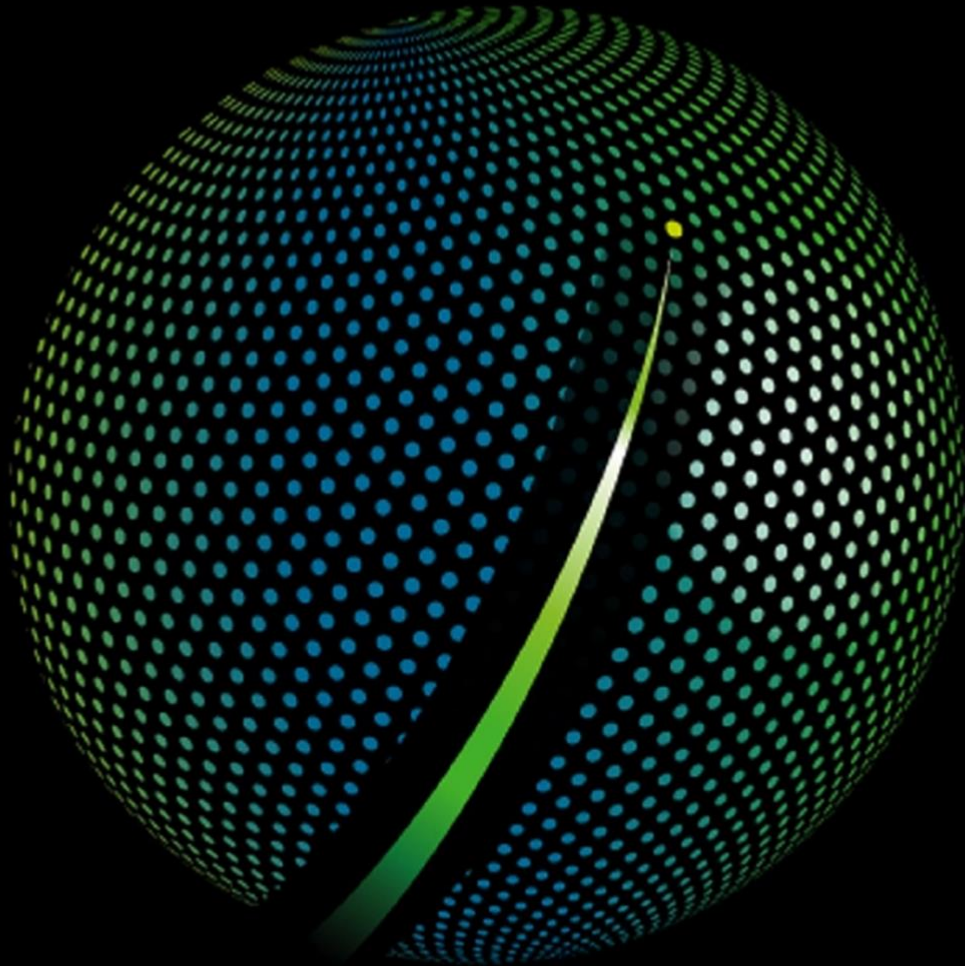


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Tax Alert

**Synopsis of the Strategic
Development Projects
(Amendment) Bill**

(Issued on 07.11.2025)

Enactments from which exemptions may be granted to SDPs

1. The Inland Revenue Act, No. 10 of 2006
2. The Value Added Tax Act, No. 14 of 2002
3. The Finance Act, No. 11 of 2002
4. The Finance Act, No. 5 of 2005
5. The Excise (Special Provision) Act, No. 13 of 1989
6. Customs Ordinance (Chapter 235)
7. The Ports and Airports Development Levy Act, No. 18 of 2011
8. The Sri Lanka Export Development Act, No. 40 of 1979
9. The Betting and Gaming Levy Act, No. 40 of 1988
10. The Economic Service Charge Act, No. 13 of 2006
11. The Debits Tax Act, No. 16 of 2002
12. The Nation Building Tax Act, No. 9 of 2009

Note 1: Enactments 10,11 and 12 are no longer operative

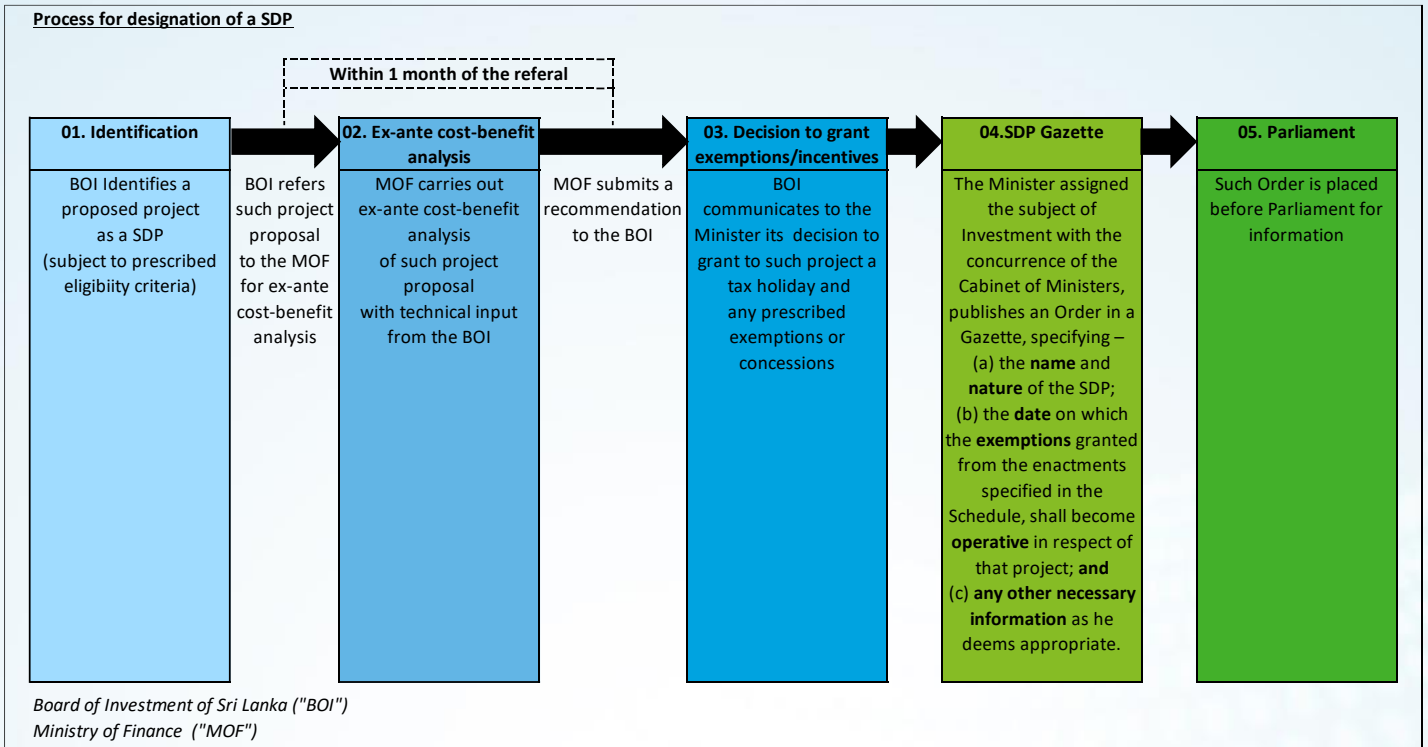
Note 2: Reference to the prevailing Inland Revenue Act, No. 24 of 2017 (“IRA 2017”) appears to be omitted in the above schedule under the SDP Act. However, it should include the IRA 2017.

Enactments 1 to 12	Prevailing Act	Amendment Bill
Maximum exemption period	25 years	10 years

Eligibility criteria to identify any proposed project as a SDP

To be prescribed.

Process for designation of a SDP under the Amendment Bill



“SDP Entity” means an enterprise with which the BOI has entered into an agreement under the Board of Investment of Sri Lanka Law, No. 4 of 1978 and identified as a SDP, under Section 3 of this Act.

The total duration for completion of designation of SDP process is not expressly specified in the Amendment Bill. However, it is expected to be a shorter total timeline than under the prevailing Act.

Ex-post monitoring of SDPs

Ex-post monitoring by	BOI
Frequency	From time to time as it deems appropriate
Report	To be submitted by the BOI to the MOF. MOF to disclose the project outcomes and fiscal impacts of the project to the public by publication of such report on its official website.

Non-compliance with approved key performance indicators by the SDP entity

- BOI shall **issue a notice** of non-compliance to the SDP Entity including -
(a) the nature of the non-compliance; and
(b) a specified period of time for corrective action.
- **If the SDP fails to take corrective action within the period of time specified**, the BOI may in consultation with the Ministry of Finance, and having regard to the nature and gravity of the non-compliance, take one or more of the following actions:-
(a) **restrict, suspend or revoke any or all exemptions, concessions or tax holiday granted** under this Act in respect of the SDP; **or**
(b) **impose administrative penalties** to recover the loss incurred in that connection.
- **Prior to imposing the sanctions under (a) and or (b) -**
The BOI shall issue a notice in writing to the SDP Entity, specifying the grounds for the action and requiring the SDP Entity to show cause, as to why the sanctions shall not be imposed, within a period of one month from the date of receipt of the notice. The SDP Entity shall be afforded a reasonable opportunity to be heard, either in person or through an authorised representative, before a final decision is made.

SDP Entity - Tax compliance obligations

SDP Entity - Tax compliance obligations	Prevailing Act	Amendment Bill
<ul style="list-style-type: none"> Filing of tax returns in terms of the provisions of Inland Revenue Act, No. 24 of 2017 (e.g. Return of income, Annual statement of employer (APIT), Annual statement of WHT and AIT, CGT Return etc.) 	Required	Required
<ul style="list-style-type: none"> Payment of income tax with respect to withholding payments 	Liable unless exempted under the SDP Gazette	Liable
<ul style="list-style-type: none"> Payment of income tax on employment income of resident and non-resident employee of any SDP Entity 	Liable unless exempted under the SDP Gazette	Liable

Commencement of the tax holiday period

	Prevailing Act	Amendment Bill
Date of commencement of the tax holiday period	As specified in the SDP Gazette	Date of commencement of commercial operations of such project, as certified by the BOI.

The tax holiday period granted to a SDP under this Act shall not be extended under any circumstances.

Annual report of tax expenditures for the SDP

The MOF shall, in respect of each financial year, publish on its official website an annual report on tax expenditures relating to all SDPs under this Act.

Review

The MOF may, in consultation with the BOI, **review the continued relevance and efficiency of the exemptions, concessions or tax holiday granted** under this Act, **upon the expiry of five years** from the date of commencement these provisions as specified in the Act.

Regulations

The Minister assigned the subject of Investment may make regulations which shall be published in a Gazette. Every regulation made by such Minister, shall within a period of 3 months after its publication in the Gazette, be brought before Parliament for approval.

Whether the tax holiday, exemptions and concessions or other benefit lawfully granted to a SDP prior to the coming into operation of this Amendment Act continue to be valid?

Yes – It continues to be valid for the duration specified therein subject to compliance with the terms and conditions attached thereto.

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