



Tax Flash News

Amendments to Bonded Warehouse Facility Regulations

KPMG in Sri Lanka

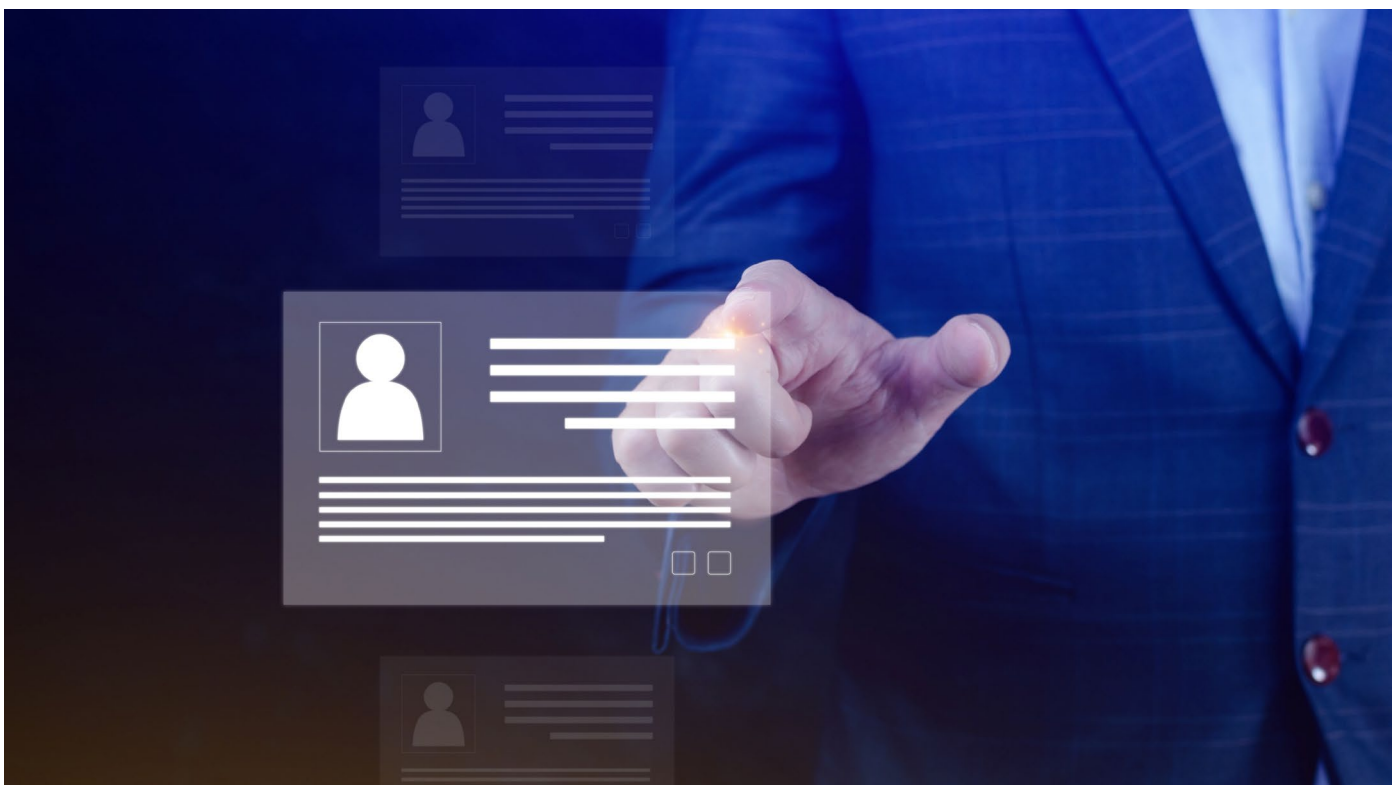
October 2025



Facilitation of importation/ local purchase of approved list of capital goods for the purpose of construction of renewable energy storage facility

A notification has been published dated 14 October 2025 to be effective from 15 October 2025 on the Ministry of Finance website to amend the Regulation concerning the capital goods importation and local purchase under the bonded warehouse scheme, originally issued under Gazette Notification No. 2083/33 dated 10 August 2018.

The key change is the inclusion of Renewable Energy Storage Facilities (minimum 1 MWh capacity) as an eligible sector for the bonded warehouse facility, which provides exemption from selected duties and taxes on approved capital goods.



Summary of the said Regulation is provided below:

1. This Regulation allows a registered enterprise under the Companies Act No 07 of 2007 to import or locally purchase approved capital goods with an exemption from selected duties and taxes during the construction period for certain identified industries.
2. **It applies to the :**
 - A. Construction of a new manufacturing/production facility or renewable energy generation/storage facility or
 - B. For an expansion of an existing manufacturing/production facility for productivity or capacity enhancement.
3. **Capital Goods are defined as**
 - A. Plants, machineries, equipment, spare-parts, and related accessories
 - B. Sector-specific construction materials
excluding cement, sand, timber, and paints
4. The facility is provided only for the following sector industries, subject to minimum investment criteria

Industries	Minimum Investment
Dairy Manufacturing Facility:	LKR 50 Million or more
Pharmaceutical Manufacturing Facility	LKR 50 Million or more
Medical Equipment Manufacturing Facility	LKR 75 Million or more
Solid Waste Management Facility:	
Waste-to-energy facility	LKR 500 Million or more
Waste-to-sanitary landfill facility	LKR 400 Million or more
Waste recycling facility	LKR 100 Million or more
Waste incineration facility	LKR 100 Million or more
Establishment of a renewable energy generation facility	Minimum of One Megawatt (1Mw) power generation capacity.
Establishment of an energy storage system facility	Minimum of One Megawatt hour (1Mw h) to enhance renewable energy integration.

Summary of the said Regulation is provided below:

5. Penalties for misuse or leakage of the bonded warehouse facility by the facility holder or their authorized representative

- A. The bonded warehouse facility will be terminated.
- B. The facility holder becomes liable to pay all applicable duties/taxes on all imported capital goods acquired under the said bonded warehouse facility.
- C. The facility holder will be blacklisted for the purpose of these regulations

Penalties for the Discontinuation of Approved Facility

Condition for Discontinuation	Financial Liability	Penalty
During Construction Period	Liable for payment of all applicable duties/taxes on the imported/locally purchased capital goods under the facility.	A surcharge of 50% of the total payable duties and taxes on such capital goods will be levied.
Within Five Years of Commencement (after construction and establishment)	Liable for payment of all applicable duties/taxes on the imported/locally purchased capital goods under the bonded warehouse facility.	Duties/taxes are calculated subject to an annual depreciation of 20%.