

IMPORTANT TAX UPDATE

The Inland Revenue (Amendment) Act, No. 11 of 2026, **effective 3 June 2026**, introduces criminal prosecution provisions for certain income tax compliance failures.

The IRD states that these measures are intended to encourage voluntary compliance and deter deliberate tax evasion.



COMPLIANCE FAILURES THAT MAY LEAD TO PROSECUTION



1. FAILURE TO REGISTER
with the IRD



2. FAILURE TO FILE INCOME TAX RETURNS

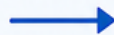


3. FAILURE TO SUBMIT ANNUAL STATEMENTS
(Including WHT and APIT Returns)

DUE PROCESS – 30 DAY COMPLIANCE WINDOW



WRITTEN NOTICE
IRD will issue a written notice to the taxpayer.



30-DAY COMPLIANCE PERIOD
Taxpayer will be granted a strict period of 30 days from the date of the notice to rectify the non-compliance.



LEGAL CONSEQUENCE
If the taxpayer fails to comply within 30 days, legal proceedings may be initiated.

POTENTIAL PENALTIES



A fine not exceeding
Rs. 400,000



Imprisonment for a term
not exceeding **6 months**



Or both

ENFORCEMENT STRATEGY & EXEMPTIONS



PRIMARY TARGET GROUP

The IRD will focus on individuals and businesses that intentionally fail to register, fail to submit tax returns, or conceal income despite being liable for significant taxes.



NO ACTION FOR NON-LIABLE INDIVIDUALS

Individuals who have no tax liability and require only a Taxpayer Identification Number (TIN) will not be subject to these legal proceedings at this time.



NO TAX LIABILITY? CLOSE YOUR FILE

If the IRD has opened an income tax file in your name but you have no actual tax liability, you may request your regional IRD office or branch to close the file by providing the required information.



KEY REMINDER



Respond promptly
to IRD notices.



File your returns
and statements
on time.



Seek assistance
from IRD Taxpayer
Service Units.



Stay compliant
to avoid penalties
and legal action.





INLAND REVENUE DEPARTMENT

Notice to the Public

Implementation of Prosecution Provisions under the Inland Revenue (Amendment) Act, No. 11 of 2026

The Inland Revenue (Amendment) Act, No. 11 of 2026, which amends the Inland Revenue Act, No. 24 of 2017, came into force on 3rd June 2026. The key amendments are explained in the Web Notice issued on 8th June 2026 (SEC/PN/IT/2026/02). The said Amendment Act introduces prosecution actions for certain compliance failures, and this notice explains how these provisions are administered by the Inland Revenue Department (IRD).

Our Commitment to Taxpayers

The IRD remains fully committed to providing a courteous, transparent, and taxpayer-friendly service at all times.

- **Seek Assistance:** Our Taxpayer Service Units are fully equipped and ready to assist you in navigating your files and fulfilling your tax obligations.
- **Act Promptly on Notices:** We kindly request all taxpayers to pay immediate attention to any official written correspondence received from the IRD. Most issues can be easily resolved through early dialogue and our taxpayer-friendly services.

Implementation of Prosecution Provisions

In line with our mission to collect statutory taxes equitably by encouraging voluntary compliance and deterring tax evasion, the Inland Revenue (Amendment) Act, No. 11 of 2026 introduces strict penal provisions for specified compliance failures. Accordingly, it empowers the Commissioner General of Inland Revenue to initiate criminal prosecution against individuals and entities who deliberately fail to meet their specified income tax obligations.

Specified Offences Subject to Prosecution

A taxpayer who fails to comply with statutory requirements may be subject to prosecution proceedings, including in the following circumstances:

- Failure to register with the Commissioner General of Inland Revenue.
- Failure to file income tax returns.

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- Failure to file annual statements (including Withholding Tax and Advance Personal Income Tax [APIT] returns).

Due Process: The 30-Day Compliance Window

The IRD emphasizes that prosecution is a measure of last resort. To ensure fairness, a mandatory legal process must be followed before any court proceedings begin:

1. **Issuance of Written Notice:** Non-compliant taxpayers will first receive a formal written notice detailing the IRD's intention to prosecute.
2. **30-Day Grace Period:** The taxpayer will be granted a strict period of 30 days from the date of the notice to rectify the non-compliance and fulfill the outstanding requirements.
3. **Legal Consequence upon Failure:** If the taxpayer fails to comply within this 30-day window, it will constitute an offence. Upon conviction following a summary trial before a Magistrate, the offender faces:
 - A fine not exceeding Rs. 400,000,
 - Imprisonment for a term not exceeding six months,
 - Or both.

Enforcement Strategy and Exemptions

The implementation of these provisions is strictly tied to taxpayer compliance behavior. The law is designed to target deliberate tax evaders, not cooperative citizens.

Primary Target Group: It is the policy of the Inland Revenue Department to initiate these type of legal proceedings against individuals and businesses that intentionally fail to register, fail to submit tax returns, or conceal income despite being liable for significant taxes.

Individuals who have no tax liability and require only a Taxpayer Identification Number (TIN) will not be subject to these legal proceedings by the Inland Revenue Department at this time.

No Tax Liability? How to Close Your File: If the IRD has opened an income tax file in your name but you have no actual tax liability, you may request your regional IRD office or branch to close the file with required information. Formal instructions have already been issued to tax officials to facilitate these closure requests smoothly.

Accordingly, all taxpayers with income tax liabilities are strongly advised to ensure timely compliance with the law to avoid enforcement actions.

Commissioner General of Inland Revenue



TAXES - FOR A BETTER FUTURE