

**INSTRUCTIONS FOR COMPLETION THE STATEMENT OF ESTIMATED TAX PAYABLE AND PAYMENT OF QUARTERLY INSTALMENTS
YEAR OF ASSESSMENT 2025/2026**

In terms of Sections 90 and 91 of the Inland Revenue Act, No. 24 of 2017 (IRA) and as amended by Amendment Act, No. 10 of 2021, Amendment Act, No 45 of 2022, a person who is an “instalment payer” shall pay income tax on the **estimated taxable income** as computed in the **Statement of Estimated Tax Payable**, by quarterly installments.

It is strongly advised to read this set of instructions before completing the Form for **Statement of Estimated Tax Payable (SET)**.

This sets of instructions consist of;

- General Instructions
- Instructions to Complete the SET and
- Calculation of Quarterly Installments of income tax payable

1. GENERAL INSTRUCTIONS

The SET consists of three parts, PART I, II and PART III. All instalment payers should complete all three PARTS of the SET.

1.1 Issuance and Submission

• Issuance

In terms of Section 113 (1) of the Inland Revenue Act No 24 of 2017, and as amended by the Inland Revenue (Amendment) Act No 10 of 2021 & No 4 of 2023, e-filling of tax returns (electronically filling returns) and filling of any other documents under IRA is mandatory for all persons who file the Income Tax returns.

Arrangements have been made for E- Filling via IRD web portal. Please refer the guidelines issued by IRD in the web portal www.ird.gov.lk for further information. Therefore all such taxpayers are required to use online platforms to E-file the SET form for Y/A 2025/2026.

SET will be available at web portal of Inland Revenue Department for all for e-filing persons who are chargeable with income tax. Those who have not registered the SET (Individuals whose estimated assessable income exceeds more than Rs. 1,800,000 for the Year of Assessment 2025/2026) shall make a request to obtain a SET from the Customer Supporting and Promotion Unit at the IRD Head Office or from any Regional Office.

- **Submission**

All such taxpayers are required to use online platforms to E-file the SET form for Y/A 2025/2026. Duly completed SET could be submitted via IRD web portal.

1.2 Payment of Estimated Tax

- **Payment Due Dates and period codes**

The estimated tax shall be paid in quarterly instalments by the following dates using following period codes

Tax Instalment	Due Date of payment	Payment Period Code
First Instalment	15 th August 2025	25261
Second Instalment	15 th November 2025	25262
Third Instalment	15 th February 2026	25263
Fourth Instalment	15 th May 2026	25264

- **Payment of Tax**

The payments of quarterly instalments of tax should be made using paying-in-slips issued by the IRD and posted to the taxpayers. The Paying -in-slips can also be collected from Customer Supporting & Promotion Unit at the IRD Head Office, all Regional Offices and from any branch of the Bank of Ceylon.

In addition, payment can be made through Online Tax Payments Platform (OTPP). For further details, please refer to Public Notice Number PN/PMT/2021 dated 08.06.2021 (Revised) dated May 17, 2022 PN/PMT/2022 .01 or log into IRD's web portal for the user guide (*e-Services/Overview and Quick Guides/Payments and Refunds*).

As per the extraordinary Gazette Notification No 2378/33 dated April 4, 2024 Published under section 145 (3) of Inland Revenue Act No 24 of 2017. Tax Payment shall be made to the commissioner General only by the use of following methods –

- a) By deposit cash:
- b) By deposit pay order or bank draft:
- c) By the use of online tax payments platform (OTPP)

- **Bank to which the payments should be made**

To any branch of the Bank of Ceylon.

2. **INSTRUCTIONS TO COMPLETE THE SET - 2025/2026**

Mark “✓” at the relevant cage to indicate whether the Statement is the Original Statement, or Revised Statement. The first SET furnished by a person for a year of assessment is treated as “Original Estimate”. Original estimate shall remain in force for the whole year of assessment unless a revised estimate is submitted by the taxpayer.

If the estimated tax payable is varied from the original SET, a revised SET could be submitted and subsequent instalment payments should be made accordingly. Further, in the event of submitting a revised estimate, it is important to mark “✓” in the cage of, “Revised Statement” of the SET.

Also indicate the Income tax type. Persons other than Individuals and Partnerships should mark the cage of Corporate Income Tax.

(Please mark “✓” at the relevant cage)

STATEMENT TYPE:	Original Statement	<input type="checkbox"/>	Revised Statement	<input type="checkbox"/>
INCOME TAX TYPE:	Corporate Income Tax	<input type="checkbox"/>	Individual Income Tax	<input type="checkbox"/>
	Partnership	<input type="checkbox"/>		

2.1 PARTS – I and II : CALCULATION OF ESTIMATED TAX PAYABLE

I. Local Income

The amounts of **estimated income** from each source of income should be declared in cages (10), (20), (30) and (40) of the SET.

II. Foreign Income

The aggregate amount of estimated foreign source of income from employment, business, investment or other source of income should be declared in cage 40A of the SET.

III. Cage 50 - Estimated Assessable Income. (Aggregation of all local estimated income with all foreign estimated income)

- a) Total estimated income from employment, business, investment (other than the gain from realization of investment assets) or other income source would be the total Local estimated assessable income of a person.
- Enter total of all income enumerated under cages 10 to 40 & 40A into the cage 50.
- b) When calculating estimated assessable income, final withholding payments and exempt amounts should not be included.

IV. Cage 60 – Estimated Qualifying Payments

Enter all estimated qualifying payments to be made during the year (subject to following restrictions).

- Donations to Approved Charitable Institution

Type of donor	Maximum amount deductible as qualifying payment
Individual	(a) 1/3 of the taxable income of the individual for that year of assessment; or (b) Rs. 75,000 whichever is lower
Entity	(a) 1/5 of the taxable income of the entity for that year of assessment; or (b) Rs. 500,000 whichever is lower

- Donations to Government or other specified institutions
- Any sum paid to the Consolidated Fund or President's fund
- Contribution made by a resident individual to establish a shop for a female individual who is from Samurdhi beneficiary family
- Expenditure incurred by any financial institution by way of cost of acquisition, partial acquisition, absorption of business or merger of, any other bank licensed under the Banking Act, No. 30 of 1988, finance company licensed under the Finance Business Act, No. 42 of 2011 or finance leasing company registered in terms of paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 where such cost is ascertained by considering all the facts on case-by-case basis and as confirmed by the Central Bank of Sri Lanka. Deduction is restricted to one third of the approved amount as confirmed by the Central Bank of Sri Lanka.
- Expenditure incurred by any person
 - in the production of a film at a cost not less than five million rupees
 - in the construction and equipping of a new cinema at a cost of not exceeding twenty-five million rupees

- in the upgrading of a cinema at a cost of not exceeding ten million Rupees

The deduction of this expenditure is restricted one third of the taxable income.

V. Cage 70 – Estimated Reliefs

Enter Estimated Reliefs that you are entitled for the year of assessment (subject to following restrictions).

- Personal Relief

Resident individuals or citizen individuals are entitled to a personal relief of Rs. 1,800,000 for each year of assessment. However, this relief does not apply to an individual in his capacity as a trustee, receiver, executor or liquidator. The relief may be deducted from the Assessable income of an individual except to the extent that the Assessable income comprises gains from the realization of investment assets.

- Rent Relief

Resident individuals are entitled to deduct 25% of the total rental income from an investment asset for the year of assessment unless it is intended to be claimed for any actual expenditures incurred by the taxpayer for the repair, maintenance, and depreciation of the investment asset.

- Other Relief

Resident individuals who have acquired solar panels to fix on their premises and connected to the national grid are entitled to deduct Rs. 600,000 for each year of assessment, up to the total expenditure made on such solar panels or up to the amounts paid to a bank in respect of any loan obtained to acquire such solar panels.

VI. Cage 80 – Estimated Taxable Income

Deduct total of deductions in cage 60 and 70 from Estimated Assessable income in cage 50 to get at the Estimated Taxable Income.

VII. Cage 90 – Estimated Tax Liability

Estimated tax liability should be computed by applying the different income tax rates. Accordingly, fill the Part II of the SET first and enter the value in cage 90.10 to the cage 90.

The following income tax rates are applicable on following persons.

a) Individuals

Standard rates

Taxable Income Range (Rs)	Tax on Taxable Income equal to the lowest of the range	Tax rate on the excess taxable income over the lowest of the range
First 1,000,000	60,000	6 %
Next 500,000	90,000	18 %
Next 500,000	120,000	24 %
Next 500,000	150,000	30 %
Balance	-	36 %

Special Rates

- on gains and profits from manufacture and sale or import and sale of any liquor or tobacco products - 45%
- on gains and profits from conducting betting and gaming - 45%

b) Companies

- (i.) On gains and profits from conducting betting and gaming - 45%
- (ii.) On gains and profits from manufacture and sale or import and sale of any liquor or tobacco products - 45%
- (iii.) On remainder of the taxable income of a company including gains from the realization of investment assets - 30%

c) Partnership

Taxable income (Rs.)	Tax payable
Exceeding 1,000,000	6%

- d) Charitable Institutions - 14%**
- e) Trusts – 30%**
- f) Unit Trust or Mutual Funds – 30%**

- g) NGO - 30%
- h) Employees Trust Fund, Employees Provident Fund, and approved Gratuity Fund, Pension Fund and Termination Fund -14% and Taxable income from treasury bonds – 30%
- i) Export Service – 15%

VIII. Cage 100 - Estimated Foreign Tax Credit

- ❖ Enter any Foreign Tax Credit, if any, in Cage 100. A Foreign Tax Credit is limited to the amount of tax on such part of profits or income to which foreign tax credit relates.
- ❖

IX. Cage 110 – Estimated Advance Personal Income Tax

An employee whose employment income is subject to APIT shall enter the estimated APIT and Withholding tax deducted by withholding agent for the year of assessment in Cage 110.

X. Cage 120 – Estimated Tax Payable

Deduct foreign tax credit declared in cage 100 and Estimated APIT declared in 110 from Estimated Tax Liability in cage 90 to arrive into the Estimated Tax Payable. Specify that value in cage 120

XI. Cage 130 – Exempted/Excluded Income (Local & Foreign)

Enter any exempted or excluded income from Local source or foreign source

2.2 PART – III – DECLARATION

Taxpayer or the taxpayer's duly authorized agent, should sign the SET declaring that the SET does not contain any incorrect, false or misleading information.

3. CALCULATION OF INCOME TAX QUARTERLY INSTALMENT PAYMENTS

3.1 The quarterly instalment payment is calculated by using the following formula.

$$\text{Quarterly Instalment Payment (E)} = \frac{\text{A} - \text{C}}{\text{B}}$$

Where,

A	Estimated Tax Payable (Amount declared in Cage 120)
B	Number of instalments remaining including the current instalment*
C	Tax payments made prior to this instalment **

Gain derived or expected to be derived from the realization of an investment asset during a year of assessment shall not be considered for the purpose of quarterly installment.

*** Number of instalments remaining including the current instalment - B**

Instalment	1 st	2 nd	3 rd	4 th
“B”	4	3	2	1

**** Tax payments made prior to that instalment – (C)**

Following payments are considered as payments for above C;

- a) Previous instalment payments, and
- b) any withholding tax (WHT) payments including Advanced Income Tax (AIT) paid /withheld prior to the due date of the payment of the current instalment payment.

3.2 Calculation of Net Quarterly Instalment payment

Deduct advance payments of Quarterly Instalment Payment and other relevant

Credits from the Quarterly Instalment Payment to arrive into Net Quarterly Instalment Payment.

NET QUARTERLY INSTALLMENT PAYMENT = E - F

Where,

E	Quarterly Instalment Payment
F	Advance payments/ other tax credits

Following payments are considered under (F).

1. Any advance instalment payment for the relevant quarter

2. Share of the instalment paid by the Partnership (for partners of a partnership).

4. PENAL PROVISIONS APPLICABLE ON SET AND INSTALMENT PAYMENTS

4.1 Penal Provisions for late filing and non-submission of the SET and submission of incorrect or misleading SET.

- I** A person who **fails to submit** the SET as instructed by the Commissioner General of Inland Revenue may subject to pay a penalty up to one million rupees under Section 185 of the IR Act.
- II** Where tax is underpaid, as a result of an **incorrect SET and material omission in the SET**, penalty will be imposed under section 180 of the IR Act in the amount of-
 - (a) 25% of the underpayment, if (b) does not apply;
or
 - (b) 75 % of the underpayment, if the amount of the underpayment is-
 - higher than ten million rupees or
 - higher than the 25% of the person's tax liability for the period.
- III** The SET form considered as a statement to a tax official and accordingly, penalty will be imposed under section 181 of the IR Act on a **false or misleading statement**. The penalty will be the amount equal to Rs. 50,000/- or the amount understated whichever is higher due to the false or misleading statement.
- IV** A person who willfully makes a **false or misleading SET** shall be liable on conviction to a fine up to one million rupees or to imprisonment for a term up to one year or to both such fine and imprisonment under section 190 of IR Act.

4.2 Penal provision for nonpayment /late payment of instalment payments and evading of instalment payments.

I. Penalty for nonpayment /late payment - (Under Section 179 (2) of the IR Act)

A person who fails to pay all or part of an instalment required under this Act, within 14 days of the due date for the instalment shall be liable to a penalty equal to 10% of the amount of tax due but not paid.

II. Fine and imprisonment - (Under Section 189 of the IR Act)

A person who willfully evades making instalment payments shall be liable on conviction to a fine up to ten million rupees or to imprisonment for a term up to two years or to both such fine and imprisonment under section 189 of IR Act.

III. Interest on under payment (Under Section 159 (1) of the IR Act).

In the event of an instalment or part thereof not paid on due date, **1.5% interest** per month or part of a month shall be charged on such default instalment or part of the instalment.

5. ILLUSTRATIONS

Example 01:

Mr. Jason Fernando is a Chief Executive Officer (CEO) of the company “SUPRA”. His expected income for the year of assessment 2025/2026 is as follows;

- Employment income Rs. 30,000,000 (Rs. 2,500,000×12)
- Gross Interest income received on 01.05.2024 Rs. 4,000,000 (AIT has been deducted at the rate of 10% -)
- Business income Rs. 5,000,000

He has donated Rs. 1,550,000 to purchase equipment for the National Hospital during the year of assessment. In addition, Mr. J. Fernando has installed a solar panel to his residential place which is connected to national grid at cost of Rs. 2,350,000.

In addition to the above he expected to earn Rs. 3,000,000 from his foreign consultancy income which channeled to be remit Sri Lanka through his Foreign Currency account at People's Bank.

Calculation of Estimated Tax Payable

		Rs.
Employment Income		30,000,000
Interest Income		4,000,000
Business Income		5,000,000
Foreign Currency Income		3,000,000
Gross Solar Income During the Year		200,000
Estimated Assessable Income		42,200,000

Less - Reliefs		
• Personal Relief		(1,800,000)
• Solar Panel		(600,000)
Less – Qualifying payments		
• Donations to the National Hospital Fund		(1,550,000)
Estimated Taxable Income		38,250,000
Estimated Tax Liability	$1,000,000 \times 6\% = 60,000$	
	$500,000 \times 18\% = 90,000$	
	$500,000 \times 24\% = 120,000$	
	$500,000 \times 30\% = 150,000$	
	$32,750,000 \times 36\% = 11,790,000$	
Foreign Currency Income at maximum rate	$3,000,000 \times 15\% = 450,000$	
Estimated Tax Liability		12,660,000
Deduct – Estimated APIT Credit		(9,672,,000)
Estimated Tax Payable (A)		2,988,000

**Calculation of estimated APIT

Employment Income per month – Primary (2,500,000 at 36%) (30,000,000 /12)	2,500,000
Tax At 36% for 2,500,000	900,000
Less - As per APIT Table 01	(94,000)
APIT deductible per month	806,000
APIT deducted per annum (806,000 x 12)	9,672,000

Calculation of Quarterly Instalment Payable

$$\begin{aligned}
 \text{Quarterly Instalment Payment} & \quad (\text{E}) & = & \quad \frac{\text{A} - \text{C}}{\text{B}} \\
 & & & = \frac{2,988,000 - 400,000}{4} \\
 & & & = \underline{\underline{\text{Rs. 647,000}}}
 \end{aligned}$$

1st Instalment payable

Example 2

Aruna and Waruna are partners of AW Enterprises, sharing partnership profits on equal basis. The partnership is engaged in the business of manufacturing plastic products. During the year of assessment 2025/2026 estimated gains and profits of the partnership is as follows.

- Business income (after deducting allowable expenses) Rs. 64,000,000
- Gross Interest Income received on 15.04.2025 Rs. 17,500,000. (AIT has been deducted at 10% on 15.04.2025 $Rs. 17,500,000 \times 10\% = 1,750,000$)
- Rent Income - Rs. 5,300,000 per annum (Assumed WHT/AIT has been deducted during the 1st Quarter)

Partnership wishes to donate Rs. 300,000 for an approved charity.

Calculation of Estimated Tax Payable of the Partnership

		Rs.
Business Income		64,000,000
Investment Income		
• Interest Income		17,500,000
• Rent Income		5,300,000
Estimated Assessable Income		86,800,000
Less – Qualifying Payments		
• Donations to approved charity (1/5th of the Taxable Income or Rs. 500,000 of the donations made whichever is less)		(300,000)
Estimated Taxable Income		86,500,000
Estimated Tax Payable	$1,000,000 \times 0\% = 0$	
	$86,500,000 \times 6\% = 5,130,000$	5,130,000
Estimate Tax Payable (A)		5,130,000

Calculation of quarterly instalments payable by the Partnership

	1 st Quarter (Rs.)	2 nd Quarter (Rs.)	3 rd Quarter (Rs.)	4 th Quarter (Rs.)
A	5,130,000	5,130,000	5,130,000	5,130,000
B	4	3	2	1
C	2,280,000	2,992,500	3,705,000	4,417,500
Quarterly Instalment payment(E)	712,500	712,500	712,500	712,500
Deductions(F)	-	-	-	-
Final Quarterly payment (E- F)	712,500	712,500	712,500	712,500
Hiruni's PIT tax credit (50%)	356,250	356,250	356,250	356,250
Waruni's PIT tax credit (50%)	356,250	356,250	356,250	356,250

* Cumulative AIT deducted by the withholding agent prior to the date of each instalment, has been included to C.

Note:

Partnerships shall allocate the share of partnership tax to the partners. Subject to the payment of Partnership Income Tax, partners are entitled to deduct share of partnership tax as a credit. (Include such amount to "F" in the given formula).

However, any excess share of partnership tax is not entitled to a refund but allowed to be carried forward to the next year of assessment. Partners are entitled to deduct such excess amount against the future instalment payable (include such amount to "F" in the given formula).

Estimated distribution of share of income, qualifying payments and Tax credits (Rs.)

	Aruna (Partner 1)	Waruna (Partner 2)
Share of Business Income	32,000,000	32,000,000
Share of Investment Income		
• Interest Income	8,750,000	8,750,000
• Rent Income	2,650,000	2,650,000
Share of Qualifying Payment on Donations to approved charity	150,000	150,000
Share of AIT on interest	875,000	875,000
Share of AIT on Rent	265,000	265,000
Share of Partnership Income Tax (amount of tax credit would be paid prior to instalment due date)	2,565,000	2,565,000

Calculation of Mr. Aruna's estimated tax payable

Mr. Aruna received Rs 3,000,000 as an Gross interest income on 20.06.2025 (AIT has been deducted at 10%) He has donated Rs. 100,000 for approved charity and also he has paid the housing loan interest and Rs. 750,000 and Rs. 575,000 for education & health of the children's during the year.

		Rs.
Business Income		27,000,000
Investment Income		
• Interest Income	(8,750,000+3,000,000)	11,750,000
• Rent Income		2,650,000
Estimated Assessable Income		46,400,000
Less – Reliefs		
• Personal Relief		(1,800,000)
Less – Qualifying Payments		

• Donation to approved charity (Deductible subject to 1/3 rd of the Taxable Income or Rs. 75,000 of the donation made whichever is less		(75,000)
Estimated Taxable Income		44,525,000
Estimated Tax Payable	$1,000,000 \times 6\% = 60,000$	
	$500,000 \times 18\% = 90,000$	
	$500,000 \times 24\% = 120,000$	
	$500,000 \times 30\% = 150,000$	
	$42,025,000 \times 36\% = 15,129,000$	15,549,000
Estimated Tax Payable (A)		15,549,000

Calculation of Quarterly Instalments Payments

	1 st Quarter (Rs.)	2 nd Quarter (Rs.)	3 rd Quarter (Rs.)	4 th Quarter (Rs.)
A	15,130,000	15,130,000	15,130,000	15,130,000
B	4	3	2	1
C	2,280,000	2,992,500	3,705,000	4,417,500
Quarterly Instalment payment(E)	712,500	712,500	712,500	712,500
Deductions(F)				
Final Quarterly payment (E- F)	712,500	712,500	712,500	712,500
Aruna's PIT tax Credit	356,250	356,250	356,250	356,250
Waruna's PIT tax Credit	356,250	356,250	356,250	356,250

For further details please contact:

1. 1944 – Inland Revenue Call Centre
2. 011-2134250 – Senior Commissioner – Clearance & Direction Unit
3. 011-2134205 - Commissioner – Consultation & Promotion Unit
4. 011-2134204 - Commissioner– Clearance & Direction Unit
5. Commissioners of all Regional & Metro Units