



Tax Flash News

Regulation in relation to Strategic Development Projects

KPMG in Sri Lanka

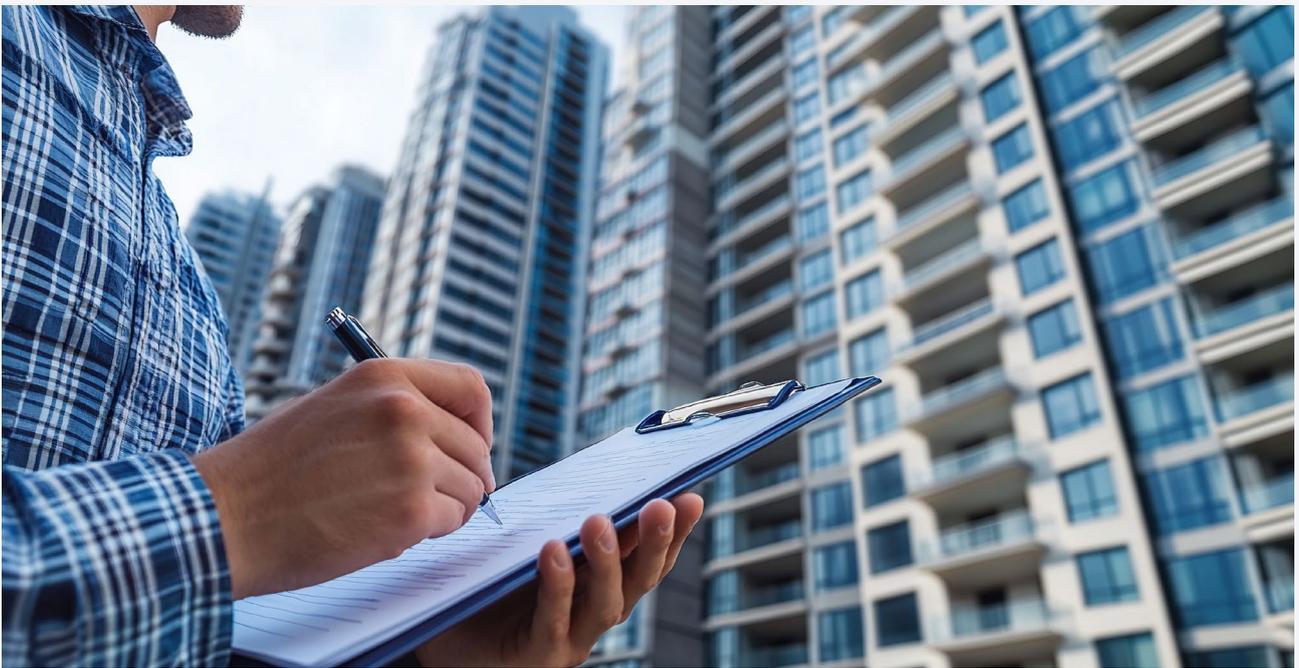
February 2026



Regulation for Identification of Strategic Development Projects and Applicable Tax Concessions

Further to the Strategic Development Projects (Amendment) Act, No. 26 of 2025 (SDP Act) and proposals announced in the 2026 Budget Speech by His Excellency the President, the Ministry of Finance via Gazette Notification No. 2474/66 dated 08 February 2026 (published on the Ministry of Finance website) has stipulated the eligibility criteria and the applicable tax concessions for Strategic Development Projects (SDPs).

This Regulation is made under Section 4F of the SDP Act which empowers the Minister of Finance to set out via Gazette the criteria a project must meet to qualify as a SDP. Once the Regulation is published in the Gazette within a period of three months it should be presented to the Parliament.



Synopsis of the Regulation

Sector specific investment thresholds

The Regulation outlines sector specific investment requirements ranging from USD 50 Mn to USD 300 Mn.

Minimum local job creation

Each investment tier requires mandatory job creation (50, 100 or 250 jobs depending on the sector)

Corporate income tax holidays

Projects will be entitled to 5 – 10 years of tax holidays on all gains and profits depending on the sector and the quantum of investment. Tax holidays commence from the date of commencement of commercial operations as certified by the Board of Investment.

Import related tax exemptions (project implementation period only)

SDPs qualify for exemptions from:

- Customs Import Duty (CID), Value Added Tax (VAT), Ports and Airport Development Levy (PAL) and Cess
- Applicable only for import of capital goods and construction materials. Motor vehicles for travel/ personal use are explicitly excluded.

Post exemption treatment

After the expiry of the tax holiday, the project will be liable to pay taxes as per the relevant tax laws

Synopsis of the Regulation

Sector	Investment Value (USD)	Minimum no of jobs created	No. of years of Corporate Income Tax exemption ²
Category A ¹			
Infrastructure, services & utilities, tourism & leisure excluding casinos, betting and gaming	> 50 Mn and < 150 Mn	100	6
	> 150 Mn and < 300 Mn	100	8
	> 300 Mn	100	10
Category B ¹			
Manufacturing	> 50 Mn and < 100 Mn	250	5
	> 100 Mn and < 150 Mn	250	8
	> 150 Mn	250	10
Category C ¹			
Agriculture, Educational, Technological Establishments, ICT	> 50 Mn and < 100 Mn	50	5
	> 100 Mn and < 150 Mn	50	8
	> 150 Mn	50	10

¹ Exemptions from Customs Import Duty, Value Added Tax, Ports and Airports Development Levy, and Cess will apply during the project implementation period for the importation of capital goods and construction materials. However, the importation of motor vehicles for travel or personal use will not qualify for these exemptions.

² Corporate Income Tax exemptions will begin from the date of commencement of commercial operations of the SDP for all gains and profits of such SDP.

* The Project Implementation period commences from the date specified in the agreement with the Board of Investment (BOI) until the commencement of commercial operations, as certified by the BOI.



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