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CAPITAL GAINS TAX

A SIMPLE GUIDE

for Property Owners & Investors

Understanding Capital Gains Tax under the Inland Revenue Act, No. 24 of 2017 (as amended)

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Professional Tax Advisory

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WHAT IS CAPITAL GAINS TAX?

Capital Gains Tax (CGT) is a tax on the profit you make when you sell or transfer certain investment assets. It is charged only on the gain, not on the full selling price.

WHEN DOES CGT APPLY?

- Land
- Buildings
- Private Company Shares
- Partnership Interests
- Other Investment Assets

HOW IS CGT CALCULATED?

Selling Price – Cost of the Asset – Allowable Expenses = Capital Gain

EXAMPLE

Purchase Price	Sale Price	Expenses	Taxable Gain
Rs. 12,000,000	Rs. 18,000,000	Rs. 300,000	Rs. 5,700,000

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COMMON EXEMPTIONS

PRINCIPAL RESIDENCE

Gain on the disposal of your principal residence may be exempt subject to statutory conditions.

LISTED SHARES

Gains from the sale of shares listed on the Colombo Stock Exchange are exempt.

Exemptions are subject to the Inland Revenue Act.
Please consult a tax professional for advice.

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CURRENT CGT RATES

TAXPAYER	CGT RATE
Individuals	15%
Partnerships	15%
Trusts	30%
Unit Trusts / Mutual Funds	30%
Non-Governmental Organisations	30%

Rates are effective from 3 June 2026 as per the Inland Revenue (Amendment) Act, No. 11 of 2026.

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DOCUMENTS YOU SHOULD KEEP

- Purchase & Sale Agreements
- Title Deeds
- Valuation Reports
- Legal & Professional Fees
- Improvement / Renovation Costs
- Receipts & Invoices
- Brokerage Statements

Good records help you substantiate your cost and claim allowable expenses if requested by the Inland Revenue Department.

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BEFORE YOU SELL, ASK YOURSELF

- Is this an investment asset?
- Does an exemption apply?
- Do I need a valuation?
- Have I calculated my gain correctly?
- Have I kept supporting documents?
- What are my filing obligations and deadlines?

Get professional advice before you sell or transfer.
It can help you plan better and avoid unexpected tax liabilities.

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OUR SERVICES

- Capital Gains Tax Computation
- Property Transaction Tax Advisory
- Tax Planning & Structuring
- Tax Return Preparation
- IRD Representation & Support

GET IN TOUCH

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