

FISCAL REVIEW REPORT

January – December 2025



Department of Fiscal Policy

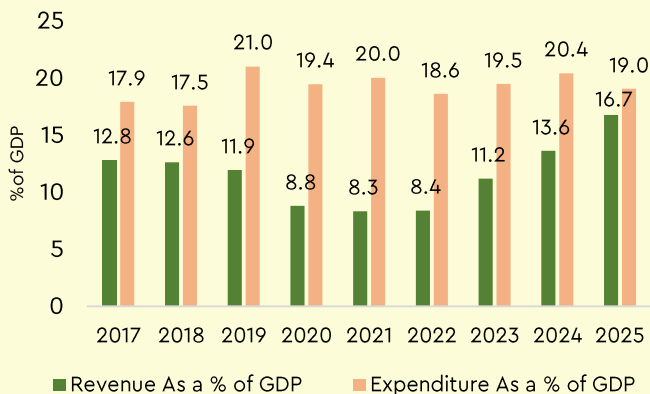
Ministry of Finance, Planning and Economic Development

Highlights of Fiscal Performance

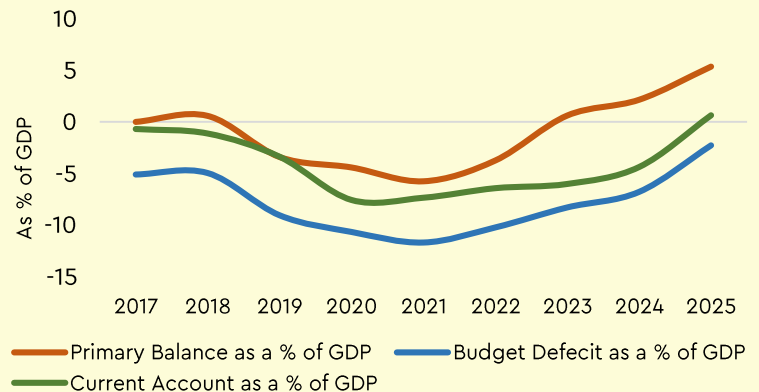
Total revenue and grants increased to 16.7 percent of GDP in 2025, exceeding the budget estimate by 1.6 percentage points. This was primarily driven by a significant increase in tax revenue to 15.4 percent of GDP, the highest since 1997. Non tax revenue increased by 0.1 percentage point to 1.2 percent of GDP in 2025.

Category	2024	2025	2025	Percentage Points Change	
	Actual	Estimate	Provisional	2024/25	2025 Estimate
	As a % GDP	As a % GDP	As a % GDP		
Total Revenue and Grants	13.6	15.1	16.7	3.2	1.6
Total Revenue	13.4	15.0	16.6	3.2	1.6
Tax Revenue	12.3	13.9	15.4	3.1	1.5
Non-Tax Revenue	1.1	1.1	1.2	0.1	0.1
Expenditure and Net Lending	20.4	21.8	19.0	-1.3	-2.8
Recurrent	17.7	17.8	16.0	-1.8	-1.9
Public Investment	2.7	4.0	3.1	0.4	-0.9
Fiscal Balances					
Current Account Balance	-4.3	-2.8	0.7		
Primary Account Balance	2.2	2.3	5.4		
Budget Deficit	-6.8	-6.7	-2.3		

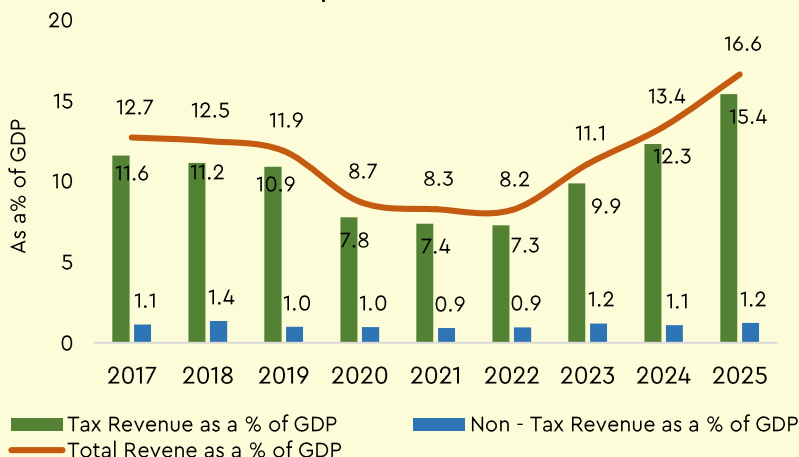
Government Revenue & Expenditure



Primary Balance, Budget Deficit & Current Account



Tax Revenue, Non-Tax & Total Revenue



Total expenditure as a percentage of GDP declined by 1.3 percentage points to 19.0 percent in 2025 from 2024. This reduction was primarily driven by a decrease in recurrent expenditure to 16.0 percent of GDP, largely reflecting lower interest payments.

The primary surplus increased to 5.4 percent of GDP in 2025, marking the highest level in Sri Lanka's history. The budget deficit declined significantly to 2.3 percent of GDP, the lowest level since 1956. Additionally, the current account recorded a historic surplus of 0.7 percent of GDP.

Highlights of Fiscal Performance

Government Revenue & Grants

- Jan - Dec 2025 : Rs. 5,485.6 Bn
- Jan - Dec 2024 : Rs. 4,090.8 Bn

Government Expenditure

- Jan - Dec 2025 : Rs. 6,230.4 Bn
- Jan - Dec 2024 : Rs. 6,130.7 Bn

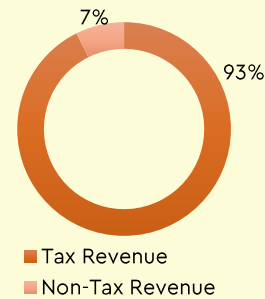
Primary Surplus

- Jan - Dec 2025 : Rs. 1,755.8 Bn
- Jan - Dec 2024 : Rs. 649.6 Bn

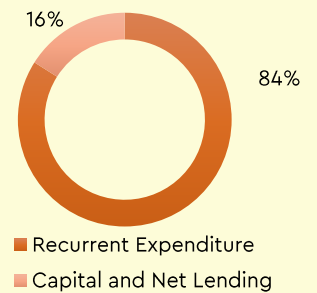
Budget Deficit

- Jan - Dec 2025 : Rs. 744.9 Bn
- Jan - Dec 2024 : Rs. 2,039.9 Bn

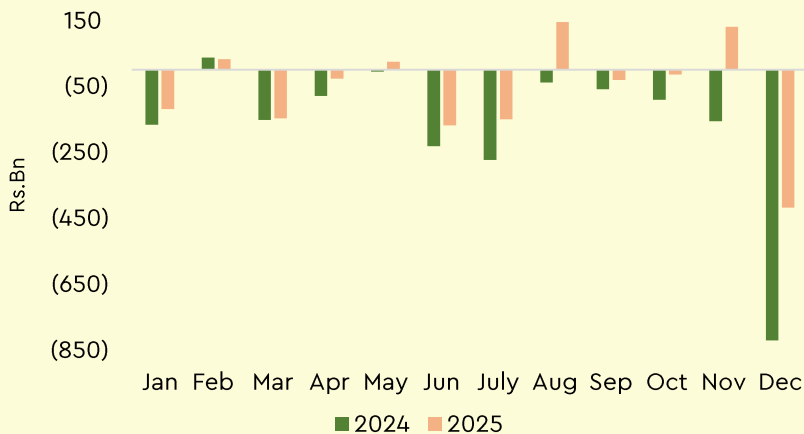
Government Revenue Jan-Dec 2025



Government Expenditure Jan-Dec 2025

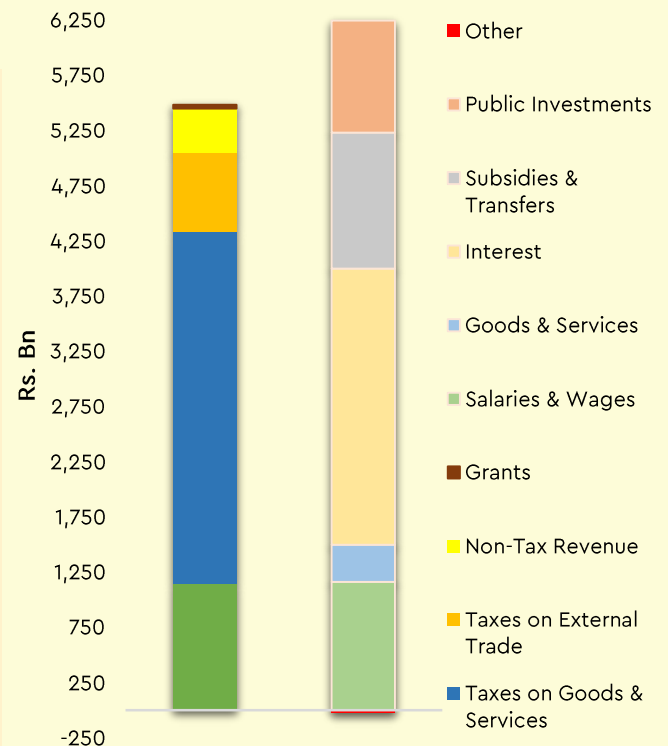


Budget Deficit (Rs. Bn) Jan - Dec 2025



The budget deficit, in nominal terms, narrowed by 63.5 percent to Rs. 744.9 billion in 2025 from Rs. 2,039.9 billion in 2024, mainly due to the increase in government revenue by 34.1 percent to Rs. 5,485.6 billion in 2025 from Rs. 4,090.8 billion in 2024, together with the rationalization of government expenditure.

Total Revenue and Expenditure (Jan-Dec) 2025 (Rs. Bn)

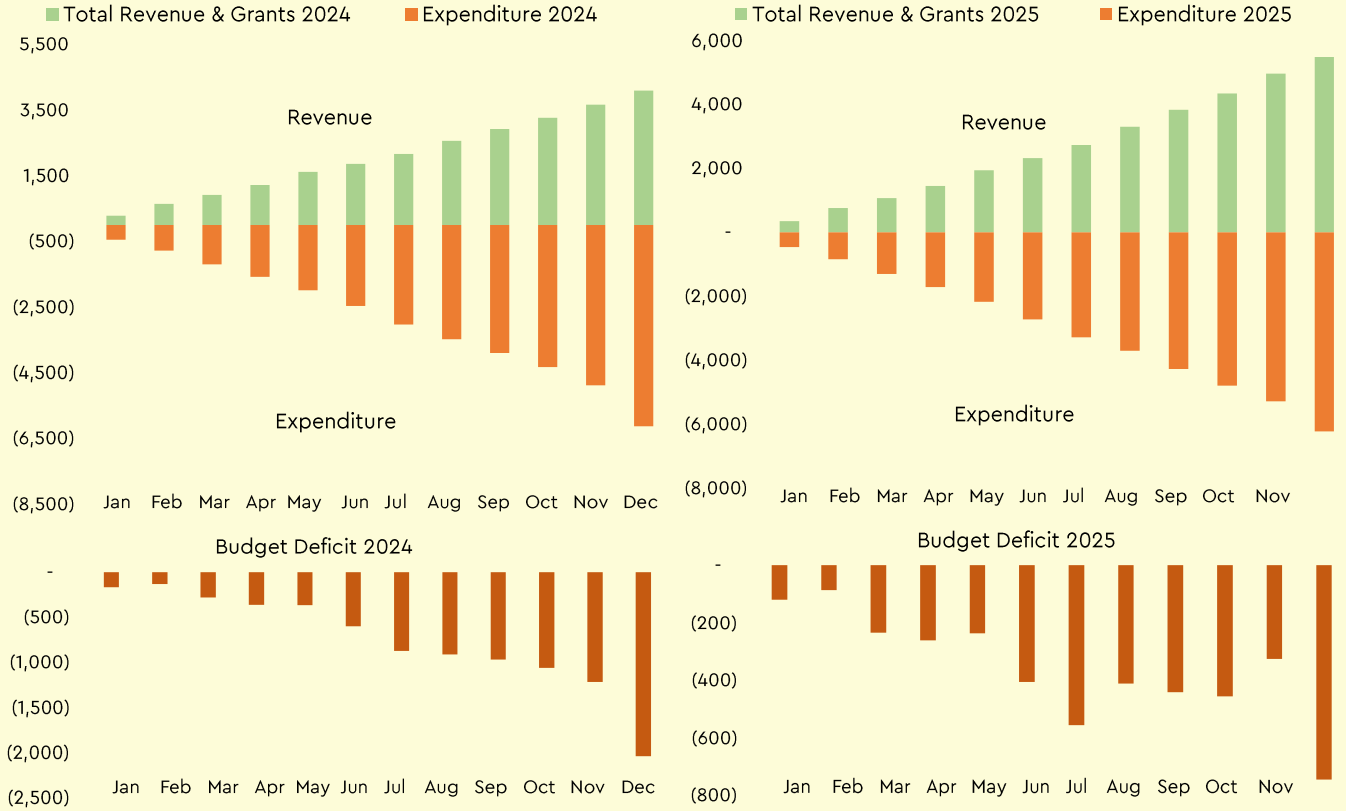


Jan - Dec 2024 → Jan - Dec 2025

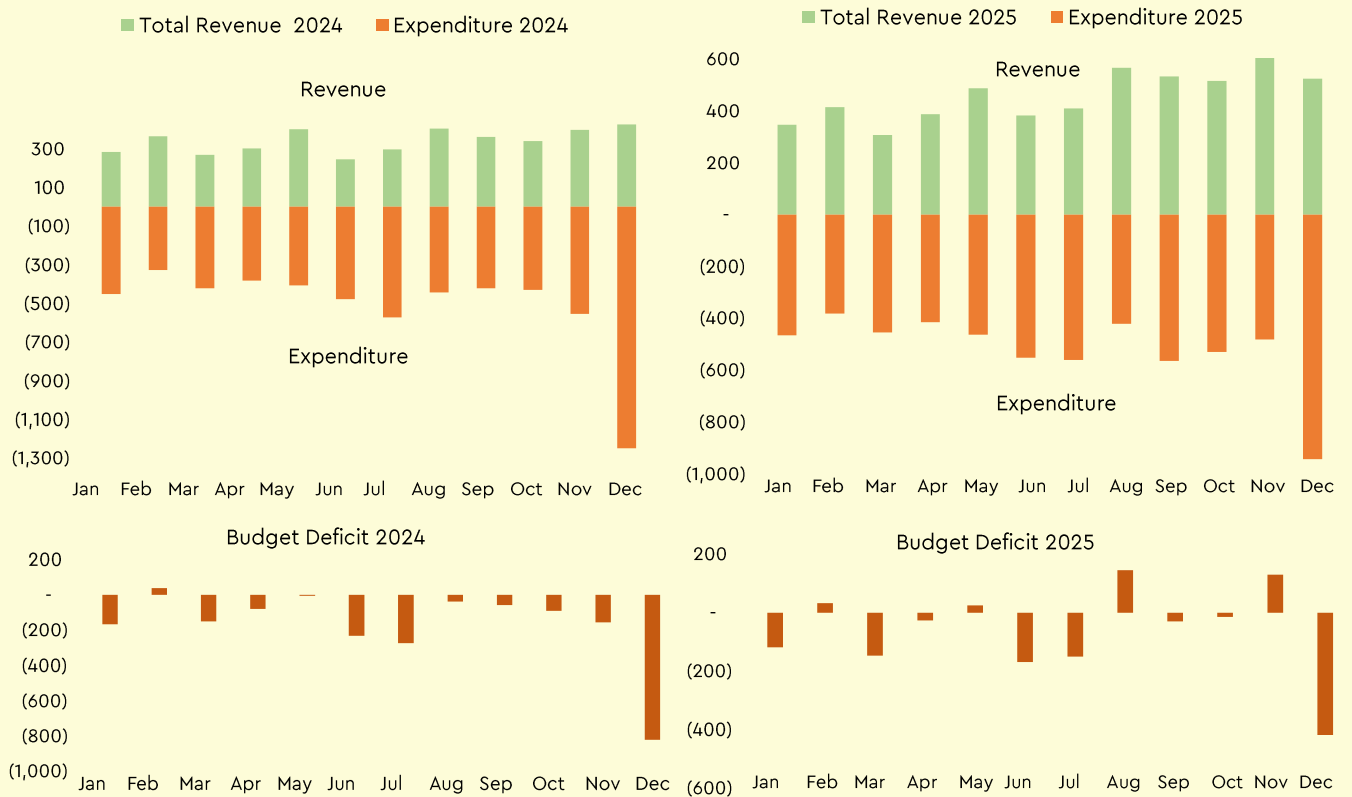
- Total Revenue, including grants increased by 34.1 percent
- Tax Revenue increased by 36.3 percent
- Non-Tax Revenue increased by 22.7 percent
- Recurrent Expenditure declined by 2.0 percent
- Capital and net lending increased by 26.2 percent
- GDP at constant prices was Rs. 13,128.6 billion in 2025 compared to Rs. 12,509.0 billion in 2024.
- In 2024 and 2025, economy expanded by 5.0 percent

Performance of Key Fiscal Aggregates

Cumulative Revenue, Expenditure and Budget Deficit – January- December 2024/2025 (Rs. Bn)

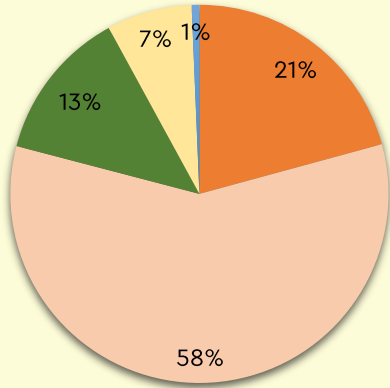


Monthly Revenue, Expenditure and Budget Deficit – January - December 2024/2025 (Rs. Bn)

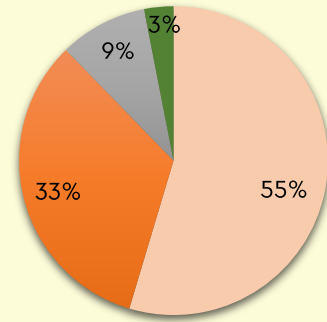


Revenue Performance

Composition of Actual Revenue 2025 - (Jan - Dec)
(%)

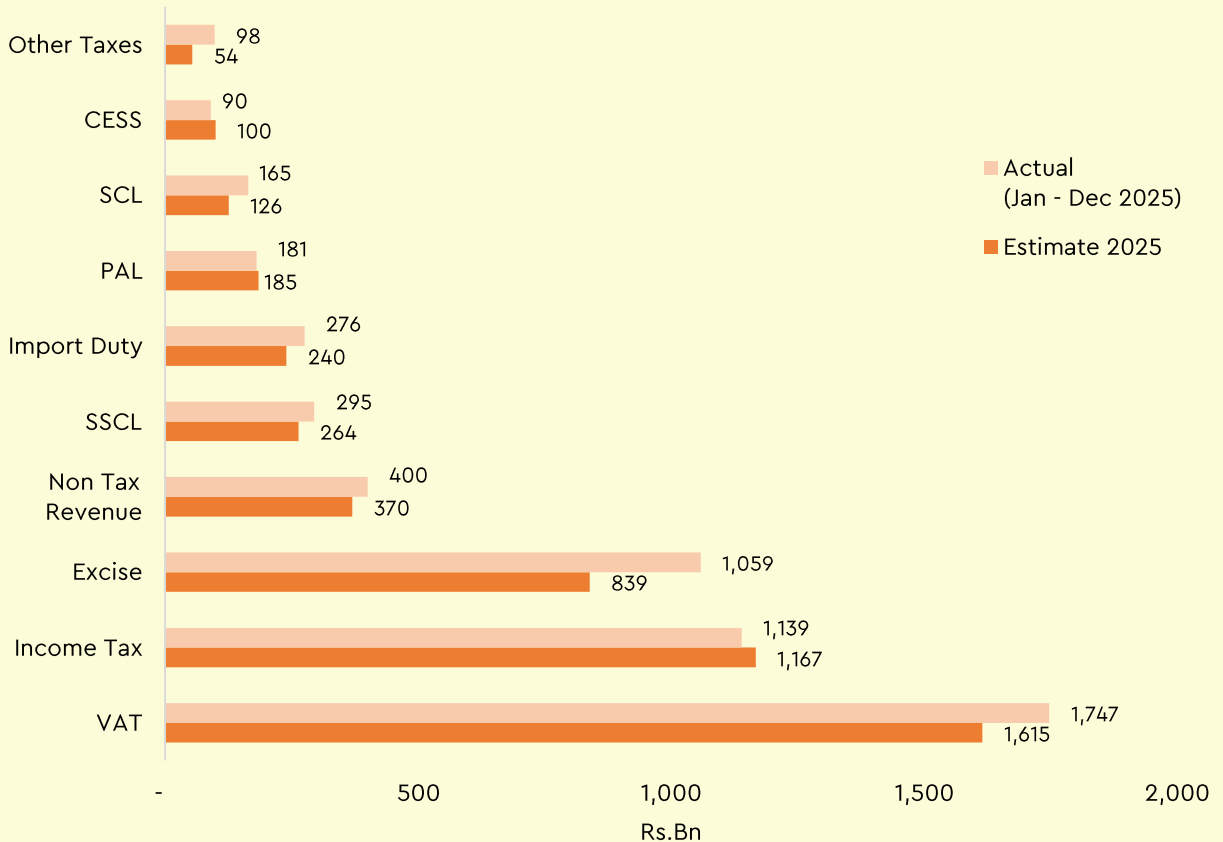


Composition of Taxes on goods & services
Jan - Dec 2025



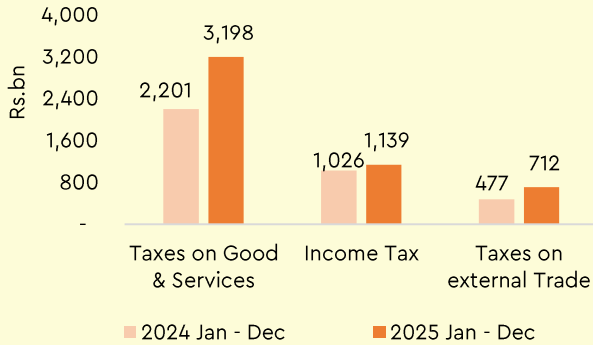
- Income Tax
- Taxes on Good & Services
- Taxes On external Trade
- Non - Tax revenue
- Grants
- VAT
- Excise Taxation
- SSCL
- Other

Annual Estimate Vs Revenue by Major Revenue Sources Jan - Dec 2025 (Rs. Bn)

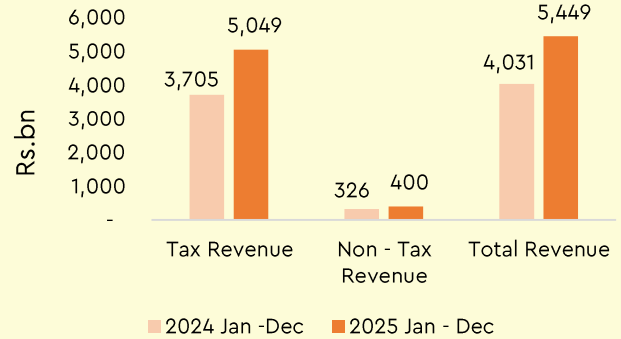


Revenue Performance

Tax Revenue Jan - Dec 2024/2025
(Rs. Bn)

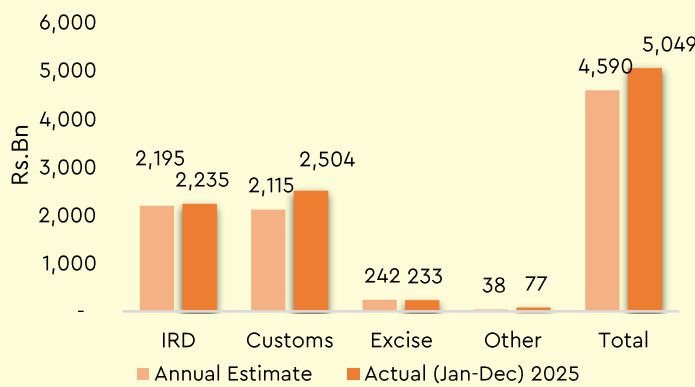


Government Revenue Jan - Dec
2024/2025 (Rs. Bn)



The total revenue increased by 35.2 percent to Rs. 5,449.4 billion in 2025 from Rs. 4,030.8 billion in 2024. The revenue from income tax increased by 11.0 percent to Rs. 1,139.4 billion in 2025 from Rs. 1,026.2 billion compared to the 2024. Revenue from VAT increased by 33.4 percent to Rs. 1,746.9 billion in 2025 from Rs. 1,309.7 billion in the same period of 2024.

Tax Revenue (Annual estimate vs achievement in 2025) from different revenue collecting agencies in 2025 (Rs.Bn)



The graph illustrates the revenue performance of three key revenue-collecting agencies in 2025. The Customs achieved 118.4 percent of its annual estimate, contributing to around half of the total tax revenue collected in 2025, mainly due to increased revenue collection from motor vehicles.

Revenue Performance

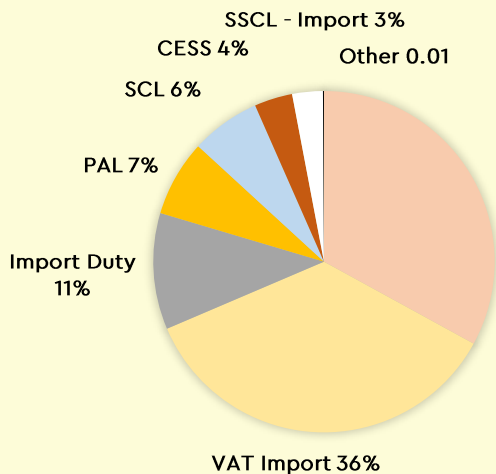
Tax Revenue from 3 Key Revenue collecting agencies during Jan - Dec 2025

	Annual Estimate (Rs. Bn)	Actual Jan – Dec 2025 (Rs. Bn)	Achievement (%)
IRD	2,195	2,235	101
Customs	2,115	2,504	118
Excise	242	233	96
Other	38	77	205
Total	4,590	5,049	110

In 2025, the key revenue-collecting agencies surpassed their annual estimates. The Sri Lanka Customs became the largest contributor, representing 49.6 percent of the tax revenue collected, and this surpassed the revenue collected from IRD. The second largest contributor is the IRD, representing 44.3 percent of the tax revenue collected. The third largest contributor is the Excise Department.

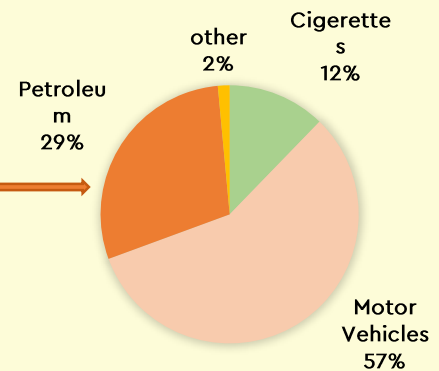
Sri Lanka Customs

Revenue collection from Sri Lanka Custom by major taxes
Jan - Dec 2025



Excise Duty
33%

Composition of excise duty collected by
Customs Jan - Dec 2025

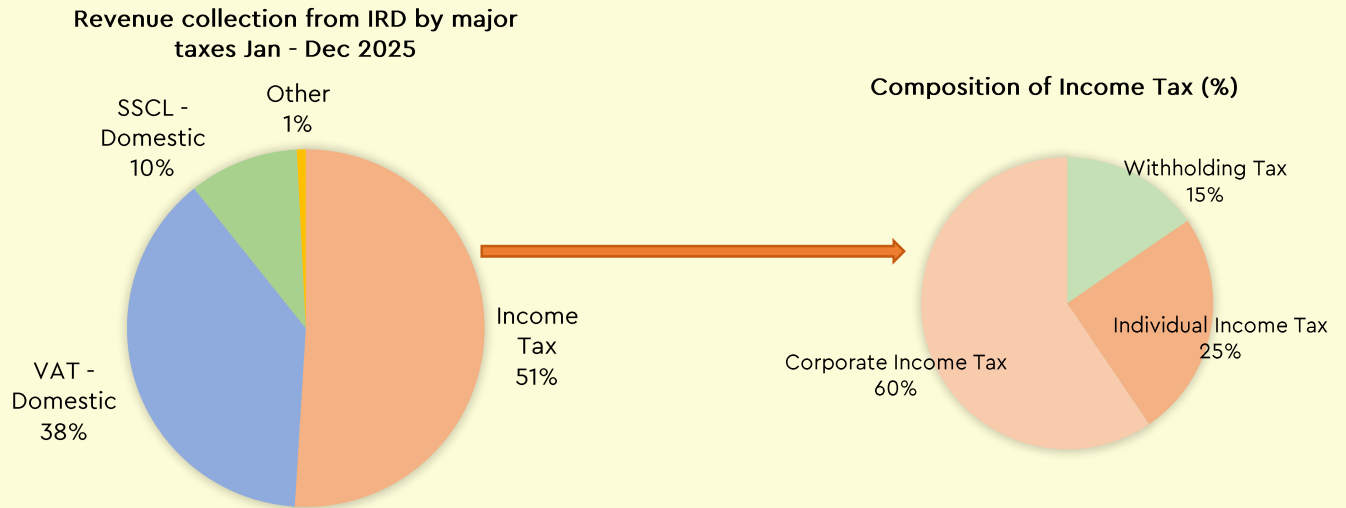


Revenue from VAT on imports is the largest revenue component among the Custom's major tax components. The revenue from VAT on imports increased by 49.2 percent to Rs. 891.4 billion in 2025 from Rs. 597.5 billion in 2024. Revenue from excise duty increased by 115.0 percent to Rs. 825.6 billion in 2025 compared to 2024.

Revenue from excise duty on motor vehicles significantly increased by Rs. 413.2 billion to Rs. 471.8 billion in 2025 from Rs. 58.6 billion in 2024.

Revenue Performance

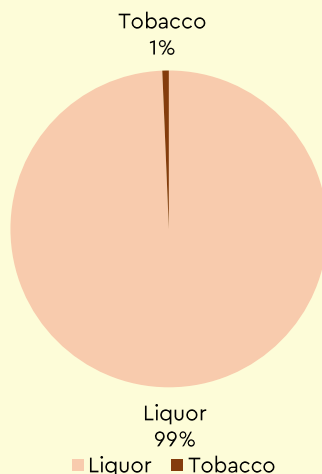
Inland Revenue Department of Sri Lanka



This graph demonstrates revenue collection from IRD by major tax components. Revenue collection from Income Tax increased by 11.0 percent to Rs. 1,139.4 billion in 2025, compared to the 2024. Revenue from VAT on domestic activities and SSCL on domestic activities increased by 20.1 percent and 19.0 percent, respectively, in 2025 compared to the 2024.

Excise Department of Sri Lanka

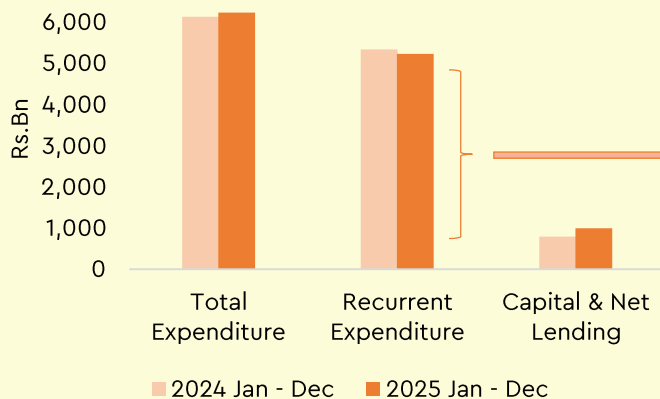
Revenue collection from Department of Excise by major revenue component Jan - Dec 2025



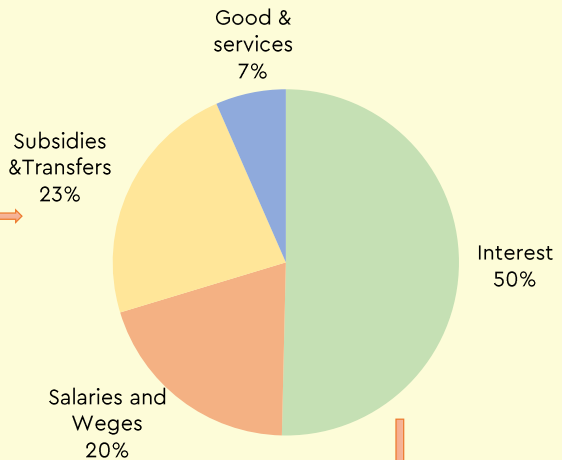
The revenue from excise duty on liquor increased by 8.5 percent to Rs. 231.5 billion in 2025 from Rs. 213.4 billion in 2024.

Execution of Government Expenditure

Expenditure Jan - Dec 2024/2025 (Rs.Bn)



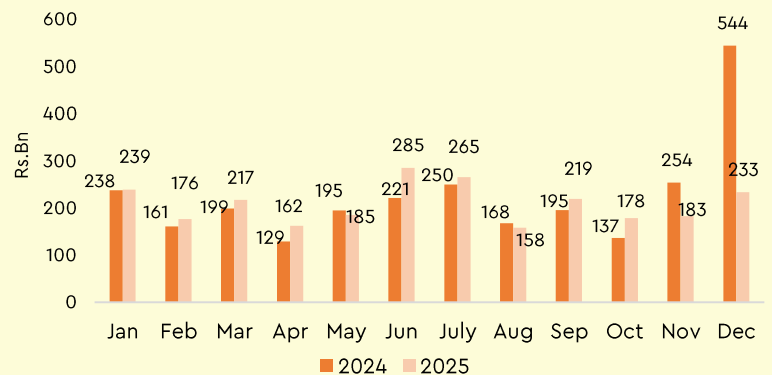
Recurrent Expenditure Jan - Dec 2025 (%)



The total expenditure increased by 1.6 percent to Rs. 6,230.4 billion in 2025 from Rs. 6,130.7 billion in 2024. Recurrent expenditure decreased by 2.0 percent to Rs. 5,232.4 billion in 2025 from Rs. 5,339.9 billion in 2024. The capital and net lending increased by 26.2 percent to Rs. 998.0 billion in 2025 from Rs. 790.8 billion in 2024.

Total Interest payments decreased by 7.0 percent to Rs. 2,500.7 billion in 2025 to Rs. 2,689.5 billion in 2024.

Interest Payments Jan - Dec 2024/2025 (Rs.Bn)



Budget Outturn : Jan - Dec 2025

	Annual Estimate 2025 (Rs. Bn)	Jan - Dec 2024 (Rs. Bn)	Jan - Dec 2025 (Rs. bn) (provisional)
Total Revenue & Grants	4,990	4,091	5,486
Tax Revenue	4,590	3,705	5,049
Non-Tax Revenue	370	326	400
Grants	30	60	36
Total Expenditure	7,190	6,131	6,230
Recurrent Expenditure	5,886	5,340	5,232
Capital and Net Lending	1,304	791	998
Primary Balance (+)/ (-)	750	650	1,756
Budget Balance (+)/ (-)	-2,200	-2,040	-745