u>Not</u>** lower than the taxable income for Y/A 2025/2026	1	Standard Basis	Tax payable for Y/A 2025/2026	N/A	N/A
	Lower than the taxable income for Y/A 2025/2026 (due to reasons such as - • A significant decline in business, • An increase in expenditure or • Reduction of investment during Y/A 2026/2027)	2	Alternative basis III	Recalculate the income tax payable for the Y/A 2025/2026 by excluding the gains or profits from business or investment activities that are not expected to arise in Y/A 2026/2027	Attachment 2 along with supporting evidence to prove the loss of business or investments	Taxpayer may submit a written request outlining their valid restrictions to the Commissioner - Tax Policy and Legislation Unit (on behalf of the CGIR). If approved, the Commissioner may authorize the taxpayer to use the alternative basis IV or another reasonable alternative
No	No (e.g. due to heavy deductible tax losses)	2	Alternative basis I	Zero	Attachment 1	N/A
	Yes (Due to either - • Absence or reduction of permitted deductible losses from previous years OR • Tax exemptions that applied in Y/A 2025/2026 which will not apply in Y/A 2026/2027)	2	Alternative basis II	To be calculated by applying all taxing rules and the income tax rates specified in the IR Act to the taxable income of Y/A 2025/2026, disregarding any losses deducted or any tax exemptions applied in that year	Attachment 1	Taxpayer may submit a written request outlining their valid restrictions to the Commissioner - Tax Policy and Legislation Unit (on behalf of the CGIR). If approved, the Commissioner may authorize the taxpayer to use the alternative basis IV or another reasonable alternative

Example for Y/A 2026/2027						
Taxable income for Y/A 2025/2026	**Taxable income <u>expected</u> for Y/A 2026/2027**	**Method**	**Basis**	**A**	**Documentation to be filed**	**If practically unable to calculate "A" under alternative basis II or III (i.e. Method 3)**
N/A (Newly Registered Taxpayers for Y/A 2026/2027)	Yes or No	2	Alternative basis IV	Calculate taxable income by estimating it for the Y/A 2026/2027 applying the tax provisions and rates applicable for the Y/A 2026/2027	Attachment 2	N/A

- **Standard basis -**
  - Any under payment, late payment or non payment will attract an interest and penalty on the basis of these standard calculations.
  - If you are eligible to use the standard method to calculate your quarterly installments, you cannot use the alternative methods outlined above.

- **Alternative Accounting Periods -**
  If a person prepares accounts based on an alternative 12-month period for computing income tax for a given Y/A, with the approval of the CGIR, the above specifications will still apply without any change.

- **Credit schedule –**
  Taxpayers are advised to file a credit schedule in the specified format.
  (Note: A specified format is not yet issued)

- **Employment Income Exemptions (APIT/AIT) -**

Criteria	Requirement to make quarterly instalment payments	Requirement to file a credit schedule
If an individual derives income solely from employment and that income is subject to APIT	No	No
If an individual receives employment income as described above, along with rent or interest income that is subject to AIT, and the AIT deducted on such rent or interest payments is sufficient to cover the remaining income tax liability for the current Y/A	No	No

The specifications in this circular [also] applies to employees whose APIT is being calculated and paid using APIT Table 8 [Rate for the deduction of Tax from the employment income received from Foreign Employer].

- **Payment instructions -**
  Will be separately provided as an assistance for taxpayers.

- **Submission Deadline -**

<table>
<tr><td>Documentation to be filed</td><td colspan="2">All statements, forms and attachments required under this circular</td></tr>
<tr><td>Submit to</td><td colspan="2">The Assessing Unit or Regional Office handling the file</td></tr>
<tr><td rowspan="2">Due date</td><td>General rule</td><td>Before 31 July preceding the due date of the first income tax installment.</td></tr>
<tr><td>Exception for Y/A 2026/2027</td><td>On or before 15 August 2026</td></tr>
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- **Mid-Year Revision Requests -**

Request	Revised calculation basis
Requestor	A taxpayer who has been paying quarterly instalments in accordance with Method 1 (Standard Basis)
Eligibility criteria for request	If projected taxable income for the current year is lower than that of the preceding year
Documentation to be filed	The request accompanied by supporting evidence
Submit to	The responsible Assessing Unit or Regional Office
Due date	Before the end of the relevant Y/A (e.g. For Y/A 2026/2027 – Before 31 March 2027)
If request is approved	The taxpayer may adopt the alternative method 2 or Method 3

Connect with Us

Charmaine Tillekeratne
Partner, Head - Tax
Deloitte Sri Lanka & Maldives
+94 77 020 8016
ctillekeratne@deloitte.com

Sarala Kodagoda
Partner, Tax
Deloitte Sri Lanka
+94 77 781 0610
skodagoda@deloitte.com

Rishini Manathunga
Partner, Tax
Deloitte Sri Lanka
+94 77 530 6730
rmanatunga@deloitte.com

Damith Gayan
Partner, Tax
Deloitte Sri Lanka
+94 77 548 1023
dgayan@deloitte.com

Deloitte.