



# Tax Flash News

## Special Exemptions and Deferments for Disaster Recovery Project

KPMG in Sri Lanka

December 2025

## Tax Flash News

Please find attached the official communication from the Ministry of Finance regarding the declaration of the “*Disaster Recovery Project to facilitate people affected by Cyclone-Ditwa*” as a Specified Project.

The document outlines the approved tax exemptions and deferments applicable to the project, along with relevant conditions.



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MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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Date }

Secretary  
Ministry of Defence

Director General  
Disaster Management Centre

Director General  
Sri Lanka Customs

**Declaration of the "Disaster Recovery Project to facilitate people affected by Cyclone-Ditwa" as a Specified Project by the Minister in-Charge of the Ministry of Finance**

I wish to inform you that the Hon. Minister of Finance declared the "Disaster Recovery Project to facilitate people affected by Cyclone-Ditwa" of the Ministry of Defence as a "Specified Project" on December 03, 2025 and granted approval for following tax exemptions/ deferments, subject to the conditions referred in Paragraph 2.0.

- (a) Value Added Tax (VAT) under Value Added Tax Act, No.14 of 2002 (VAT Act)
  - I. Exemption of importation of goods from VAT in terms of item c (v) (A) of the Part III of First Schedule of the VAT Act.
  - II. Deferment of the payment of VAT in terms of Paragraph (b) of the second proviso to Section 2(3) of the VAT Act, on temporary importation of goods.
- (b) Custom Import Duty (CID) under Custom Ordinance  
Exemption/Deferment of importation of goods from CID, in terms of Section 19(A) and 22(A) respectively, of the Customs Ordinance.
- (c) Ports and Airports Development Levy (PAL) under Ports and Airports Development Levy Act, No. 18 of 2011 (PAL Act)
  - I. Exemption of importation of goods from PAL in terms of Section 4(1)(iv) of the Part 1 of the PAL Act.
  - II. Deferment of the payment of PAL under Section 4(2) of the Part I of the PAL Act, on the importation of any article.
- (d) CESS under Sri Lanka Export Development Act No. 40 of 1979 (SLED Act)  
Exemption/Deferment of importation of goods from CESS under item No. (iv) of Annexure A of the Gazette Notification No. 2325/06 dated 28.03.2023 and subsequent corresponding Gazette Notifications thereto, issued under Section 14 of the SLED Act.

(e) Social Security Contribution Levy (SSCL) under Social Security Contribution Levy Act, No. 25 of 2022 (SSCL Act)


- I. Exemption of Articles and Services from SSCL, in terms of item 14 of Part IA of the First Schedule of the SSCL Act, and
- II. Deferment of the payments of SSCL in terms of item 17 of part IA of the First Schedule of the SSCL Act on temporary importation of plant, machinery or equipment.

2.0 The tax exemptions/ deferments referred above are subjected to the following conditions;

- i. Importations for the project should be consigned to or O/A of the Secretary to the Ministry of Defence or the Director General of the Disaster Management Centre (DMC). Further, the DMC shall issue a letter of recommendation addressed to the Director General of Customs to obtain VAT, CID, PAL, CESS and SSCL exemptions on the importation of goods for the use of this project.
- ii. VAT, CID, PAL, CESS and SSCL on temporary importation of machinery and equipment on re-export basis for the project will be deferred by the Director General of Customs upon the recommendation of the Defence Ministry or the DMC either on a Corporate Guarantee which covers the amount of tax due provided by the Defence Ministry or the DMC, or on a Bank Guarantee (In favor of Director General of Sri Lanka Customs) in a case where the tax amount deferred is less than Rs.10,000 (ten thousand Rupees), a Treasury Bill as a guarantee in a case where the tax amount deferred is not less than Rs.10,000 (ten thousand Rupees).

3.0 Tax exemptions/ deferments for the project shall be valid until May 03, 2026 unless further extended. Requests for exemptions/deferments will not be accepted after the expiry of the specified period of tax exemptions.

4.0 The Ministry of Defence and the Director General of the DMC should ensure that the goods imported for the project under tax exemptions are used exclusively for the project and that no undue financial benefit accrues to any party due to the tax exemptions granted for the project activities.



Dr. Harshana Suriyapperuma  
Secretary to the Treasury

Cc: Commissioner General, Office of the Commissioner General of Essential Services  
Director General, Department of Trade and Investment Policy  
Commissioner General, Department of Inland Revenue  
Chairman, Sri Lanka Ports Authority  
Project Director, Disaster Recovery Project to facilitate people affected by Cyclone-Ditwa