

PRESS RELEASE**Proposed Inland Revenue Amendments Introduce Enhanced Tax Clarity for Unit Trusts**

Colombo – 27 February 2026

The Unit Trust Association of Sri Lanka wishes to inform the public and market participants of key tax-related provisions concerning Unit Trusts included in the proposed Bill to amend the Inland Revenue Act.

Strengthening Transparency Through Income Certification

Under the existing Inland Revenue framework, Unit Trusts are treated as pass-through vehicles for income tax purposes, with income taxed in the hands of unit holders. To enhance transparency and enable investors to meet their tax obligations accurately, the proposed Amendment Bill introduces a requirement for Unit Trusts to issue detailed income certifications to investors.

These certifications will outline income earned, exempt amounts, withholding taxes deducted, and other information as may be specified by the Commissioner General of Inland Revenue. The certificate must be issued within five months from the end of the relevant year of assessment.

According to Shehani Paranavitane, Partner – Tax at EY Sri Lanka, where such certification is not provided, the Bill proposes that the Unit Trust be treated as a company for income tax purposes. This measure is intended to encourage consistent disclosure and strengthen tax administration.

The proposed requirement is expected to apply with effect from 1 April 2025.

Updated Capital Gains Tax Framework

The Amendment Bill also proposes revisions to the capital gains tax applicable to investment assets held by various categories of investors, including Unit Trusts.

According to Shehani Paranavitane, investments in quoted equities held by Unit Trusts are not expected to be impacted, as the broader exemption applicable to listed equities remain unchanged.

The Unit Trust Association further is of the opinion that the treatment of Capital Gains Tax relating to other asset classes within a fund will remain the same despite the changes stated in the Amendment bill so long as Unit Trusts maintain their pass through status. The Association will continue to engage with relevant stakeholders to obtain clear guidance ahead of implementation to ensure no adverse impact to unit holders within the funds.

Supporting Market Development

The proposed measures aim to align tax treatment with broader fiscal policy objectives while promoting clarity, consistency, and good governance within the Unit Trust industry. Unit Trusts continue to play an important role in broadening access to capital markets and supporting long-term investment in Sri Lanka. The Unit Trust Association of Sri Lanka will continue to work closely with regulators, policymakers, and industry participants to facilitate the smooth implementation of the proposed changes and to keep investors appropriately informed.



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