



# Tax Flash News!

## A Bill to Amend the Strategic Development Projects Act

KPMG in Sri Lanka

November 2025



## **A Bill to Amend the Strategic Development Projects Act**

Further to the Budget announcement made by His Excellency the President on 07 November 2025, a Bill to amend the Strategic Development Projects Act, No. 14 of 2008, as amended by Act No. 12 of 2011, has been ordered to be published by the Minister of Finance, Planning and Economic Development in the Government Gazette.

The proposed amendments aim to enhance transparency, accountability, and fiscal discipline in the granting of tax holidays, exemptions, and concessions to strategic investments, in line with the policy direction outlined by His Excellency the President in the 2026 Budget Speech.

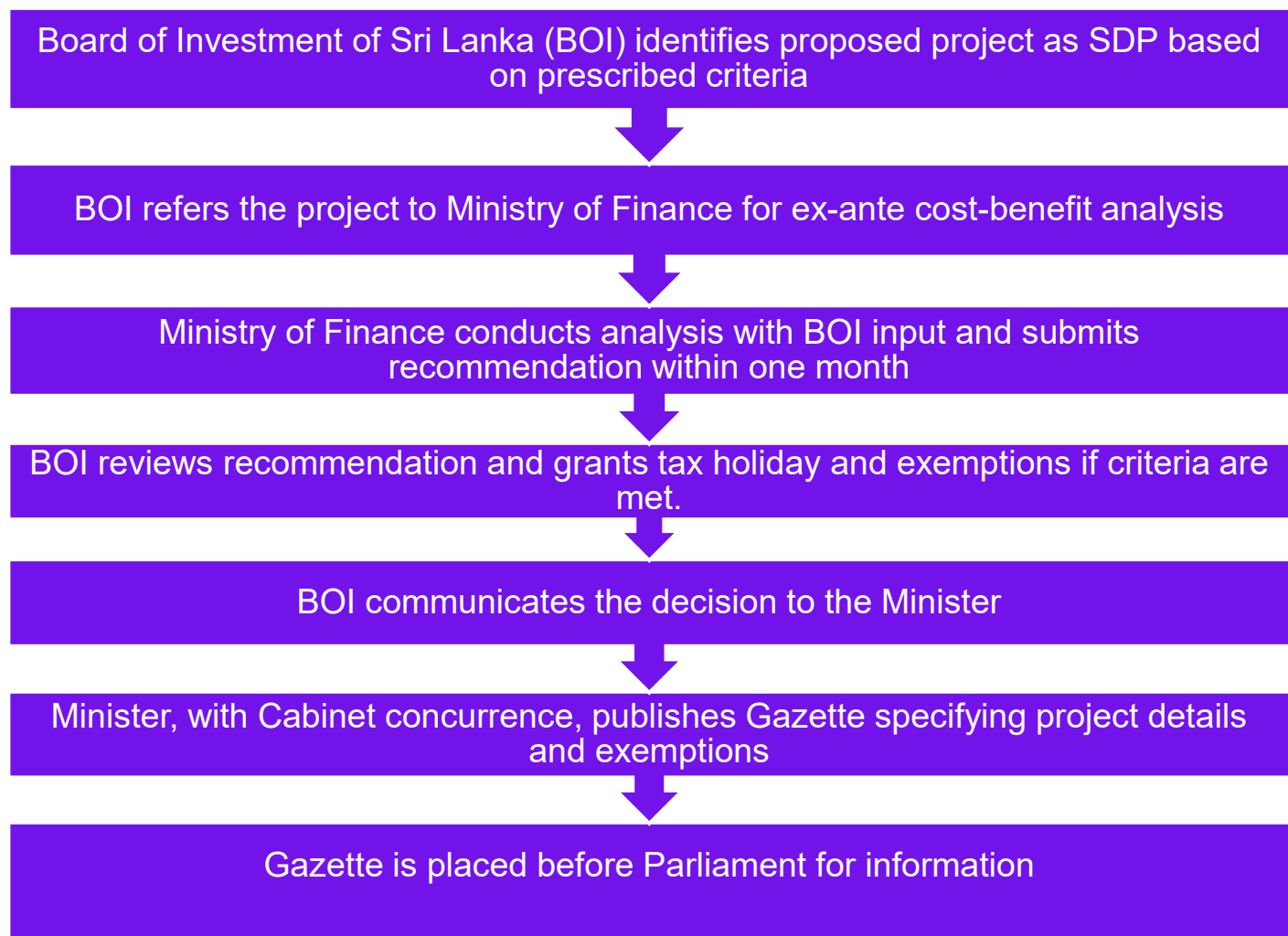


## Key Amendments

### Tax Holiday

- The maximum tax holiday period is reduced from 25 years to 10 years.
- Tax holiday begins on the certified date of commercial operations and no extensions would be allowed under any circumstances

### Revised Identification Procedure for Strategic Development Projects (SDP)



Previously, the line minister, in consultation with the BOI, identified Strategic Development Projects. Under the new amendment, the process is far more structured, i.e BOI must apply prescribed eligibility criteria and refer each proposed project to the Ministry of Finance for a formal ex-ante cost-benefit analysis before any tax holiday or exemption can be granted.

## Mandatory Tax Compliance

SDP Entities must:

- File tax returns under the Inland Revenue Act, No. 24 of 2017.
- Pay income tax on withholding payments.
- Ensure employment income of all employees both residents and non-residents are taxed.

## Issuance of the Expenditure Statement and Review Mechanisms

- The Ministry of Finance must publish an annual report on tax expenditures related to all SDPs. This report must be made available on the Ministry's official website for public access.
- After 05 years from the commencement of this section, the Ministry of Finance, in consultation with the BOI, may review the relevance and efficiency of the exemptions, concessions, or tax holidays granted under the SDP Act.

## Power to make Regulations by the Minister

- The Minister may make regulations for matters authorized or required under the SDP Act.
- All regulations must be published in the Gazette and will come into effect on the date of publication or a later specified date.
- Within 03 months of Gazette publication, the regulation must be presented to Parliament for approval. If not approved, the regulation is rescinded from the date of disapproval, but actions already taken under it remain valid.
- A Gazette notification must be issued to declare the date of disapproval.

## Introduction of Ex-Post Monitoring and Sanctions

- The BOI shall periodically conduct ex-post monitoring of SDPs
- BOI must submit a monitoring report to the Ministry of Finance.
- The Ministry of Finance must publish the report on its official website, disclosing project outcomes and fiscal impacts.
- If an SDP fails to meet approved key performance indicators (KPIs), BOI must issue a notice of non-compliance to the project entity, detailing:
  - a) The nature of the non-compliance.
  - b) A specified timeframe for corrective action.
- If the project fails to correct issues within the given timeframe, BOI (in consultation with the Ministry of Finance) may:
  - a) Restrict, suspend, or revoke any exemptions, concessions, or tax holidays.
  - b) Impose administrative penalties to recover fiscal losses.

## Procedure to be followed Prior to Imposing Sanctions

- Before taking any sanctioning action, BOI must issue a written notice to the SDP Entity, stating the grounds for the proposed action.
- The notice must require the entity to show cause within one month why the proposed sanctions should not be imposed.
- The entity must be given a reasonable opportunity to be heard, either in person or through an authorized representative.
- After considering the entity's representations, BOI may proceed to:
  - a) Restrict, suspend, or revoke any exemptions, concessions, or tax holidays.
  - b) Impose administrative penalties to recover any fiscal loss.
- The decision must be recorded in writing.

## Transitional Provision

Any tax holiday, exemption, concession, or other benefit that was lawfully granted to an SDP before the commencement of this Amendment Act will remain valid for the originally specified duration, provided the project continues to comply with all applicable terms and conditions.

## Commencement Date

The Bill will come into operation on the date the Speaker certifies the Amending Act.





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