



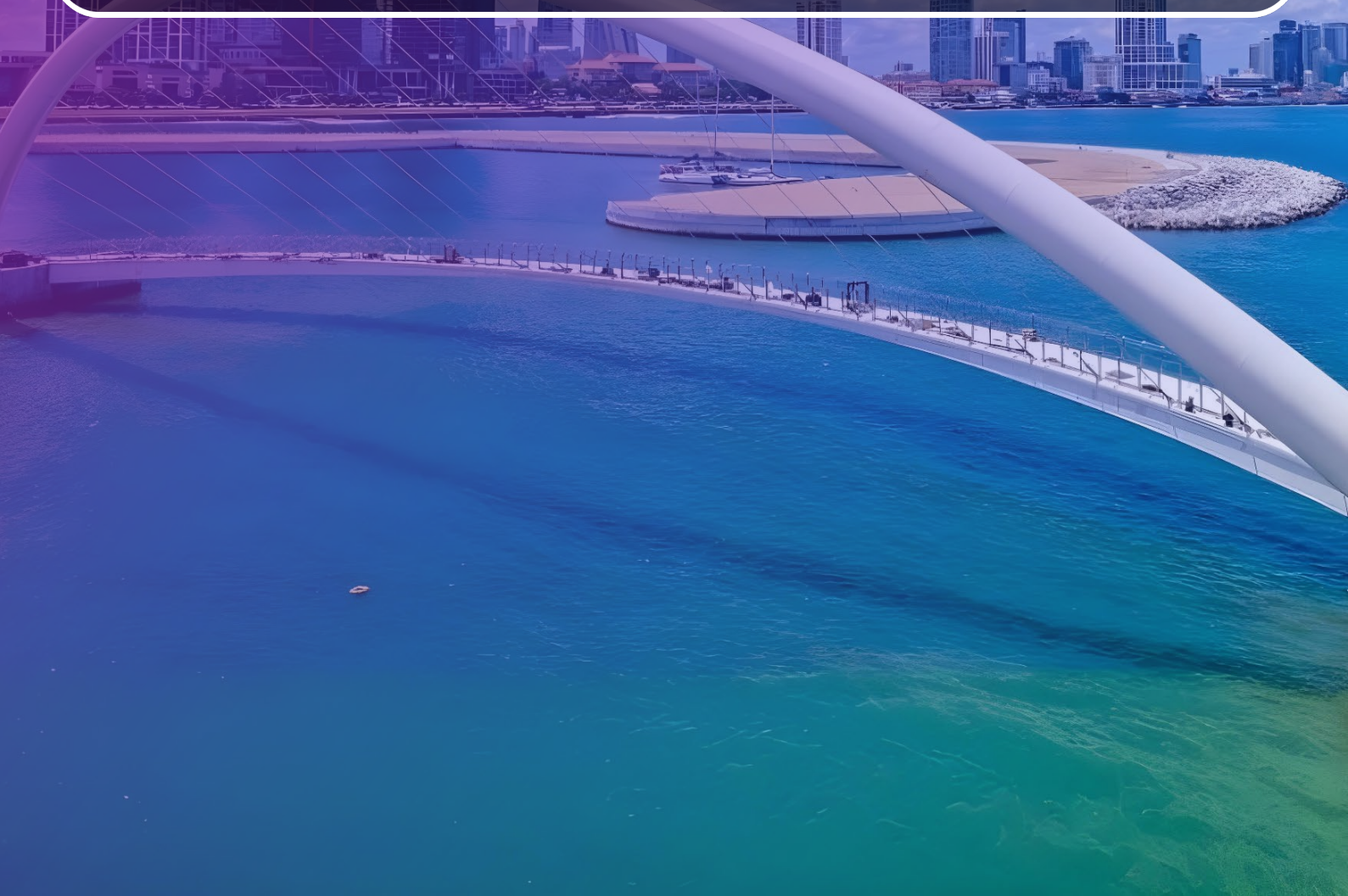
# Tax Flash News!

**Regulation No. 01 of 2025 Applicable to  
Businesses of Strategic Importance under the  
Colombo Port City Economic Commission Act,  
No. 11 of 2021**

---

**KPMG in Sri Lanka**

**September 2025**



## **Regulations Applicable to Businesses of Strategic Importance under the Colombo Port City Economic Commission Act, No. 11 of 2021**

The Regulation No. 01 of 2025, titled “Guidelines on the Grant of Exemptions or Incentives to Businesses of Strategic Importance”, has been issued by the Ministry of Finance, Planning, and Economic Development. This Regulation was published in the Ministry of Finance website (allocated Gazette Notification No. 2454/62 dated 20th September 2025).

The earlier Regulation No. 02 of 2023 (Colombo Port City – Guidelines on the Grant of Exemptions or Incentives to Businesses of Strategic Importance) included a sunset clause. Under this clause, businesses were required to be designated as a Primary or Secondary Business of Strategic Importance within two years from the date of publication of the said Regulation. As a result, Regulation No. 02 of 2023 has now expired, and its provisions are no longer in force, making way for the new Regulation No. 01 of 2025.

**A synopsis of the Regulation follows in the subsequent pages.**





## A synopsis of Regulation No. 1 of 2025 (Guidelines on the Grant of Exemptions or Incentives to Businesses of Strategic Importance)

The Regulation No. 01 of 2025 broadens the investment opportunities to a wider investor category & broader market, and introduces a comprehensive, structured, time-bound framework for identifying and incentivizing Primary and Secondary Businesses of Strategic Importance operating within the Colombo Port City Area of Authority. It offers distinct tax and regulatory exemptions, including:

- Corporate income tax holidays ranging from 8 to 15 years for Primary BSI
- A concessionary tax rate of 7.5% for 4 years for Secondary BSI.
- Exemptions from key enactments such as the Customs Ordinance, Ports and Airports Development Levy, and Foreign Exchange Act, among others.

These incentives are designed to attract high-value investments, promote employment, and support strategic infrastructure development.

In terms of Section 71 (3) of the Port City Commission Act, the Regulation is effective from the date of the publication in the Gazette i.e 20th September 2025. This Regulation will be in operation for a period of 5 years unless repealed or amended.



## A synopsis of Regulation No. 1 of 2025 (Guidelines on the Grant of Exemptions or Incentives to Businesses of Strategic Importance)

1. These Regulations shall be applicable to any business identified as a 'Business of Strategic Importance' (BSI) under the Colombo Port City Commission Act on or after the date on which these Regulation come into effect (i.e 20th September 2025).
2. BSIs are categorized as Primary or Secondary.

### A. Primary Business of Strategic Importance (BSI)

A Primary BSI is an investor who leases and develops a plot of land within the Colombo Port City area. To qualify for tax exemptions and other benefits, investors must meet specific investment thresholds and employment generation criteria.

#### I. Investment Criteria and Corporate Income Tax Holiday

Category	Investment	Employment Generation	Max Project Implementation Period**	Corporate Income Tax Holiday (commences after the expiry of the project implementation period)
A	> USD100 mn	>300 employees	5	10
B	>USD 500 mn	>300 employees	6	12
C	>USD 1000 mn	>300 employees	8	15
D	>USD 25 mn (Marina & Social Infrastructure)	>100 employees	4	8

Provided that after the expiry of the aforesaid tax exemption period, the company shall be liable to pay taxes in terms of the provisions of the relevant laws for the time being in force.

Project Implementation Period begins from the date of Gazette publication designating the business as a Primary BSI and ends upon:

- (i) Issuance of the Certificate of Conformity, or
- (ii) Expiry of the maximum period specified above, whichever is earlier.

## A synopsis of Regulation No. 1 of 2025 (Guidelines on the Grant of Exemptions or Incentives to Businesses of Strategic Importance)

### II. Exemptions during the project implementation period from the following Acts:

- ☐ Customs Ordinance
- ☐ Port and Airport Development Act No. 18 of 2011
- ☐ The Sri Lanka Export Development Act No.40 of 1979

### III. Exemption from applicability of the following Acts from the date of issuance of the Gazette identifying the investment as a Primary BSI.

- ☐ Betting & Gaming Levy Act No. 40 of 1988
- ☐ Entertainment Tax Ordinance
- ☐ Foreign Exchange Act No. 12 of 2017
- ☐ Termination of Employment of workmen (Special Provisions) Act No. 45 of 1971.

### B. Secondary Business of Strategic Importance (BSI)

A Secondary BSI is a business operating in and from the designated Port City area that is not designated as a Primary BSI.

#### I. Corporate Income Tax

- ☐ All gains and profits are taxed at a concessionary rate of 7.5% for four (4) years under the Inland Revenue Act No.24 of 2017 from the commencement of commercial operations.
- ☐ Provided that after the expiry of the aforesaid period of four (04) years, the company shall be liable to pay taxes in terms of the provisions of the relevant laws for the time being in force.

#### II. Exemptions until the commencement of commercial operations from the following Acts:

- ☐ Customs Ordinance
- ☐ Port and Airport Development Act No. 18 of 2011
- ☐ The Sri Lanka Export Development Act No.40 of 1979

#### III. Exemption from applicability of the following Acts from the date of issuance of the Gazette identifying the investment as a Secondary BSI.

- ☐ Entertainment Tax Ordinance
- ☐ Foreign Exchange Act No. 12 of 2017
- ☐ Termination of Employment of workmen (Spl. Provisions) Act No. 45 of 1971.





# How can KPMG help you?

The new Regulation introduces multiple dimensions in relation to incentives and opportunities. Making timely investment decisions will enable investors to fully capitalize on the available benefits.

The KPMG team is equipped to advise and assist you with tailor-made solutions to help your investments qualify for and benefit from these incentives.

To schedule an exclusive consultation, please contact Ms. Nirosha De Silva at 011 5426507 or via email at [niroshadesilva@kpmg.com](mailto:niroshadesilva@kpmg.com).

Follow us on,



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks of KPMG International.