

## Summary of the *Proposed Changes in Taxation*

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Gain insights into Sri Lanka's latest tax laws, including recent amendments and exemptions, to stay informed and ensure compliance.

### *Value Added Tax (VAT)*

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#### Re-introduction of exemption from VAT

Re-introducing the exemption from VAT for locally produced fresh milk and yoghurt, with effect from 01 April 2025.

#### Imposition of VAT

VAT, at the rate of 18% is proposed to be applied to the supply of digital services, effective from 01 April 2025. It will be levied based on the consumer's jurisdiction, regardless of the location of the service provider.

#### Simplified VAT (SVAT) Scheme

The SVAT Scheme, which was previously proposed to be removed from April 2025, is proposed to be continued.

### *Stamp Duty*

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Increase of Stamp Duty on leases, from 1% to 2%, with effect from 01 January 2025



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## Income Tax

### Personal/ Individual Income Tax

Tax-free allowance applicable to individuals is proposed to be increased from **LKR 100,000/- per month to LKR 150,000/- per month**, effective from 01 April 2025.

Hence, any individual earning below LKR 150,000/- per month is not subject to income tax. Income tax slab for the rate of 6% to be increased from **LKR 500,000/- per annum to LKR 1 Mn per annum**.

### Increase in Withholding Tax (WHT) Rate

The WHT rate on interest paid is proposed to increase **from 5% to 10%**, effective from 01 April 2025

Individuals with a monthly income below LKR 150,000/- and individuals below the 10% income tax bracket may make a request to the Department of Inland Revenue to avoid WHT on their interest income.




### Removal of Income Tax Exemption on Export of Services

The current exemption granted for export of services utilized outside Sri Lanka is proposed to be removed, with effect from 01 April 2025.

Upon removal, the concessionary income tax rate of 15% will be applicable to such services.

### Increase in Income Tax Rate

The income tax rate applicable to gains and profits from conducting betting, gaming, tobacco and liquor related products is proposed to increase from **40% to 45%**, effective from 01 April 2025.



These tax reforms were announced by the President in the Parliament on 18 December 2024. The implementation of such reforms is contingent upon the due passage of amendments to the relevant legislation.