FISCAL REVIEW REPORT

January – August 2026

Department of Fiscal Policy

Ministry of Finance, Planning and Economic Development

Highlights of Fiscal Performance

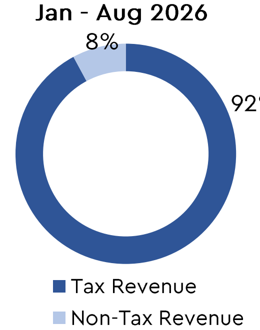
Government Revenue & Grants
- Jan - Aug 2026 : Rs. 4,002.3 Bn
- Jan - Aug 2025 : Rs. 3,301.5 Bn

Government Expenditure
- Jan - Aug 2026 : Rs. 3,966.9 Bn
- Jan - Aug 2025 : Rs. 3,712.5 Bn

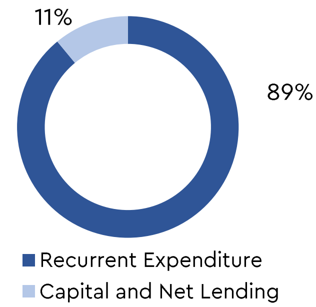
Primary Surplus
- Jan - Aug 2026 : Rs. 1,644.6 Bn
- Jan - Aug 2025 : Rs. 1,276.5 Bn

Budget Balance
- Jan - Aug 2026 : Rs. 35.4 Bn
- Jan - Aug 2025 : Rs. -411.0 Bn

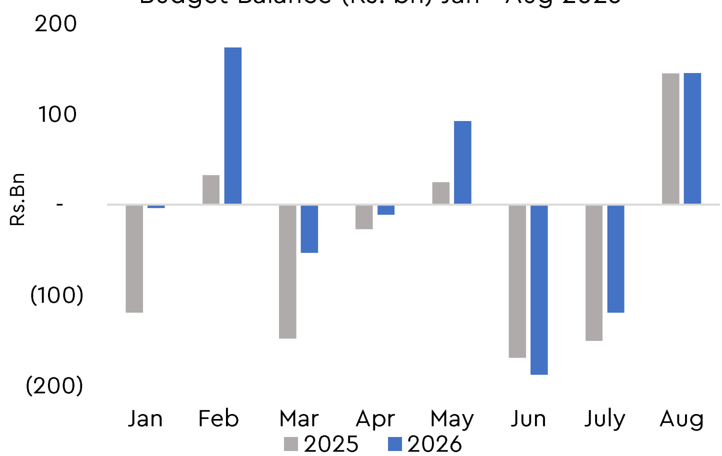
Government Revenue Jan - Aug 2026



Government Expenditure Jan - Aug 2026

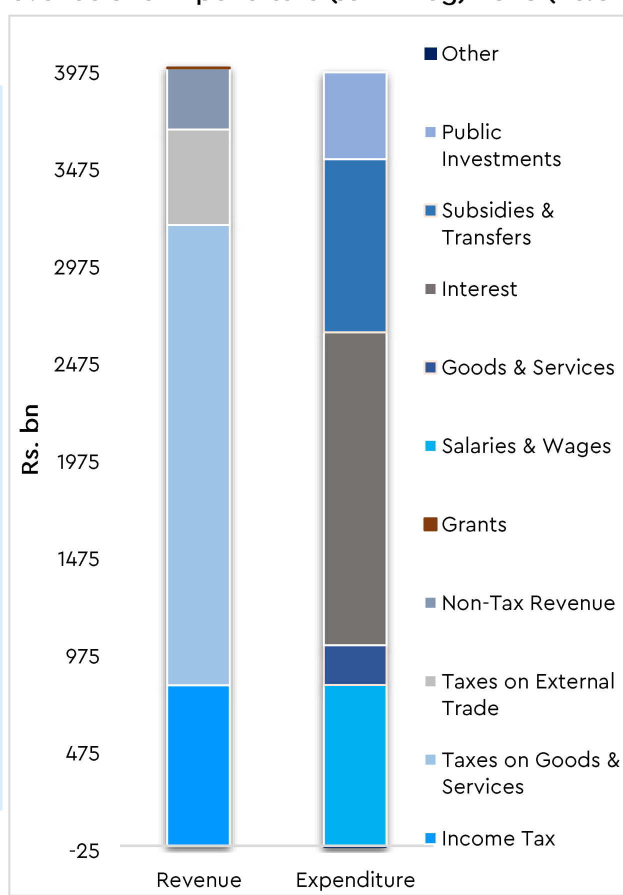


Budget Balance (Rs. bn) Jan - Aug 2026



The budget balance, in nominal terms, recorded a surplus of Rs. 35.4 billion in the first eight months of 2026 from a deficit of Rs. 411.0 billion in the same period of 2025, mainly due to the robust increase in government revenue by 21 percent to Rs. 4,002.3 billion in the first eight months of 2026 from Rs. 3,301.5 billion in the same period of 2025, together with the rationalization of government expenditure.

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

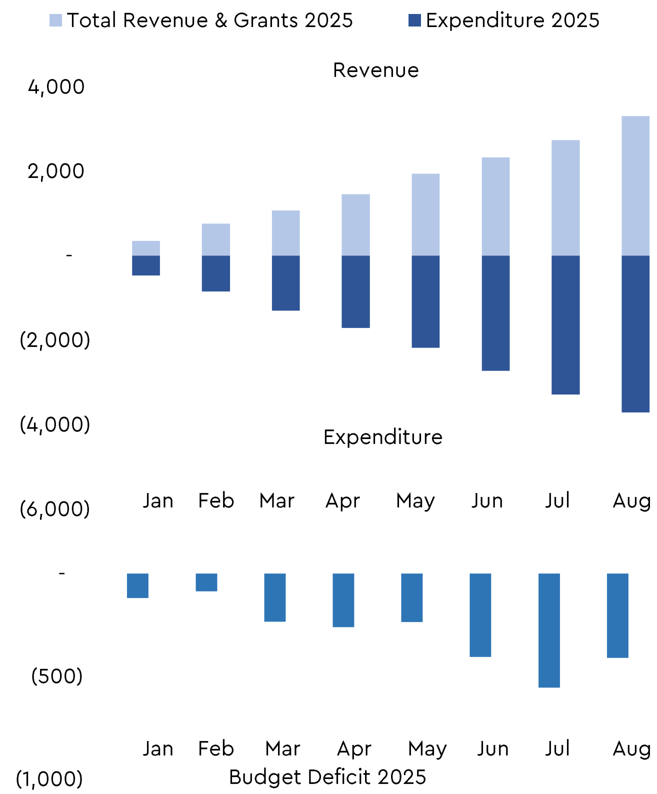


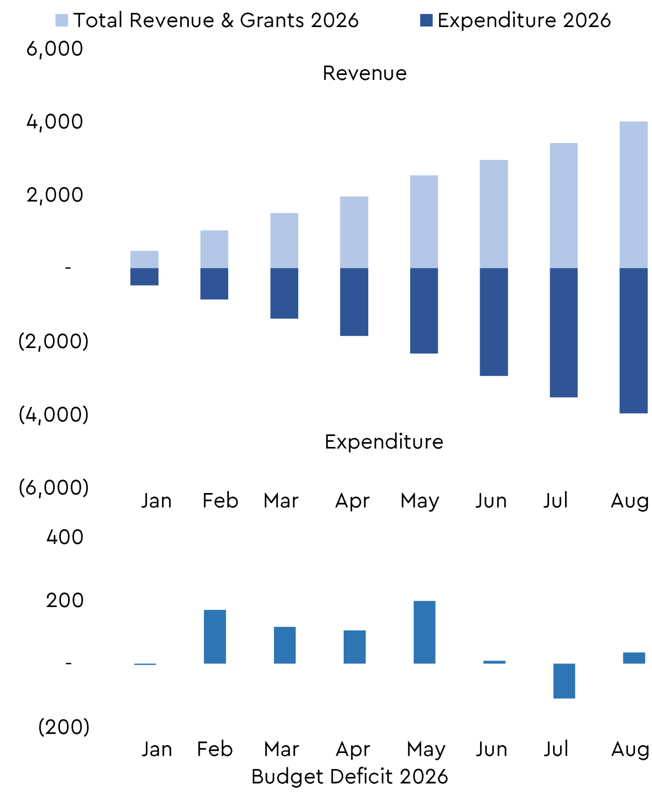
Jan - Aug 2025 ➞ Jan - Aug 2026

- Total Revenue, including grants increased by 21 percent
- Tax Revenue increased by 20 percent
- Non-Tax Revenue increased by 39 percent
- Recurrent Expenditure increased modestly by 4 percent
- Capital and net lending increased by 32 percent
- GDP at constant prices was Rs. 3,029.8 billion in the second quarter of 2026, compared to Rs. 2,908.6 billion in the same period of 2025.
- The economy expanded by 4.2 percent in the second quarter of 2026 compared to the 5.0 percent expansion recorded in the second quarter of 2025.

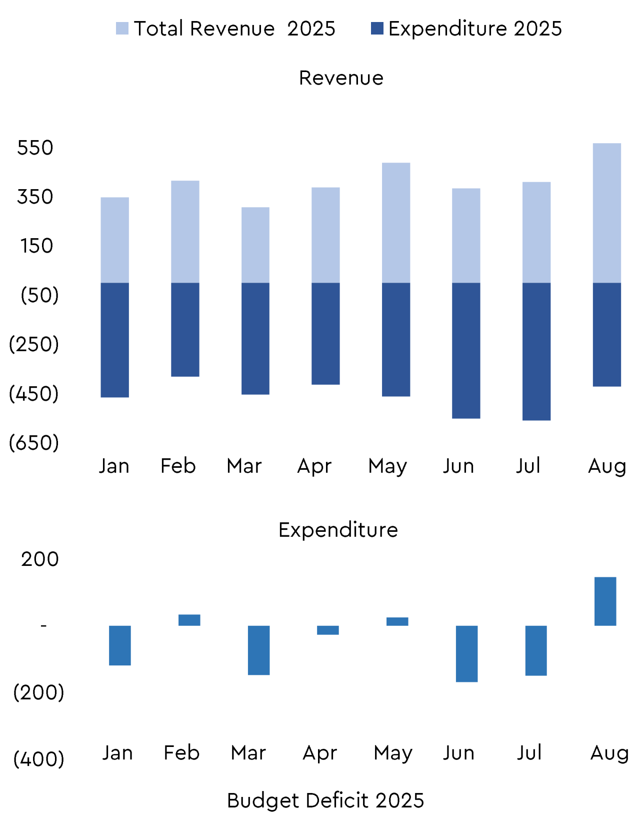
Performance of Key Fiscal Aggregates

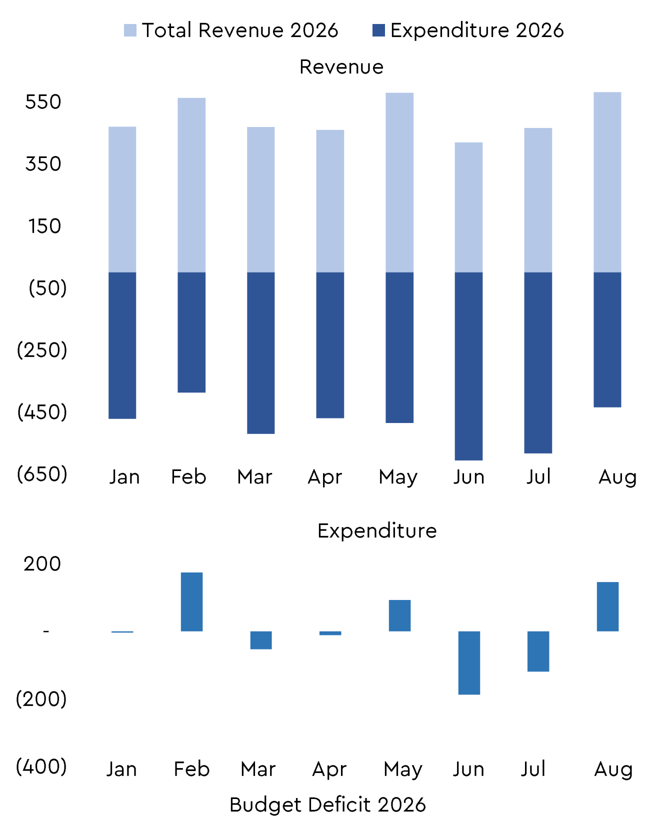
Cumulative Revenue, Expenditure and Budget Deficit – January- August 2025/2026 (Rs. bn)





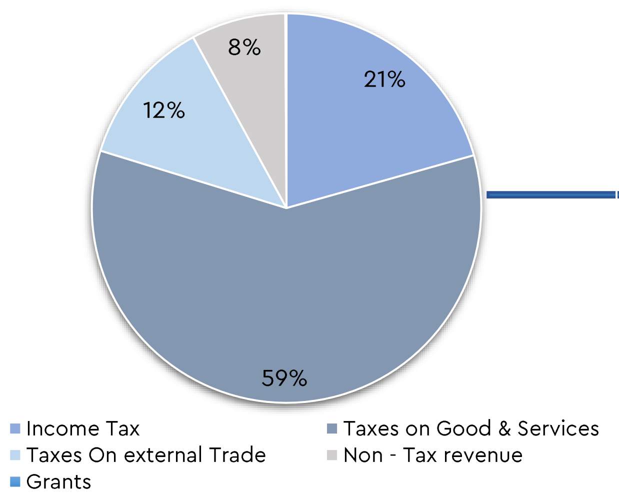
Monthly Revenue, Expenditure and Budget Deficit – January - August 2025/2026 (Rs. bn)



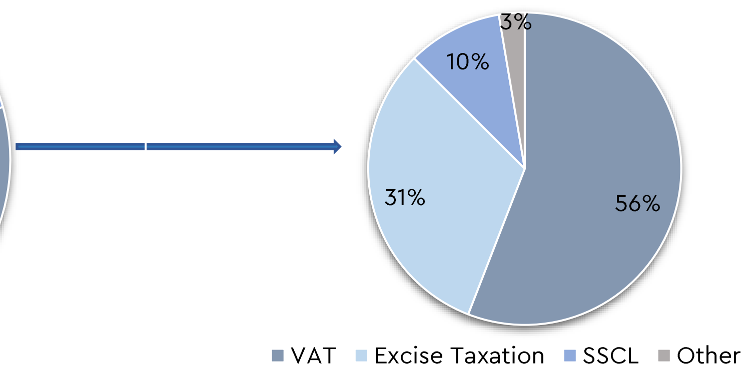


Revenue Performance

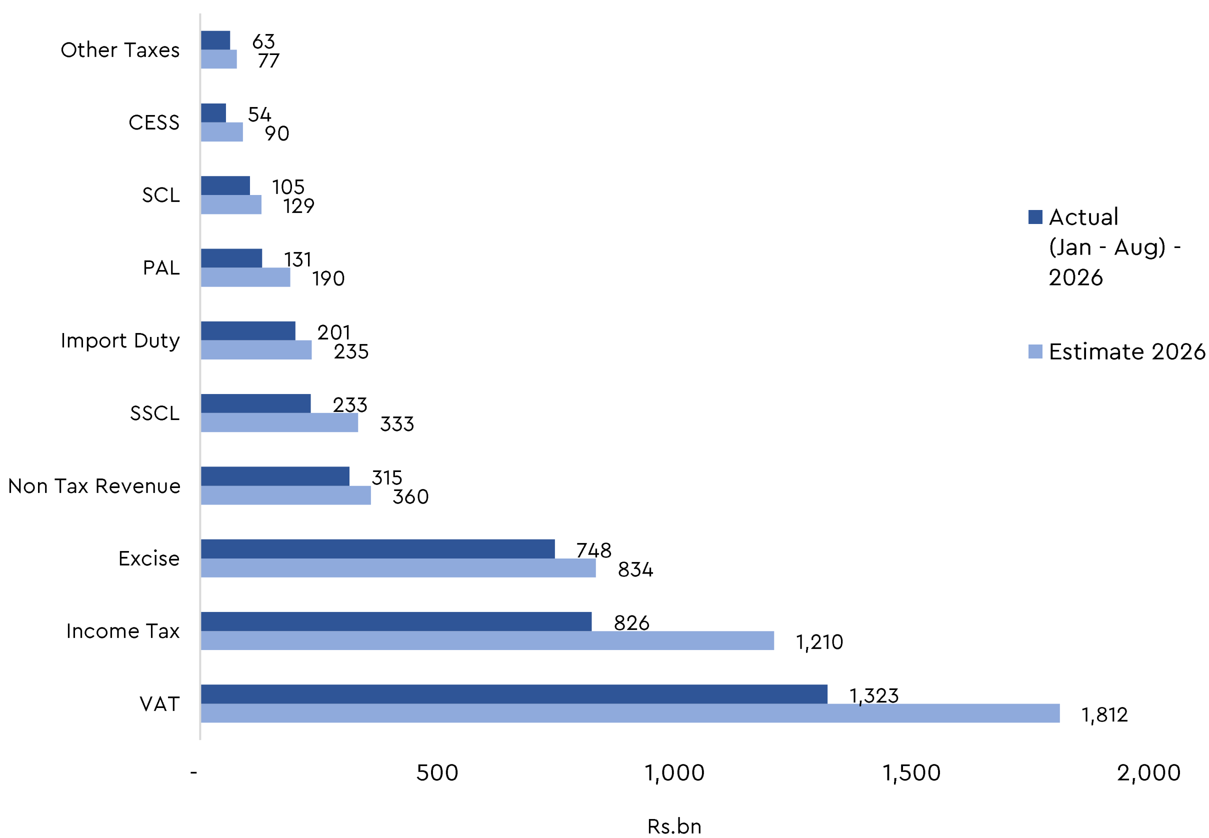
Composition of Actual Revenue
(Jan - Aug) - 2026



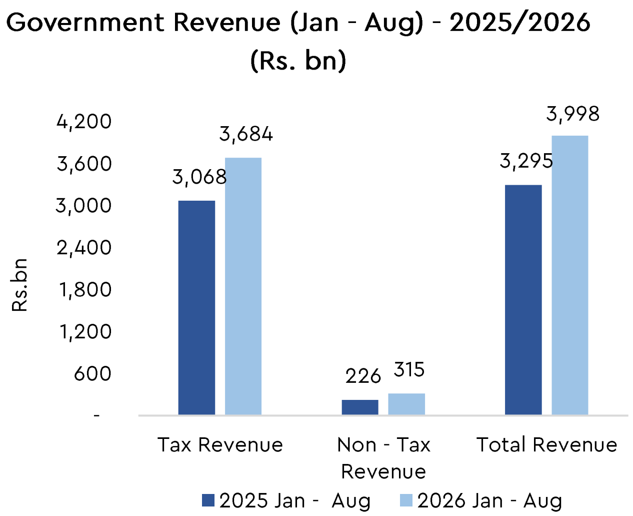
Composition of Taxes on goods & services
(Jan - Aug) - 2026

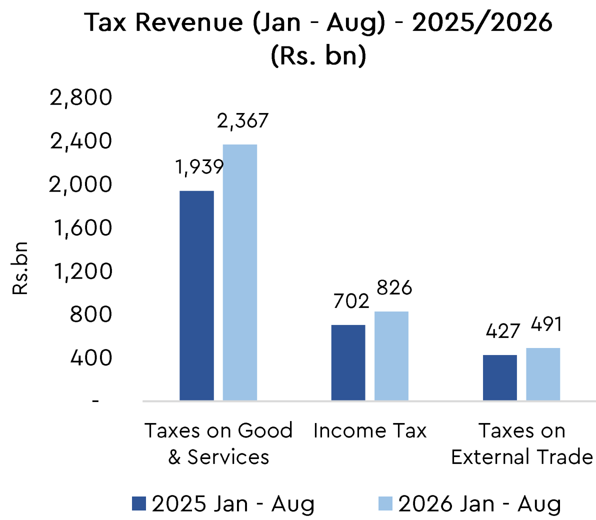


Annual Estimate vs. Revenue by Major Revenue Sources (Jan - Aug) 2026 (Rs. bn)

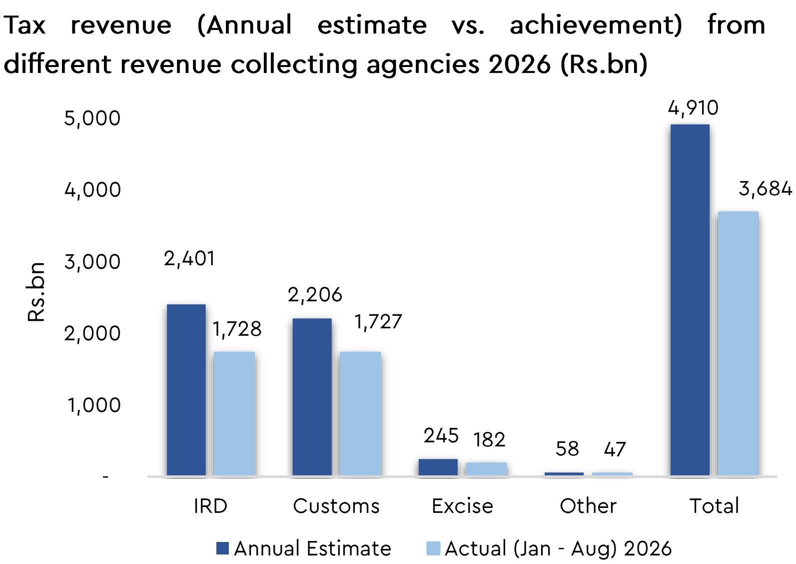


Revenue Performance





The total revenue (excluding grants) increased by 21 percent to Rs. 3,998.3 billion in the first eight months of 2026 from Rs. 3,294.7 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 18 percent to Rs. 825.6 billion in the first eight months of 2026 from Rs. 702.4 billion in the same period of 2025. Revenue from VAT increased by 22 percent to Rs. 1,322.7 billion in the first eight months of 2026 from Rs. 1,084.2 billion in the same period of 2025.



Sri Lanka Customs achieved 78.3 percent of its annual estimate in the first eight months of 2026 mainly due to the increase of revenue collection from motor vehicles. Inland Revenue Department achieved 72 percent of its annual estimate in the first eight of 2026 reflecting strong performance of VAT on domestic activities. Further, Excise Department achieved 75 percent of its annual estimate in the first eight months of 2026.

Revenue Performance

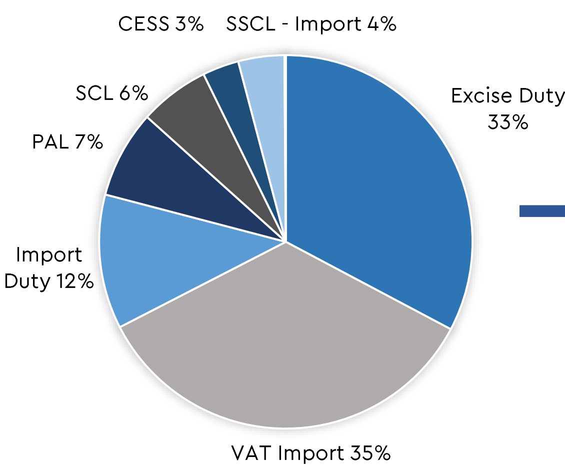
Tax Revenue from 3 Key Revenue collecting agencies during - (Jan – Aug) 2026

	Annual Estimate (Rs. bn)	Actual (Jan – Aug) 2026 (Rs. bn)	Achievement (%)
IRD	2,401	1,728	71.9
Customs	2,206	1,727	78.3
Excise	245	182	74.5
Other	58	47	81.1
Total	**4,910**	**3,684**	**75.0**

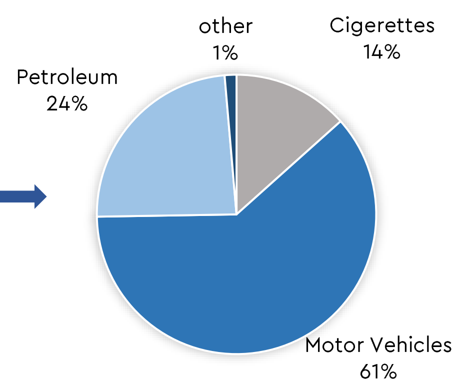
In the first eight months of 2026, Sri Lanka Customs and Inland Revenue department became the largest contributors to the Government Revenue, individually accounting for 47 percent of the total tax revenue collected, while Excise Department was the third-largest contributor.

Sri Lanka Customs

Revenue collected from Sri Lanka Customs by major tax components (Jan - Aug 2026)



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



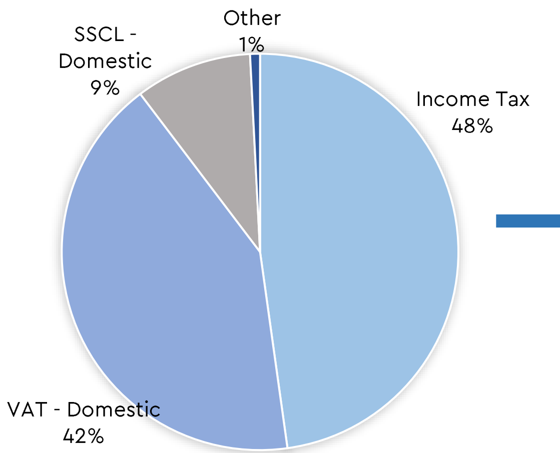
Revenue from VAT on imports is the largest revenue component among the Custom's major tax components. The revenue from VAT on imports increased by 16 percent to Rs. 599.0 billion in the first eight months of 2026 from Rs. 516.8 billion in the same period of 2025. Revenue from Excise Duty increased by 23 percent to Rs. 565.6 billion in the first eight months of 2026 from Rs. 461.4 billion in the same period of 2025.

Revenue from Excise Duty on motor vehicles significantly increased by Rs. 76.5 billion to Rs. 347.0 billion in the first eight months of 2026 from Rs. 270.5 billion in the same period of 2025.

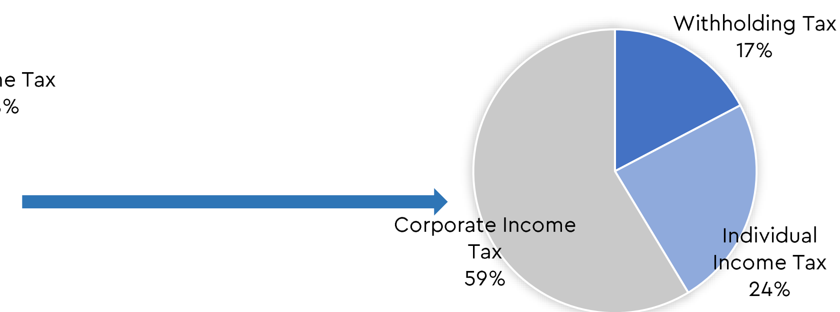
Revenue Performance

Inland Revenue Department

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



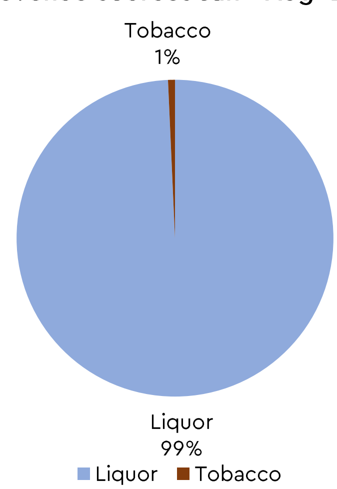
Composition Income Tax (%)



Revenue collection from Income Tax increased by 18 percent to Rs. 825.6 billion in the first eight months of 2026, compared to the same period of 2025. Revenue from VAT on domestic activities increased by 28 percent and SSCL on domestic activities increased by 13 percent in the first eight months of 2026 compared to the same period of 2025.

Excise Department

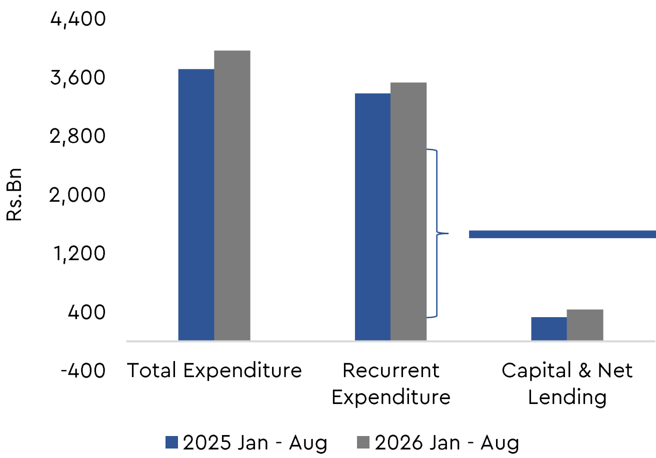
Revenue collection from Department of Excise by major revenue sources Jan - Aug 2026



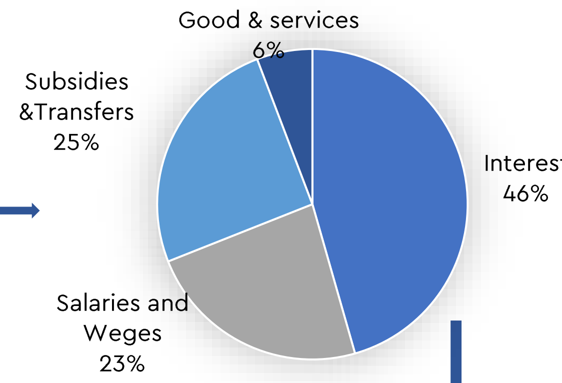
The revenue from excise duty on liquor increased by 24 percent to Rs. 181.1 billion in the first eight months of 2026 from Rs. 145.7 billion in the same period of 2025.

Execution of Government Expenditure

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



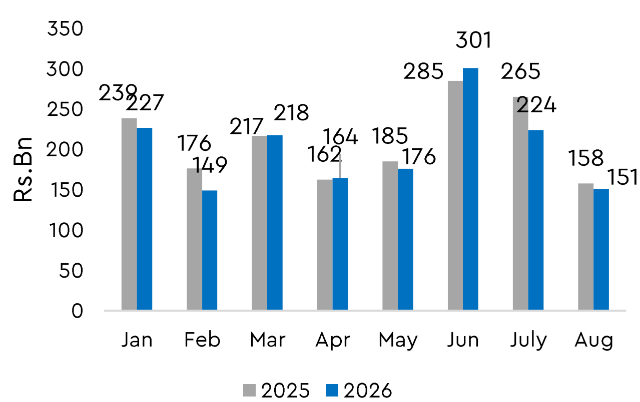
Recurrent Expenditure Jan - Aug 2026



The total expenditure increased by 7 percent to Rs. 3,966.9 billion in the first eight months of 2026 from Rs. 3,712.5 billion in the same period of 2025. Recurrent expenditure increased by 4 percent to Rs. 3,531.0 billion in the first eight months of 2026 from Rs. 3,381.3 billion in the same period of 2025. The capital and net lending increased by 32 percent to Rs. 435.9 billion in the first eight months of 2026 from Rs. 331.2 billion in the same period of 2025.

Total Interest payments declined by 5 percent to Rs. 1,609.2 billion in the first eight months of 2026 from Rs. 1,687.6 billion in the same period of 2025.

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



Budget Outturn : Jan - Aug 2026

	Annual Estimate 2026 (Rs. bn)	Jan- Aug 2025 (Rs. bn) (Actual)	Jan – Aug 2026 (Rs. bn) (provisional)	Growth (%) Jan – Aug 2025/26	Achievement against the estimate 2026 (%)
Total Revenue & Grants	5,300	3,302	4,002	21.2	75.5
Tax Revenue	4,910	3,068	3,684	20.0	75.0
Non-Tax Revenue	360	226	315	39.1	87.4
Grants	30	7	4	-40.1	13.4
Total Expenditure	7,557	3,713	3,967	6.9	52.5
Recurrent Expenditure	5,838	3,381	3,531	4.4	60.5
Capital and Net Lending	1,719	331	436	31.6	25.4
Primary Balance (+)/ (-)	360	1,277	1,645		
Budget Balance (+)/ (-)	-2,257	-411	35		