

TAX EXPENDITURE STATEMENT 2025/2026

Ministry of Finance, Planning and Economic Development, Sri Lanka

November 12, 2026



TAX EXPENDITURE STATEMENT 2025/2026

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Public Financial Management Act, No. 44 of 2024

Ministry of Finance, Planning and Economic Development
Sri Lanka

November 12, 2026

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Tax Expenditure Statement – 2025/2026

This Report presents a statement of tax expenditures including the total cost of existing tax expenditures and the disclosure of new tax expenditures as specified in Section 20(2)(h) of the Public Financial Management Act, No. 44 of 2024.

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Executive Summary

The Tax Expenditure Statement (TES) 2025/2026 presents the estimated revenue forgone through policies that provide preferential treatment relative to the benchmark tax system. Prepared pursuant to Section 20(2)(h) of the Public Financial Management Act, No. 44 of 2024, the Statement reaffirms of the Government's commitment to strengthening fiscal transparency, accountability and evidence-based tax policy.

Tax expenditures are an important component of public resource allocation. Governments may pursue economic, social and developmental objectives not only through direct expenditure, but also through the tax system by providing exemptions, deductions, allowances, preferential rates, tax holidays, credits, rebates and tax deferrals. While such measures may serve legitimate policy objectives, they reduce or defer government revenue and may therefore represent a significant, though less visible, form of public support.

The TES 2025/2026 builds on the framework established in the TES 2024/2025, and further strengthening the identification, classification and measurement of tax expenditures.

The Statement covers Corporate Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT), Social Security Contribution Levy (SSCL), Excise Duty (Special Provisions) (XID), Customs Import Duty (CID) and Luxury Tax on Motor Vehicles (LTMV).

Summary of Tax Expenditure

Rs. Million

Direct Taxes	Tax Expenditure	
	2023/24	2024/25
Corporate Income Tax	119,290	186,069
Personal Income Tax	10,461	36,278

Indirect Taxes	Tax Expenditure			
	2023	2024	2025	2026 First Half
Value Added Tax	-	333,295	419,251	242,954
Social Security Contribution Levy	-	-	216,283	135,270
Excise Duty (Special Provisions)	-	9,967	16,254	9,023
Customs Import Duty	-	138,426	144,473	74,247
Luxury Tax on Motor Vehicles	480	1,800	-	-

Note: The estimates may relate to different tax periods and estimation bases and should therefore be interpreted with due regard to the applicable reporting period and methodology.

The Statement adopts the revenue-forgone approach, under which the estimated fiscal cost is the difference between the tax payable under the existing system and the tax that would have been payable under the applicable benchmark, subject to the assumptions used in the estimation. Accordingly, a tax expenditure estimate should not be interpreted as an estimate of the revenue that would necessarily be realised if the relevant provisions were abolished. Changes in taxpayer behaviour, investment, consumption, compliance and other economic conditions may materially affect the actual revenue outcome.

The Statement also makes an explicit distinction between tax expenditures and structural reliefs. Not every provision that reduces tax relative to a theoretical or simplified tax base constitutes a tax expenditure. Provisions that are integral to the design and operation of a tax, such as ordinary deductions, progressive rate structures, registration thresholds, mechanisms preventing double taxation or cascading, and certain international obligations, are treated as structural features where appropriate.

In addition to identifying the form of each tax expenditure, the 2025/2026 framework identifies its policy rationale, such as investment promotion, employment generation, export development, sectoral or regional development, social protection, affordability of essential goods and services, innovation, environmental objectives and international obligations. This enables the fiscal cost of tax expenditures to be considered alongside their intended policy objectives.

The Statement serves primarily as a transparent and analytical instrument, rather than as an automatic assessment of the desirability of individual tax measures. The fiscal cost of a measure is one important consideration, but a comprehensive assessment should also consider its effectiveness, beneficiaries, distributional impact, economic effects, administrative and compliance costs, behavioural responses and the availability of alternative policy instruments.

Part I
Tax Expenditures and the Benchmark Tax System

Chapter 1 – Introduction

1.1 Overview

Tax expenditure reporting enhances fiscal transparency by making visible the revenue forgone through preferential provisions embedded in the tax system. Such provisions may pursue legitimate economic and social objectives but, unlike direct expenditure, are generally reflected as reductions in tax revenue rather than as expenditure items in the Budget.

The Tax Expenditure Statement (TES) 2025/2026 provides a consolidated assessment of the principal tax expenditures arising under Sri Lanka's major tax instruments. It complements the Budget by providing information on the nature, fiscal cost, policy rationale and beneficiaries of government support delivered through the tax system.

The TES 2025/2026 builds upon the methodology established in the TES 2024/2025 and further develops it by:

- applying a clearly defined benchmark to each major tax;
- distinguishing structural features from policy-induced tax expenditures;
- classifying tax expenditures according to both their form and policy rationale;
- improving consistency in estimation and reporting;
- identifying data limitations and methodological assumptions; and
- strengthening the Tax Expenditure Inventory as a basis for future evaluation.

The Statement covers the following taxes: Corporate Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT), Social Security Contribution Levy (SSCL), Excise Duty (Special Provisions) (XID), Customs Import Duty (CID), and Luxury Tax on Motor Vehicles (LTMV). Where a provision is identified as a potential tax expenditure but cannot be reliably quantified, it is disclosed separately rather than presented with an unsupported estimate.

The objective is therefore not simply to produce an aggregate revenue-forgone figure, but to establish a transparent, consistent and analytically useful framework for understanding the fiscal implications of tax policy choices.

1.2 Purpose and Scope

The Tax Expenditure Statement is prepared pursuant to Section 20(2)(h) of the Public Financial Management Act, No. 44 of 2024.

The principal purposes of the Statement are to:

1. enhance transparency regarding the use of public resources through the tax system;
2. identify and, where practicable, quantify tax expenditures;
3. establish a consistent benchmark against which preferential provisions can be assessed;
4. disclose the legal basis, form and policy rationale of significant tax expenditures;
5. support scrutiny of tax policy within the annual Budget and medium-term fiscal framework; and
6. provide an evidence base for the periodic evaluation, continuation, modification or expiry of tax expenditures.

The scope is determined by materiality, policy relevance, data availability and the feasibility of reliable estimation. Consequently, failure to quantify a particular provision does not necessarily indicate that no tax expenditure exists.

1.3 Definition and Classification of Tax Expenditure

A tax expenditure is a provision of the tax system that provides preferential treatment to a specified taxpayer, activity, transaction, sector, form of income and good or service relative to the treatment applicable under the relevant benchmark tax system, resulting in revenue being forgone or deferred.

The concept is therefore inherently benchmark-dependent. A provision does not constitute a tax expenditure merely because it reduces tax payable. It must represent a departure from the standard treatment established under the applicable benchmark.

Tax expenditures may take different forms.

Table 1.1 : Examples of Common Tax Expenditures by Tax Type

Tax Type	Examples
PIT	Income exemptions; deductions and allowances; qualifying reliefs; preferential treatment of specified income; targeted concessions.
CIT	Tax holidays; preferential rates; investment allowances; enhanced or accelerated capital allowances; enhanced deductions; exemptions; special investment regimes.
VAT	Exemptions; preferential rates; project-specific concessions; targeted treatment of specified goods, services or activities.
SSCL	Exemptions of specified articles, services or activities; project-specific concessions; exclusions from the liable turnover base.
XID	Exemptions; preferential rates; product-specific concessions; concessions for specified uses or activities.
CID	Import duty exemptions; preferential rates; investment-related concessions; project-specific concessions; concessions on specified machinery, equipment or inputs.
LTMV	Exemptions or preferential treatment of specified categories of motor vehicles.

Table 1.2 : Classification of Tax Expenditures

Type of Tax Expenditure	Description
Exemption	Excludes specified income, goods, services, transactions, activities or taxpayers from the tax base.
Preferential Rate	Applies a rate below the benchmark rate to specified taxpayers, income, goods, services or activities.
Tax Holiday	Provides a full or partial exemption for a specified period.
Special Regime	Provides a distinct tax treatment to a specified sector, project, geographical area or taxpayer group.
Investment / Capital Recovery Incentive	Permits investment expenditure to be recovered more rapidly or more generously than under the benchmark.
Enhanced Deduction / Allowance	Permits deductions exceeding the amount ordinarily available under the benchmark.
Tax Credit	Reduces tax otherwise payable by a specified amount.
Rebate / Refund	Returns tax paid or reduces tax liability under specified conditions.
Tax Deferral	Postpones the timing of tax payment or recognition of taxable income.
Valuation Concession	Determines the taxable value using a preferential valuation rule or amount.
Threshold / Exclusion	Excludes specified taxpayers or activities below or within a defined threshold where the treatment departs from the benchmark.
Sectoral / Location-Specific Concession	Provides preferential treatment to specified industries, activities or geographical areas.

Tax Expenditure Rationale

The form of a tax expenditure describes how preferential treatment is provided, while its policy rationale explains why the measure has been introduced.

Table 1.3 : Principal Policy Rationales for Tax Expenditures

Policy Rationale	Principal Objective
Investment Promotion	Reduce the after-tax cost of investment and attract or expand investment.
Economic Growth and Productive Capacity	Promote capital formation, production and expansion of economic activity.
Employment Generation	Encourage activities that create or preserve employment.
Export Promotion	Improve the competitiveness of export-oriented activities.
Sectoral Development	Support sectors considered economically or strategically important.
Regional Development	Encourage investment and economic activity in designated regions.
Social Protection	Reduce the tax burden on individuals or groups requiring targeted support.
Affordability of Essential Goods and Services	Reduce taxation on goods and services considered essential or socially important.
Research, Innovation and Technology	Encourage research, development, innovation and productivity enhancement.
SME Development	Support establishment, formalisation and expansion of small and medium enterprises.
Agricultural and Rural Development	Support agriculture, food security and rural economic activity.
Environmental Objectives	Encourage environmentally sustainable investment and cleaner technologies.
International Competitiveness	Address tax-related disadvantages faced by businesses competing internationally.
Strategic Development Projects	Facilitate projects considered significant to national economic development.
Administrative Simplification	Reduce disproportionate compliance and administrative costs.
International Obligations	Give effect to treaty, trade and other international commitments.
Avoidance of Double Taxation / Cascading	Prevent unintended multiple taxation and preserve the integrity of the tax system.

The same type of tax expenditure may pursue different objectives, while the same policy objective may be delivered through different tax instruments. Accordingly, the 2025/2026 Tax Expenditure Inventory identifies both the tax expenditure mechanism and the underlying policy rationale.

1.4 The Benchmark Tax System

The benchmark tax system provides the reference point against which tax expenditures are identified and measured. It represents the generally applicable tax treatment under the relevant tax legislation, against which specific exemptions, deductions, preferential rates, tax holidays, allowances, credits, deferrals and other concessions are assessed.

The benchmark is necessarily tax-specific, reflecting the different legal and structural characteristics of income taxes, consumption taxes, excise duties and customs duties. Accordingly, the benchmark for each tax is determined with reference to the relevant unit of taxation, residence or territorial basis, taxation period, tax base, rate structure, registration threshold and other fundamental features of the tax system.

Consistent with the methodology adopted in the TES 2024/2025, TES 2025/2026 adopts a reference-law approach. Under this approach, the benchmark is derived primarily from the ordinary statutory structure of the relevant tax rather than from an assessment of what the tax system ought to be from an economic or policy perspective.

The benchmark therefore incorporates those provisions that are considered to constitute fundamental or structural elements of the relevant tax system. These may include the ordinary tax base, generally applicable rates, progressive rate structures, thresholds, ordinary deductions and allowances, input-tax credits and other provisions necessary for the proper operation of the tax.

A tax provision is identified as a tax expenditure where it provides preferential treatment relative to the applicable benchmark. The mere fact that a provision reduces tax payable does not, by itself, establish that it is a tax expenditure. This distinction is particularly relevant where the tax legislation contains different rates, thresholds or treatments for different taxpayers, activities, products or categories of income. Such differences are considered against the benchmark only where they constitute a policy-induced departure from the ordinary structure of the tax.

The benchmark is a methodological reference point, not a normative judgment that the benchmark necessarily represents the optimal tax policy.

The benchmark tax system used for the TES 2025/2026 is set out below.

Table 1.4 : Principal Benchmark Parameters at a Glance

Tax Type	Unit of taxation	Benchmark rate
CIT	Company or other taxable entity	Standard rate of 30 percent
PIT	Individual taxpayer	Progressive structure, 6 to 36 percent
VAT	Taxable supplies and imports of goods & services.	Standard rate of 18 percent
SSCL	Liable turnover	2.5 percent of liable turnover
XID	Specified excisable article	Statutory rate for each product
CID	Import transaction and commodity (HS classification)	General Rate of Duty per HS classification
LTMV	Motor vehicle within statutory scope	Vehicle-category-specific rate and threshold

1.4.1 Corporate Income Tax

Unit of Taxation

The benchmark unit of taxation is the company or other taxable entity subject to Corporate Income Tax.

Residence

The benchmark takes into account the statutory distinction between resident and non-resident entities, including the applicable rules governing the taxation of income arising in or derived from Sri Lanka.

A company is resident in Sri Lanka for a year of assessment if:

a) it is incorporated or formed under the laws of Sri Lanka;

b) it is registered, or the principal office is, in Sri Lanka; or

c) at any time during the year the management and control of the affairs of the company are exercised in Sri Lanka.

Taxation Period

The benchmark taxation period is the Year of Assessment, generally commencing on April 1, and ending on March 31, of the following year, subject to the applicable statutory provisions.

Tax Base

The benchmark tax base is the taxable income of the company, determined in accordance with the ordinary provisions of the Inland Revenue Act, No. 24 of 2017, as amended. Resident companies are taxed on their worldwide income. Exemptions are available for certain types of income. Non-resident companies are taxed on the income earned/accrued in Sri Lanka, subject to the Double Tax Avoidance Agreements where available.

Special Notes :

- Government ministries and departments are not liable for Corporate Income Tax. This is considered as part of the benchmark income tax system.
- Measures that provide relief from double taxation are considered part of the benchmark income tax system.

Tax Rate

The standard Corporate Income Tax rate of 30 percent constitutes the principal benchmark rate, which is applied on the taxable income, arrived after adjustments including standard depreciation rates of accounting profit, in accordance with the Inland Revenue Act No. 24 of 2017, as amended.

The tax system also provides specific statutory rates for particular activities or categories of income. Such rates are identified separately in determining the benchmark and are not automatically treated as tax expenditures merely because they differ from the standard rate.

1.4.2 Personal Income Tax

Unit of Taxation

The benchmark unit of taxation is the individual taxpayer.

Residence

The benchmark distinguishes between resident and non-resident individuals in accordance with the statutory residence and source rules. The applicable treatment of income is therefore determined by the nature and source of the income and the residence status of the taxpayer. An individual shall be a resident in Sri Lanka for a year of assessment if the individual:

a) resides in Sri Lanka;

b) is present in Sri Lanka during the year and that presence falls within a period or periods amounting in aggregate to one hundred and eighty-three days or more in any twelve-month period that commences or ends during the year;

c) is an employee or an official of the Government of Sri Lanka and his spouse is posted abroad during the year; or

d) is an individual who is employed on a Sri Lankan ship, within the meaning of the Merchant Shipping Act, during the period the individual is so employed.

Taxation Period

The benchmark taxation period is the Year of Assessment, generally commencing on April 1, and ending on March 31, of the following year.

Tax Base

The benchmark tax base is the taxable income of the individual. In the case of a resident individual, his income from employment, business, investment or other source for that year, wherever arises; and in the case of a non-resident individual, his income from the employment, business, investment or other source for that year, to the extent that the income arises in or is derived from a source in Sri Lanka.

Tax Rate

For Years of Assessment commencing on or after April 1, 2025, the benchmark progressive rate structure applicable to eligible resident individuals and non-resident citizens comprises:

Table 1.5 : Personal Income Tax: Benchmark Progressive Rate Structure

Band	Taxable income (Rs.)	Rate	Max. Tax on band (Rs.)	Cumulative tax (Rs.)
1	Rs.1.8 million – Rs. 2.8 million	6%	60,000	60,000
2	Rs.2.8 million – Rs. 3.3 million	18%	90,000	150,000
3	Rs.3.3 million – Rs. 3.8 million	24%	120,000	270,000
4	Rs.3.8 million – Rs. 4.3 million	30%	150,000	420,000
5	Over Rs. 4.3 million	36%	—	—

Note: Rates apply to Years of Assessment commencing on or after April 1, 2025, for eligible resident individuals and non-resident citizens. Tax on band and cumulative tax are computed from the statutory rates shown.

The progressive structure is therefore treated as an integral part of the benchmark rather than applying a single benchmark rate.

Structural Relief

The personal relief of Rs. 1.8 million per Year of Assessment, applicable from April 1, 2025 to eligible taxpayers, forms part of the ordinary structure of the PIT system and is therefore incorporated into the benchmark.

Special Notes :

- The possibility for income earned by a trust or through a treasury bond/bill to flow through to a beneficiary without attracting tax at the investment level is considered to be part of the benchmark income tax system.

1.4.3 Value Added Tax

Unit of Taxation

The benchmark unit of taxation is the taxable supplies and imports of goods and services.

Taxation Period

A period of one month or three months commencing respectively on the first day of January, the first day of April, the first day of July and the first day of October of each year.

Tax Base

The benchmark tax base is the value of taxable goods and services, determined in accordance with the statutory valuation provisions and after applying the ordinary input-tax credit mechanism.

Tax Rate

The standard VAT rate of 18 percent constitutes the principal benchmark rate.

Registration Threshold

Value of taxable supplies or imports exceed Rs. 15 million per quarter or Rs. 60 million per annum.

1.4.4 Social Security Contribution Levy

Unit of Taxation

The benchmark unit of taxation is the liable turnover.

Taxation Period

The Levy is determined for the prescribed taxable period. Liable quarter is a quarter of a calender year from Janurary 1 to December 31.

Tax Base

The benchmark tax base is liable turnover, rather than gross turnover in all cases. The legislation prescribes different proportions of turnover to be treated as liable turnover according to the nature of the activity.

Every taxable person who:

a) Imports any article

b) Carries on the business of manufacture of any article

c) Carries on the business of providing a service of any description

d) Carries on the business of wholesale or retail sale of any article including importation and sale of such article.

Tax Rate

The benchmark rate is 2.5 percent of liable turnover.

Registration Threshold

If the aggregate of the total turnover exceeds Rs. 9 million per quarter or Rs. 36 million per twelve months.

1.4.5 Excise Duty (Special Provisions)

Unit of Taxation

On excisable articles specified in the Extraordinary Gazette Notification No. 2418/43 dated January 10, 2025.

Taxation Period / Point of Taxation

The liability arises at the statutory point of taxation, generally upon manufacture or importation of the relevant article.

Tax Base

Total quantity of excisable articles imported or manufactured during the year.

Tax Rate

Excise Duty as defined in the Extraordinary Gazette Notification No. 2418/43 dated January 10, 2025.

1.4.6 Customs Import Duty

Unit of Taxation

The benchmark unit of taxation is the import transaction and the relevant imported commodity, classified according to the applicable Harmonized System (HS) classification.

Taxation Period / Point of Taxation

The liability arises at the point of importation (one-off transaction). For reporting, values are aggregated for the fiscal year.

Tax Base

Cost, Insurance, Freight (CIF) value of imported goods as determined under the Customs Ordinance (Chapter 235) and the WTO Customs Valuation Agreement.

Tax Rate

The statutory customs duty rates specified in the Customs Tariff Schedule applicable to all imports on a non-discriminatory, Most Favoured Nation (MFN) basis, excluding any preferential or concessional rates granted under special schemes or agreements (e.g., BOI concessions, Free Trade Agreements, project-specific exemptions).

The benchmark is therefore not represented by a single economy-wide rate. Although the tariff structure may contain commonly applied rates, the applicable rate varies according to the commodity and tariff classification.

1.4.7 Luxury Tax on Motor Vehicles

Unit of Taxation

The benchmark unit of taxation is the motor vehicle falling within the statutory scope of the LTMV.

Taxation Period / Point of Taxation

At the time of removing the motor vehicle from Sri Lanka customs.

Tax Base

Vehicles imported or assembled locally.

Tax Rate

LTMV rate as defined by Extraordinary Gazette Notification No. 2147/72 dated October 31, 2019 as last amended by the Gazette Notification No. 2421/41 dated January 31, 2025.

Benchmarking Approach

For the purposes of the TES 2025/2026, the benchmark for each tax is therefore established by reference to the ordinary statutory treatment applicable to the relevant taxpayer, income, supply, transaction, commodity or product. This approach preserves the substance and continuity of the 2024/2025 methodology while providing a more explicit description of the legal and structural parameters used to identify tax expenditures.

1.5 Structural Reliefs

Not every provision that reduces tax relative to a theoretical or simplified tax base constitutes a tax expenditure. Certain provisions are structural features of the tax system and are necessary to define the scope, operation and integrity of the relevant tax.

For the purposes of the TES 2025/2026, a provision is treated as structural where it is integral to the ordinary design of the tax, including where it:

- establishes the basic tax base or rate structure;
- defines the taxable unit or registration threshold;
- prevents double taxation or cascading;
- gives effect to international tax or trade obligations;
- ensures administrative feasibility; or
- otherwise preserves the intended operation of the tax.

Table 1.6 : Structural Reliefs in the Tax System of Sri Lanka

Tax Type	Provision
PIT	Personal relief below which income is not taxed
	PIT Progressive rate schedule
PIT/CIT	Exempt amounts given in Schedule III of the Inland Revenue Act, No.24 of 2017
	Preferential treatment agreed under Double Taxation Avoidance Agreement by a country
	Lower flat tax rate on dividend income received by individual shareholders
	Gains from realization of Investment Asset
CIT	Lower tax rate applicable on the taxable income of Employees Trust Funds, Provident or Pension funds and Termination Funds
	Lower tax rate applicable on the taxable income of Charitable Institutions
	Tax depreciation rates applicable to various assets
VAT	Taxable supply and import threshold below which VAT registration is not mandatory
	Exemption of VAT on imports by firms in Special Economic Zones for re-export
	Exemption of services provided by the Government
	Educational Services provided by any person
	Public passengers transport services
	Goods and services to diplomatic missions and personnel to which the provisions of the Diplomatic Privileges Act, No. 9 of 1996 applies: provided that, reciprocal benefits are available to their counter parts from Sri Lanka and identified as such by the Commissioner General
	Goods or services funded directly by foreign organizations for the relief of sudden distress caused by natural or human disasters or to any activity having regard to the interest of the national economy, as approved by the Minister
	Services at a restaurant situated beyond the immigration counter at the Bandaranaike International Air Port
	Services in relation to burials and cremations by any institution or person
SSCL	Turnover below the registration threshold

Tax Type	Provision
VAT/SSCL/CID	These taxes are exempted on any article imported if such article is subject to the Special Commodity Levy charged under the Special Commodity Levy Act, No. 48 of 2007.
CID	Reduced customs tariff as per Free Trade Agreements in conformance with international agreements
	Exemption of CID on goods imported into bonded warehouses for re-export
	Exemption of CID and other fiscal levies on import of materials to be used for the processing of products for export, under the Temporary Import for Export Processing (TIEP) Scheme of the Government and INFAC Scheme
CID/XID	Exemption of customs duty and excise duty on imports by diplomatic and international organizations in conformance with international agreement as stipulated in the Diplomatic Privileges Act, No. 9 of 1996
XID	Exemption of excise on aviation fuel covered by the Chicago convention

1.6 Estimation of Tax Expenditure

There are three main approaches commonly used internationally to estimate tax expenditure:

i. Revenue Foregone Approach (Static Estimation) – Estimates the amount of revenue that the Government would have collected in the absence of the relevant tax concession or benefit, assuming that taxpayer behavior remains unchanged.

ii. Revenue Gain Approach (Dynamic Estimation) – Estimates the additional revenue that could be generated from the withdrawal or modification of a tax expenditure, taking into account potential changes in taxpayer behavior and economic activity resulting from the policy change.

iii. Outlay Equivalent Approach – Estimates the amount of direct government expenditure that would be required to provide taxpayers with a financial benefit equivalent to that provided through the relevant tax expenditure.

The estimates presented in this Statement are calculated using the "Revenue Foregone Approach". Under this approach, tax expenditure is estimated as the amount of tax revenue that the Government would have collected if the relevant tax expenditure provision had not been in effect, assuming that taxpayer behaviour and other relevant economic conditions remain unchanged.

The estimation assumes that there are no dynamic effects arising from changes in taxpayer behavior following the removal or modification of a tax expenditure. It is also assumed that taxpayer compliance behavior remains unchanged and that any interactions or interdependencies among individual tax expenditure measures are negligible.

While the Revenue Foregone Approach may overstate the potential revenue that could actually be realized from the removal of a tax expenditure, as it does not take into account behavioral responses, changes in economic activity, or other dynamic effects, it provides a relatively straightforward, transparent, and consistent basis for estimating and reporting tax expenditures. Accordingly, this approach is widely used for the initial measurement and reporting of tax expenditures.

1.7 Changes to the Tax Expenditure Statement Since the Earlier Publication in November, 2025

This edition of the Tax Expenditure Statement incorporates several methodological and scope enhancements aimed at improving

the accuracy, consistency, comparability, and policy relevance of Sri Lanka's tax expenditure reporting framework. The key changes introduced in this edition are outlined below:

- Initiating Evaluations:

An evaluation process has been introduced to undertake cost-benefit analyses of major tax expenditures, including ex-ante cost-benefit analyses and ex-post evaluations of tax incentives granted to Strategic Development Projects (SDPs) for the Board of Investment (BOI), as well as technical analyses and ex-post evaluations of tax incentives granted under the Colombo Port City Economic Commission.

- Year-on-Year Comparison:

An annual comparison of tax expenditure estimates has been introduced to assess changes in the fiscal cost of tax concessions over time and to identify significant increases or decreases in tax expenditures.

- International Comparison:

An international comparison of tax expenditure estimates and reporting practices has been introduced to benchmark Sri Lanka's tax expenditure framework against selected countries and to identify areas for further improvement in measurement, evaluation, transparency, and reporting.

- Tax Incentive Sunset Provision:

The Strategic Development Projects (Amendment) Act, No. 26 of 2025, and the Colombo Port City Economic Commission (Amendment) Act, No. 1 of 2026, have strengthened the tax incentive framework by providing for specified periods for the granting of tax incentives.

- Policy Rationale-Oriented Tax Expenditure Classification:

Tax expenditure measures are presented with greater emphasis on their underlying policy objectives and intended outcomes, thereby facilitating a clearer assessment of their rationale and relevance to Government policy priorities.

- Enhanced Tax Expenditure Terminology:

Key tax expenditure-related terms have been standardized and clearly defined to enhance the clarity, consistency, and comparability of tax expenditure reporting.

1.8 Limitations and Data Considerations

- Assumption of Unchanged Conditions:

Tax expenditure estimates are prepared on the assumption that all other conditions remain unchanged and do not account for potential changes in taxpayer behaviour, economic conditions, or other factors that may affect tax revenue.

- Project-Specific Incentives:

For major investment projects, including BOI projects, Strategic Development Projects, and Colombo Port City projects, the actual fiscal cost may depend on the implementation of investment commitments and the achievement of employment, production, export and other project outcomes. Ex-ante estimates may therefore differ from subsequent realized tax expenditure.

- Limited Distributional Analysis:

The current TES provides limited analysis of the distributional impact of tax expenditures across income groups, sectors, firm sizes, regions, and taxpayer categories, thereby constraining the assessment of equity, targeting, and effectiveness of such tax expenditure.

- Limited availability of Supply and Use Tables (SUTs) and detailed consumption breakdowns:

The VAT and SSCL estimates are calculated based exclusively on tax returns filed by registered taxpayers. This represents a major limitation, as it fails to capture the true size of the country's actual or potential economic supply. To calculate the exact amount of revenue foregone, we need to compare the revenue reported by these taxpayers against total national supply data. However, the comprehensive Supply and Use Tables (SUTs) and detailed consumption breakdowns required for this comparison are not fully available. Because we cannot measure the gap between total potential economic supply and what is formally reported, these VAT and SSCL expenditure figures should be viewed as a conservative minimum rather than the absolute total of foregone revenue.

Table 1.7: Comparative Analysis of Sri Lanka's Tax Expenditure Reporting and International Best Practices.

Area	Sri Lanka	International Practice
Beneficiary Analysis	Information on the beneficiaries of tax expenditures is limited.	**Indonesia** - Presents tax expenditures according to beneficiary sectors and taxpayer categories.
Distributional Analysis	Distributional impacts are not systematically presented.	**Australia** - Provides distributional analysis of major tax expenditures, including impacts across different income groups.
Policy Objectives	The rationale for tax expenditures is generally identified, but assessment against policy objectives is limited.	**Indonesia** - Links tax expenditure measures with specific policy objectives, including investment, employment and economic development.
Cost-Effectiveness Evaluation	Systematic cost-benefit and effectiveness assessments are limited.	**Canada** - Undertakes evaluations of selected tax measures to assess their effectiveness and policy impacts.
Multi-Year Analysis	The analysis is primarily focused on the current reporting period.	**Canada** - Provides historical estimates and forward projections of tax expenditures.
Forecast Tax Relief Cost versus Actual Cost	Systematic comparison is limited.	**United Kingdom** - Compares forecast tax relief costs with estimated outturn costs and analyses significant variations.
Comparison with Direct Expenditure	Linkages between tax expenditures and direct government expenditure are limited.	**Canada** - Considers related government expenditure programmes when assessing tax measures.

Sources:

- *Tax Expenditure Report 2024 – Indonesia*
- *Tax Expenditure and Insight Statement 2026 – Australia*
- *Report on Federal Tax Expenditures – Concepts, Estimates and Evaluations 2026 – Canada*
- *HM Revenue and Customs (HMRC) (2026), Tax Relief Statistics, January 2026 – United Kingdom*

1.9 Way Forward: Evaluation and Reform

The publication of this Tax Expenditure Statement represents an important first step towards strengthening Sri Lanka's public finance management framework. The Ministry of Finance, in collaboration with the Inland Revenue Department, Sri Lanka Customs and other relevant institutions, remains committed to further enhancing the quality, transparency, and comprehensiveness of tax expenditure reporting.

- Develop Multi-Year Tax Expenditure Analysis: Track major tax expenditures over several years to identify trends in fiscal costs and assess sustainability of such tax expenditures.

- Introduce Distributional Analysis: Assess the benefits from major tax expenditures by income group, sector, firm size, region, and taxpayer category to evaluate equity and targeting of such tax expenditure.

- Improve Transparency of Beneficiary Information: Subject to applicable confidentiality requirements, enhance the disclosure of aggregate information on beneficiaries and the fiscal cost of major tax incentives.

Part II
Tax Expenditure Estimates

Chapter 2 – Overview and Analysis of Tax Expenditures by Tax Type

This chapter presents a consolidated summary and analysis of tax expenditures under Corporate Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT), Social Security Contribution Levy (SSCL), Excise Duty (Special Provisions) (XID), Customs Import Duty (CID) and Luxury Tax on Motor Vehicles (LTMV). It identifies the principal relief measures under each tax type and examines their fiscal significance and composition.

Table 2.1 presents the tax expenditure estimates for 2025 and first half of 2026. CIT and PIT are reported by year of assessment, while the other taxes are reported separately for the full year 2025 and for the first half of 2026.

Building on the previous TES published for 2024/2025, the TES 2025/2026 presents a comparative analysis of tax expenditure estimates for 2025 and the first half of 2026. The analysis highlights changes in the magnitude and composition of tax expenditures across the different tax instruments and provides a basis for monitoring their development over time. These findings support the continued assessment of the effectiveness and fiscal sustainability of tax relief measures and inform future policy decisions relating to revenue mobilization and expenditure rationalization.

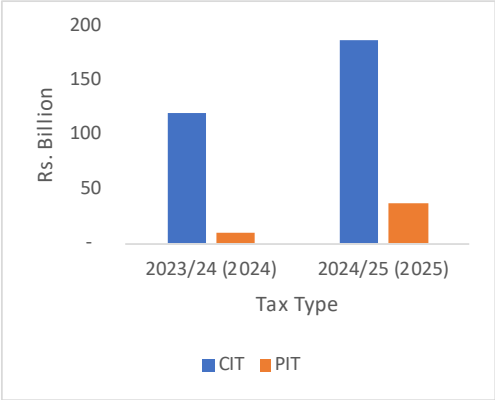
Table 2.1 : Tax Expenditure by Tax Type

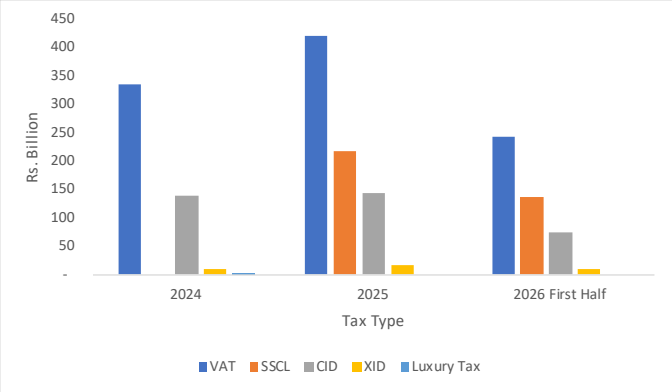
Rs. Million

Direct Taxes	Tax Expenditure			
	2023/24		2024/25	
Corporate Income Tax	119,290		186,069	
Personal Income Tax	10,461		36,278	
Indirect Taxes	**Tax Expenditure**			
	2023	**2024**	**2025**	**2026 First Half**
Value Added Tax	-	333,295	419,251	242,954
Social Security Contribution Levy	-	-	216,283	135,270
Excise Duty (Special Provisions)	-	9,967	16,254	9,023
Customs Import Duty	-	138,426	144,473	74,247
Luxury Tax on Motor Vehicles	480	1,800	-	-

Note: The estimates may relate to different tax periods and estimation bases and should therefore be interpreted with due regard to the applicable reporting period and methodology.

Figure 2.1 : Summary of Tax Expenditure by Reporting Period





Sources: Inland Revenue Department, Sri Lanka Customs

2.1 Corporate Income Tax

The estimated tax expenditure on CIT increased by 56.0 percent to Rs. 186,069 million in the year of assessment 2024/25 from Rs. 119,290 million in the year of assessment 2023/24. This increase was mainly attributable to higher concessions and exemptions granted to non-BOI companies excluding Port City Projects and BOI projects.

Tax expenditure arising from concessionary tax rates applicable for non-BOI companies, excluding Port City projects, amounted to Rs. 106,904 million in 2024/25, while that arising from exemptions granted to such companies amounted to Rs. 14,594 million. Within the BOI category, tax expenditure arising from concessionary tax rates for SDPs amounted to Rs. 84 million, while that arising from exemptions granted to non-SDPs amounted to Rs. 52,967 million.

Tax expenditure associated with Port City projects is expected to increase over the medium term as approved businesses commence operations and become eligible for incentives provided under the relevant legislative framework.

Table 2.2 : Corporate Income Tax Expenditure

Rs. Million

Sector		Expenditure Type	Tax Expenditure	
			2023/24	2024/25[(a)]
BOI	SDPs	Concessionary Rate	-	84
		Exempted	123	–
	Non-SDPs	Concessionary Rate	41,682	11,520
		Exempted	-	52,967
Non-BOI companies excluding Port City Projects		Concessionary Rate	72,740	106,904
		Exempted	4,602	14,594
Port City Projects		Concessionary Rate	–	–
		Exempted	143	–
Total			**119,290**	**186,069**

Sources: Inland Revenue Department, Board of Investment of Sri Lanka
Note: This is prepared based on the taxpayer declaration.
[(a)] Provisional

2.2 Personal Income Tax

The estimated tax expenditure on PIT increased by 246.8 percent to Rs. 36,278 million in the year of assessment 2024/25 from Rs. 10,461 million in the year of assessment 2023/24.

This increase of Rs. 25,817 million was mainly attributable to exempted and excluded income, which was the largest component of the estimated tax expenditure on PIT in 2024/25, amounting to Rs. 32,354 million and accounting for 89.2 percent of the total.

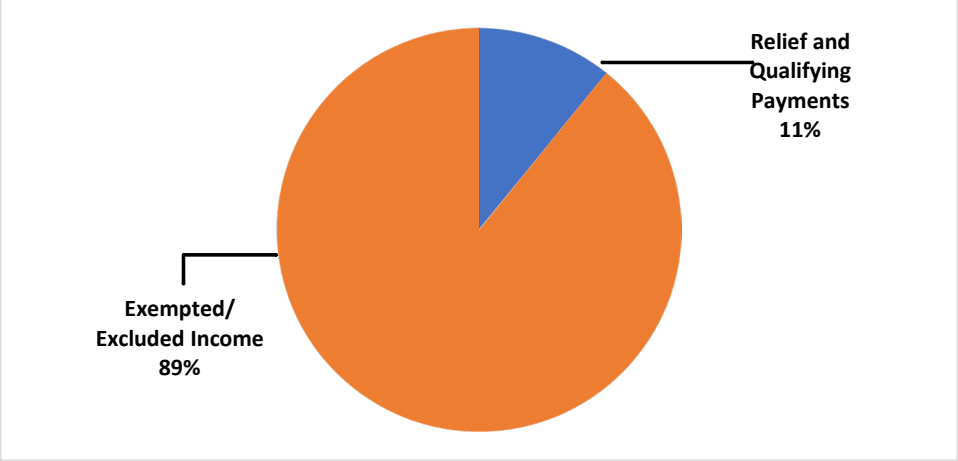
Table 2.3 : Personal Income Tax Expenditure

Rs. Million

Expenditure Description	Tax Expenditure	
	2023/24	2024/25[a]
Relief and Qualifying Payments	8,191	3,924
Exempted/Excluded Income	2,270	32,354
Total	**10,461**	**36,278**

Source: Inland Revenue Department
Note: This is prepared based on the taxpayer declaration.
[a] Provisional

Figure 2.2 : Personal Income Tax Expenditure – 2024/2025



Source: Inland Revenue Department

2.3 Value Added Tax

The estimated tax expenditure on VAT increased by 25.8 percent from Rs. 333,295 million in 2024 to Rs. 419,251 million in 2025, an increase of Rs. 85,956 million. During the first half of 2026, the estimated tax expenditure on VAT increased by 17.2 percent to Rs. 242,954 million compared to Rs. 207,359 million in the same period of 2025.

Non-BOI companies remained the principal source of VAT expenditure, accounting for Rs.223,933 million during the first half of 2026, while the corresponding tax expenditures for BOI companies and SDPs amounted to Rs. 18,894 million and Rs. 127 million, respectively. The combined VAT expenditure of these categories amounted to Rs. 242,954 million. Within the non-BOI category, the wholesale and retail sector recorded the highest VAT expenditure in both 2025 and the first half of 2026.

Disclosure of new VAT expenditure – The supply of liquid milk and yoghurt produced out of locally produced fresh milk was exempted from VAT with effect from April 11, 2025.

Table 2.4 : Summary of Value Added Tax Expenditure

Rs. Million

Expenditure Description	Tax Expenditure	
	2025 [a]	2026 First Half [a]
BOI Companies	28,133	18,894
Non-BOI Companies excluding SDPs and Port City Projects	390,832	223,933
SDPs	286	127
Total	**419,251**	**242,954**

Source: Inland Revenue Department
Note: This is prepared based on the taxpayer declaration.
[a] Provisional

Table 2.5 : Value Added Tax Expenditure by Sector for BOI Companies

Rs. Million

Sector	Tax Expenditure	
	2025 [a]	2026 First Half [a]
Manufacturing – Agriculture	41	27
Manufacturing – Non- Alcoholic Beverages	5	1
Manufacturing – Others	15,704	8,723
Manufacturing – Textiles and Garments	621	528
Service – Construction	19	11
Service – Electricity and Gas	349	226
Service – Others	1,560	1,105
Service – Telecommunication	236	110
Service – Tourism	152	69
Service – Transport	0.1	0.2
Service – Wholesale and Retail	9,277	7,985
Other	168	108
Total	**28,133**	**18,894**

Source: Inland Revenue Department
Note: This is prepared based on the taxpayer declaration.
[a] Provisional

Table 2.6 : Value Added Tax Expenditure by Sector for Non-BOI Companies Excluding SDPs and Port City Projects

Rs. Million

Sector	Tax Expenditure	
	2025 [a]	2026 First Half [a]
Manufacturing – Agriculture	5,183	3,124
Manufacturing – Non- Alcoholic Beverages	106	72
Manufacturing – Others	46,920	27,281
Manufacturing – Textiles and Garments	2,418	1,271
Service – Construction	38,087	8,207
Service – Electricity and Gas	65,293	36,404
Service – Others	21,775	11,653
Service – Telecommunication	71	41
Service – Tourism	1,225	811
Service – Transport	3,948	2,006
Service – Water	137	104
Service – Wholesale and Retail	188,130	113,397
Other	17,539	19,563
Total	**390,832**	**223,933**

Source: Inland Revenue Department
Note: This is prepared based on the taxpayer declaration.
[a] Provisional

Table 2.7 : Value Added Tax Expenditure by Sector for SDPs

Rs. Million

Sector	Tax Expenditure	
	2025 [a]	2026 First Half [a]
Manufacturing – Textiles and Garments	–	11
Service – Construction	–	0.1
Service – Tourism	284	115
Service – Transport	2	1
Total	**286**	**127**

Source: Inland Revenue Department
Note: This is prepared based on the taxpayer declaration and identified errors corrected in 2025 .
[a] Provisional

2.4 Social Security Contribution Levy

The estimated tax expenditure on SSCL amounted to Rs. 216,283 million and Rs. 135,270 million in 2025 and first half of 2026 respectively. During the first half of 2026, SSCL expenditure for non-BOI companies, excluding SDPs and Port City projects, amounted to Rs. 125,082 million, accounting for the largest share of the total. Tax expenditure for BOI companies, SDPs and Port City Projects amounted to Rs. 10,120 million, Rs. 55 million and Rs. 13 million, respectively.

Within the non-BOI companies excluding SDPs and Port City category, the wholesale and retail sector recorded the highest SSCL expenditure in the first half of 2026, followed by other manufacturing activities, textiles and garments manufacturing, and the transport sector. Within the BOI category, the wholesale and retail sector also recorded the highest tax expenditure, followed by textiles and garments, and other manufacturing activities. Construction services accounted for the largest share of tax expenditure for SDPs.

Table 2.8 : Summary of Social Security Contribution Levy Expenditure

Rs. Million

Description	Tax Expenditure	
	2025 [a]	2026 First Half [a]
BOI Companies	15,759	10,120
Non-BOI Companies excluding SDPs and Port City Projects	200,420	125,082
SDPs	93	55
Port City Projects	11	13
Total	**216,283**	**135,270**

Source: Inland Revenue Department
Note: This is prepared based on the taxpayer declaration.
[a] Provisional

Table 2.9 : Social Security Contribution Levy Expenditure by Sector for BOI Companies

Rs. Million

Sector	Tax Expenditure	
	2025 [a]	2026 First Half [a]
Manufacturing – Agriculture	95	47
Manufacturing – Non-Alcoholic Beverages	1	0.4
Manufacturing – Others	3,623	1,870
Manufacturing – Textiles and Garments	5,897	2,593
Service – Construction	0.3	-
Service – Electricity and Gas	26	121
Service – Others	1,364	670
Service – Telecommunications	125	41
Service – Tourism	232	135
Service – Transport	8	5
Service – Wholesale and Retail	3,919	4,435
Other	470	202
Total	**15,759**	**10,120**

Source: Inland Revenue Department
Note: This is prepared based on the taxpayer declaration and identified errors corrected in 2025 .
[a] Provisional

Table 2.10 : Social Security Contribution Levy Expenditure by Sector for Non-BOI Companies Excluding SDPs and Port City Projects

Rs. Million

Sector	Tax Expenditure	
	2025 [a]	2026 First Half [a]
Manufacturing – Agriculture	966	446
Manufacturing – Non-Alcoholic Beverages	33	21
Manufacturing – Others	19,945	8,980
Manufacturing – Textiles and Garments	15,991	8,041
Service – Banking, Insurance, Leasing	3,104	2,775
Service – Construction	6,610	1,508
Service – Electricity and Gas	110	48
Service – Others	66,935	2,246
Service – Telecommunication	116	58
Service – Tourism	1,867	1,207
Service – Transport	13,768	7,679
Service – Water	2,103	1,104
Service – Wholesale and Retail	54,234	41,131
Other	14,638	49,840
Total	**200,420**	**125,082**

Source: Inland Revenue Department

Note: This is prepared based on the taxpayer declaration and identified errors corrected in 2025 .

[a] Provisional

Table 2.11 : Social Security Contribution Levy Expenditure by Sector for SDPs

Rs. Million

Sector	Tax Expenditure	
	2025 [a]	2026 First Half [a]
Manufacturing – Others	0.04	0.01
Service – Construction	20	11
Service – Tourism	8	11
Service – Transport	65	33
Total	**93**	**55**

Source: Inland Revenue Department

Note: This is prepared based on the taxpayer declaration and identified errors corrected in 2025 .

[a] Provisional

Table 2.12 : Social Security Contribution Levy Expenditure Estimates by Sector for Colombo Port City Projects

Rs. Million

Sector	Tax Expenditure	
	2025 [a]	2026 First Half [a]
Service – Others	11	13
Total	**11**	**13**

Source: Inland Revenue Department

Note: This is prepared based on the taxpayer declaration and identified errors corrected in 2025 .

[a] Provisional

2.5 Excise Duty (Special Provisions)

The estimated tax expenditure on XID increased by 63.1 percent from 9,967 million in 2024 to Rs. 16,254 million in 2025. The majority of XID expenditure arose from exemptions granted for locally assembled vehicles which amounted to Rs. 16,156 million and accounted for 99.4 percent of the total expenditure in 2025. The number of locally assembled vehicles increased by 74.2 percent to 96,472 in 2025, from 55,377 in 2024.

For the first half of 2026, the estimated XID expenditure was Rs. 9,023 million. XID relating to locally assembled vehicles amounted to Rs. 9,005 million, accounting for 99.8 percent of the total.

Table 2.13: Excise Duty (Special Provisions) Expenditure

Rs. Million

Description	Tax Expenditure		
	2024 [a]	2025 [b]	2026 First Half [b]
Port City Duty Free Shop – Imports	250	94	8
Locally assembled vehicles	9,717	16,156	9,005
Heares, imported by registered funeral undertakers	-	4	10
Total	**9,967**	**16,254**	**9,023**

Source : Sri Lanka Customs
[a] Revised
[b] Provisional

2.6 Customs Import Duty

The estimated tax expenditure on CID increased by 4.4 percent to Rs. 144,473.1 million in 2025, from Rs. 138,425.6 million in 2024. The majority of CID expenditure in 2025 arose from waivers granted for general purposes and special projects under Section 19A of the Customs Ordinance, which amounted to Rs. 131,489.1 million and accounted for 91.0 percent. As the combined volume of petrol and diesel imports increased by 5.4 percent to 2,509,056 metric tons in 2025, from 2,379,828 metric tons in 2024, tax expenditure arising from waivers granted under Section 19A of the Customs Ordinance increased by Rs. 7,086.3 million representing 5.7 percent, from Rs. 124,402.8 million in 2024 to Rs. 131,489.1 million in 2025. Also, the exemptions granted for ingredients other than maize, lentils and rice used in the manufacture of animal feed amounting to Rs. 7,818.4 million and accounting for 5.4 percent of total CID expenditure. Exemptions relating to machinery and equipment for the Ceylon Electricity Board and its subsidiaries amounted to Rs. 1,121 million, accounted for 0.8 percent of the total.

For the first half of 2026, the estimated CID expenditure was Rs. 74,246.9 million. The largest component was tax expenditure arising from waivers granted for general purposes and special projects under Section 19A of the Customs Ordinance, estimated at Rs. 66,683.9 million and accounting for 89.8 percent of the total. Exemptions granted for ingredients other than maize, lentils and rice used in the manufacture of animal feed amounted to Rs. 4,884 million accounting for 6.6 percent of the total. Exemptions relating to machinery and equipment for the Ceylon Electricity Board and its subsidiaries amounted to Rs. 178.5 million accounted for 0.24 percent of the total.

Table 2.14 Customs Import Duty Expenditure by Sector Rs. Million

Description	Tax Expenditure		
	2024 [a]	2025 [b]	2026 First Half [b]
19A Waivers (General Waivers and Special Projects)	124,402.8	131,489.1	66,683.9
CID exemptions granted for:			
• Ground equipment, technical supply used inside airport by International Airline.	29.7	47.7	1.3
• Container & other accessories thereof used for safe carriage of goods	1.9	1.3	0.1
• Any machinery, equipment etc. for CEB and subsidiaries	1,806.2	1,121.0	178.5
• Finished leather to be used for sole manufacturing industry	51.2	30.2	19.9
• Machinery including ambulances, medical, surgical & dental equipment	14.4	8.1	0.05
• Ingredients other than maize, lentils and rice for manufacturing animal feed	9,219.0	7,818.4	4,884.0
• Parts & accessories of motor vehicles or loco motives	1.4	12.4	1.5
• Lacquers, coating and varnishes used exclusively for coating of metals	115.0	38.3	36.7
• Approved capital goods under bonded warehouse scheme.	11.0	2.5	3.7
• Raw materials and packing materials for manufacturing of pharmaceuticals	427.4	494.5	397.3
• Registered medicine under NMRA	805.3	869.9	525.4
• Raw materials for manufacturing ayurvedic medicine	57.4	11.8	32.3
• Materials for agriculture purposes	450.2	393.5	146.3
• Raw material for sanitary napkins	77.8	55.5	11.6
• Other miscellaneous items	909.1	1322.5	868.1
• Port city duty free shop – imports	46.0	756.5	456.3
Total	**138,425.6**	**144,473.1**	**74,246.9**

Source : Sri Lanka Customs

Note: The CID expenditure related to 19A general waivers were limited only for Diesel and wheat grain products in the TES 2024/2025. However, the CID expenditure related to 19A general waivers were extended to cover the products including petrol and bamboo sticks together with other products identified in the Customs database in TES 2025/2026. Accordingly, data were revised for 2024 as well.

[a] *Revised*
[b] *Provisional*

2.7 Luxury Tax on Motor Vehicles

Exemptions from the LTMV were granted under Gazette Notification No. 2318/53 dated February 10, 2023, as subsequently extended by Gazette Notification No. 2368/24 dated January 24, 2024. The concession remained in effect until September 30, 2024. In accordance with the directions of the Committee on Public Accounts (COPA), the Department of Motor Traffic and Sri Lanka Customs are recovering the Luxury Tax concession granted to permit holders who failed to register their vehicles by September 30, 2024, as required under the aforementioned Gazette Notifications.

The estimated tax expenditure on the LTMV for 2023 and 2024 has been revised to reflect the recoveries made as at August

31, 2026. Accordingly, the number of beneficiaries and estimated tax expenditure reported in the TES 2024/2025 for 2023 decreased from 162 to 159 and from Rs. 491 million to Rs. 480 million respectively. Similarly, the number of beneficiaries and the estimated tax expenditure for 2024 decreased from 721 to 662 and from Rs. 1,928 million to Rs. 1,800 million respectively. These revised figures have been incorporated into the TES 2025/2026 to reflect the impact of the recoveries of Luxury Tax concessions granted to permit holders who failed to register their vehicles within the stipulated deadline.

Table 2.15 : Luxury Tax on Motor Vehicles Expenditure

Rs. Million

Year	Number of beneficiaries	Tax Expenditure
2023	159	480
2024	662	1,800

Source: Sri Lanka Customs
Note: Updated as at August 31, 2026

2.8 Conclusion

In conclusion, this chapter presents an overview of the magnitude, composition and fiscal significance of tax expenditures across tax types. The estimates highlight notable increases in CIT and PIT expenditures in the year of assessment 2024/25. The analysis also identifies the principal sources of tax expenditures, including concessionary tax rates and exemptions granted to BOI and non-BOI enterprises, wholesale and retail activities, locally assembled vehicles, and waivers and exemptions under CID. These findings demonstrate the varying fiscal implications of tax relief measures across tax instruments and sectors.

The analysis underscores the importance of regularly monitoring tax expenditures, evaluating their policy effectiveness and ensuring that their fiscal costs are consistent with broader revenue mobilization objectives. The findings provide a basis for assessing the composition and development of tax expenditure over time, taking into account differences in reporting periods. The subsequent chapter presents a comprehensive Tax Expenditure Inventory, detailing the legislative provisions, estimated fiscal costs and intended policy objectives of individual measures to support greater budget transparency and informed fiscal policy decisions.

Part III
Tax Expenditure Inventory

Chapter 3 – Tax Expenditure Inventory

This chapter presents a comprehensive inventory of tax expenditures identified within the Sri Lankan tax system. It consolidates information on individual tax provisions that deviate from the benchmark tax system, including exemptions, deductions, tax credits deferrals and preferential rates. Each entry specifies the relevant legal reference, the estimated revenue forgone (where available), and the underlying policy objective. The inventory serves as a key instrument for promoting fiscal transparency and accountability. It enables policymakers and other stakeholders to assess the scope, composition, and policy alignment of existing tax incentives within the overall revenue framework.

3.1 Tax Expenditure Inventory of Corporate Income Tax

Name	**Concessionary Rates under the Inland Revenue Act (IRA), No. 24 of 2017**		
Description	The gains and profits of a company shall be taxed at the concessionary rates specified in Section 4 of the First Schedule to the IRA, No. 24 of 2017.		
Type of Tax	Corporate Income Tax		
Beneficiaries	Companies		
Type of Measure	Preferential Rate		
Legal Reference	Section 4 of the First Schedule to the IRA, No. 24 of 2017 – Tax rates for companies		
Objective	To encourage investment and sustaining business activity in selected sectors.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2023/2024** [(a)]	**2024/2025** [(b)]	**2025/2026**
	114,422	118,508	-

[(a)] *Revised*
[(b)] *Provisional*

Name	Concessionary Rates under the Board of Investment Act		
Description	Concessionary CIT rates granted to companies that have entered into agreements with the Board of Investment (BOI).		
Type of Tax	Corporate Income Tax		
Beneficiaries	Companies		
Type of Measure	Preferential Rate		
Legal Reference	Greater Colombo Economic Commission Law, No. 4 of 1978		
Objective	To attract and promote domestic and foreign investment by offering competitive tax incentives to enterprises that enter into agreements with the BOI.		
Source of data	Inland Revenue Department, Board of Investment of Sri Lanka.		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2023/2024	2024/2025 [a]	2025/2026
	41,682	11,604	-

[a] *Provisional*

Name	Exemptions under the Inland Revenue Act, No. 10 of 2006		
Description	Exemption from income tax of the profits and income of any company engaged in agriculture, agro-processing, industrial and machine tool manufacturing, machinery manufacturing, electronics, export of non-traditional products, or information technology and allied services.		
Type of Tax	Corporate Income Tax		
Beneficiaries	Individuals or entities		
Type of Measure	Tax Deduction		
Legal Reference	Section 17 of the IRA No. 10 of 2006		
Objective	To encourage investments in the above specified sectors.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2023/2024	2024/2025 [a]	2025/2026
	4,725	67,561	-

[a] *Provisional*

Name	Exemptions Granted for Port City Projects		
Description	Exemption from income tax on the profits and income of companies operating within the Colombo Port City.		
Type of Tax	Corporate Income Tax		
Beneficiaries	Entities		
Type of Measure	Exemption		
Legal Reference	Colombo Port City Economic Commission Act, No. 11 of 2021		
Objective	To promote investment within the Colombo Port City		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2023/2024	2024/2025	2025/2026
	143	-	-

Name	Exemptions Granted for SDPs		
Description	Exemption from income tax on the profits and income of companies designated as SDPs.		
Type of Tax	Corporate Income Tax		
Beneficiaries	Entities		
Type of Measure	Exemption		
Legal Reference	Strategic Development Projects Act, No. 14 of 2008		
Objective	To promote investment		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2023/2024	2024/2025	2025/2026
	123	-	-

3.2 Tax Expenditure Inventory of Personal Income Tax

Name	Relief for Rent Income		
Description	Rent relief granted to a resident individual in respect of investment assets, amounting to 25 percent of the gross rental income for the relevant year of assessment.		
Type of Tax	Personal Income Tax		
Beneficiaries	Individuals		
Type of Measure	Tax Credit		
Legal Reference	Fifth Schedule to the IRA, No. 24 of 2017 – Qualifying payments and reliefs.		
Objective	To encourage the private investment in the housing sector and the formal reporting of rental income by allowing a partial deduction for maintenance and related expenses incurred in earning that income.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2023/2024	2024/2025 [a]	2025/2026
	7,253	2,034	-

[a] *Provisional*

Name	Relief for Expenditure on Solar Panels		
Description	A deduction is allowed for a resident individual who has acquired solar panels installed on his premises and connected to the national grid of up to, Rs. 600,000/- for each year of assessment, subject to cumulative limit equal to the total expenditure incurred on the solar panels or the amounts paid to a bank in respect of any loan obtained to acquire them.		
Type of Tax	Personal Income Tax		
Beneficiaries	Individuals		
Type of Measure	Tax Credit		
Legal Reference	Fifth Schedule to the IRA, No. 24 of 2017 – Qualifying Payments and Reliefs		
Objective	To promote the renewable energy adoption among households by providing tax relief for the installation of solar panels connected to the national grid.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2023/2024	2024/2025 [a]	2025/2026
	2,270	1,720	-

[a] *Provisional*

Name	**Qualifying Payments**		
Description	Donations made as per Section 1 of the Fifth Schedule to the IRA may be deducted in arriving at the taxable income of an individual or entity for a year of assessment		
Type of Tax	Personal Income Tax		
Beneficiaries	Individuals or entities		
Type of Measure	Tax Deduction		
Legal Reference	Fifth Schedule to the IRA, No. 24 of 2017 – Qualifying Payments and Reliefs		
Objective	To encourage private sector and individual contributions to approved charitable, religious, educational, health, and community development activities.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD		
Estimates (Rs. Million)	**2023/2024**	**2024/2025** [a]	**2025/2026**
	938	170	-

[a] *Provisional*

3.3 Tax Expenditure Inventory of Value Added Tax

Name	**The Supply or Import of Wheat and Wheat Flour.**		
Description	VAT is exempted on the supply or import of wheat and wheat flour.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002		
Objective	To reduce the prices of essential goods in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Infant Milk Powder.**		
Description	VAT is exempted on the supply or import of infant milk powder.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential goods in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD..		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Pharmaceutical Products.**		
Description	VAT is exempted on the supply or import of pharmaceutical products and drugs (other than cosmetics), end use of which is confined to therapeutic or prophylactic effect and which are purchased on a prescription of a physician and raw materials for the production or manufacture of such products or drugs.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the price of essential goods in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Ayurvedic Preparations.**		
Description	VAT is exempted on the supply or import of ayurvedic preparations belonging to the ayurveda pharmacopoeia or ayurvedic preparations (other than cosmetic preparations) or unani, siddha or homeopathic preparations (other than cosmetic preparations) identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes, and raw materials for such preparations, with the recommendation of the Commissioner of Ayurveda appointed under Section 3 of the Ayurveda Act, No. 31 of 1961.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential goods in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Crude Petroleum Oil, Kerosene, Aviation Fuel, Oil for Ships or Fuel Oil.**		
Description	VAT is exempted on the supply or import of crude petroleum oil, kerosene, aviation fuel, oil for ships or fuel oil specified under the Harmonized Commodity Description Number 2710.19.60 for Custom purposes.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential goods in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Accessories for such Aids or Appliances which are worn or carried or implanted in the human body.**		
Description	VAT is exempted on artificial limb, crutches, wheelchairs, hearing aids, accessories for such aids or appliances which are worn or carried or implanted in the human body to compensate for a defect or disability, white canes for the blind, braille typewriters and parts, braille writing papers, braille writing boards and any other articles which are used by disabled persons which are approved by the Minister taking into consideration the degree of relief requested by such persons, on an application made for that purposes.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential goods in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Bio Fertilizer, Artemia Eggs and Peat Moss.**		
Description	VAT is exempted on the Bio Fertilizer, Artemia Eggs and Eeat Moss, classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote the agricultural industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Agricultural Seeds, Agricultural Plants.**		
Description	VAT is exempted on agricultural seeds, agricultural plants, shrimp feed inclusive of prawn feed and animal feed but excluding poultry feed.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote agricultural industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Yarn Used for Textile Industry.**		
Description	VAT is exempted on yarn used for textile industry as identified under the Harmonized Commodity Description and Coding System Numbers for Customs purposes.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of the First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote domestic fabric manufacturing industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply or Import of Dyes Used in the Handloom Industry.**		
Description	VAT is exempted on dyes used for the handloom industry as identified under the Harmonized under Commodity Description and Coding System Numbers for Custom purposes.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote the domestic manufacturing industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Educational Services.**		
Description	VAT is exempted on the supply of educational services provided by any person or partnership.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential services in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Public Passenger Transport Services .**		
Description	VAT is exempted on the supply of public passenger transport services (other than air transport, water transport or transport of tourists, excursion tours and taxi services).		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential services in order to ease the cost of living		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Electricity.**		
Description	VAT is exempted on the supply of electricity, including distribution.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential services in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of All Healthcare Services Provided by Medical Institutions or Professionally Qualified Persons.**		
Description	VAT is exempted on the supply of all healthcare services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential services in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Locally Manufactured Handloom Textiles.**		
Description	VAT is exempted on the supply of locally manufactured handloom textiles.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote the domestic fabric manufacturing industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Rice, Rice Flour and Bread so far as such Products are Manufactured Locally.**		
Description	VAT is exempted on the supply of rice, rice flour and bread so far as such products are manufactured locally.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential services in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Unprocessed Agricultural, Horticultural or Fishing Products Produced in Sri Lanka.**		
Description	VAT is exempted on the supply of unprocessed agricultural, horticultural or fishing products produced in Sri Lanka.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote the agricultural industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Locally Manufactured Surgical Gauze.**		
Description	VAT is exempted on the supply of locally manufactured surgical gauze used for surgery.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To protect the domestic industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Services, which result in the Improvement of Quality, Character or Value of any Yarn, Fabric or Garment**		
Description	VAT is exempted on the supply of services, which result in the improvement of quality, character or value of any yarn, fabric or garment so far as such services are provided to persons other than exporters of such products.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote the domestic fabric manufacturing industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Geriatric Services and Child Care Services.**		
Description	VAT is exempted on the supply of geriatric services and child care services.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To reduce the prices of essential services in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Goods or Services to any Project Identified as a Strategic Development Project.**		
Description	VAT is exempted on the supply of goods or services to any project identified as a Strategic Development Project in terms of Section 3(4) of the Strategic Development Projects Act, No. 14 of 2008.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To promote investment.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Supply of Goods or Services to any Specified Project Identified by the Minister and Goods and Services to any Infrastructure Development Project.**		
Description	VAT is exempted on the supply of; (a) Goods or services to any specified project identified by the Minister, taking into consideration the economic benefit to the country, on which the tax is borne by the Government. (b) Goods and services to any infrastructure development project funded through foreign loans or donations directly to the Ministries of the Government of Sri Lanka, approved by the Minister on the recommendation of the Secretary of the respective Ministry.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To minimize the upfront cost of the project to the Government.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Import of Aircraft Engines or Aircraft Spare Parts.**		
Description	VAT is exempted on the import of aircraft engines or aircraft spare parts, identified under specified Harmonized Commodity Description and Coding System Numbers for Customs purposes.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To ensure the competitiveness of international transport services.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**The Import of Chemical Naphtha by the Ceylon Petroleum Corporation.**		
Description	VAT is exempted on the import of chemical naphtha by the Ceylon Petroleum Corporation to be supplied to the Ceylon Electricity Board for the generation of electricity.		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No. 14 of 2002.		
Objective	To minimize the cost of electricity generation.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Port City Construction – Related Goods Imports – Reusable.**		
Description	VAT exemptions granted to CHEC Port City under the SDPs Act No. 14 of 2008.		
Type of Tax	Value Added Tax		
Beneficiaries	CHEC Port City Colombo		
Type of Measure	Exemption		
Legal Reference	Strategic Development Projects Act, No. 14 of 2008		
Objective	To promote investments.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	52	-	-

Name	Port City Duty Free Shop – Imports.		
Description	VAT exemptions granted to imports of Port City Duty Free Shop.		
Type of Tax	Value Added Tax		
Beneficiaries	Entities		
Type of Measure	Exemption		
Legal Reference	Colombo Port City Economic Commission Act, No. 11 of 2021		
Objective	To promote investments within the Colombo Port City.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2024	2025	01.01.2026 – 30.06.2026
	142.1	-	-

Name	The supply of liquid milk and yoghurt using locally produced fresh milk.		
Description	VAT is exempted on liquid milk and yoghurt, produced out of locally produced fresh milk		
Type of Tax	Value Added Tax		
Beneficiaries	Final Consumer		
Type of Measure	Exemption		
Legal Reference	Part III of First Schedule to the Value Added Tax Act, No 14 of 2002		
Objective	To reduce the prices of essential goods in order to ease the cost of living.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Mn)	2024	2025	01.01.2026 – 30.06.2026
	-	-	-

3.4 Tax Expenditure Inventory of Social Security Contribution Levy.

Name	Exempted Articles of any Article Exported by the Manufacturer.		
Description	SSCL is exempted on the articles of Any article exported by the manufacturer.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote exports.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2024	2025	01.01.2026 – 30.06.2026
	-	-	-

Name	**Exempted Articles of any Article not being a Plant, Machinery or Fixture Imported by any Person Exclusively for the Use.**		
Description	SSCL is exempted on the articles of any article not being a plant, machinery or fixture imported by any person exclusively for the use in, or for, the manufacture of any article for export.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote exports.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of any Article Sold by a Taxable Person to any Exporter.**		
Description	SSCL is exempted on any article sold by a taxable person to any exporter, if the Commissioner-General is satisfied on the production of any documentary evidence that such article or any other article manufactured, of which such article is a constituent part, has in fact been exported from Sri Lanka by such exporter directly or through a trading house established for export purposes.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote exports.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of any Spare Part Imported by any Airline or Shipping Company.**		
Description	SSCL is exempted on the articles of any spare part imported by any airline or shipping company, if proved to the satisfaction of the Commissioner-General, that such spare part is to be used for the maintenance of any aircraft or ship, used in international traffic and owned or chartered by such airline or shipping company.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To ensure competitiveness of international transportation services.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Fertilizer.**		
Description	SSCL is exempted on the articles of fertilizer.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote the agricultural activities.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Petroleum and Petroleum Products.**		
Description	SSCL is exempted on the articles of petroleum and petroleum products other than lubricants classified under Harmonized Commodity Description and Coding Numbers for Customs purpose.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the Levy on the prices of consumer goods with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of L.P. Gas.**		
Description	SSCL is exempted on the articles of L.P. Gas.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the Levy on the prices of consumer goods, with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Pharmaceuticals.**		
Description	SSCL is exempted on the articles of pharmaceuticals identified under Harmonized Commodity Description and Coding Numbers for Customs purpose.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	General Public		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the levy on the prices of consumer goods, with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Tea Supplied by the Manufacturer.**		
Description	SSCL is exempted on the articles of tea supplied by the manufacturer being a manufacturer registered with the Sri Lanka Tea Board established by the Sri Lanka Tea Board Law, No. 14 of 1975, to any registered broker for sale at the Colombo Tea Auctions.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To incentivize the tea manufacturing sector.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of any Article Use in any Project Approved by the Relevant Minister and by the Minister.**		
Description	SSCL is exempted on the articles of any article for the use in any project approved by the relevant Minister and by the Minister in charge of the subject of Finance taking into consideration the economic benefit to the country and where the tax in respect of such project is borne by the Government.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To minimize the upfront cost of the project to the Government.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Bitumen Classified under HS Code No. 2714.**		
Description	SSCL is exempted on the articles of Bitumen classified under HS Code No. 2714.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To support the construction and infrastructure development sectors.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Raw Materials or Packing Materials.**		
Description	SSCL is exempted on the articles of raw materials or packing materials imported for the manufacture of pharmaceuticals subject to the approval of the relevant authority.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the levy on the prices of consumer goods with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Plant, Machinery or Equipment Imported on Temporary Basis.**		
Description	SSCL is exempted on the articles of plant, machinery or equipment imported on temporary basis for the use of large-scale infrastructure development projects approved by the Minister in charge of the subject of Finance as being of beneficial for the economic development of Sri Lanka,on condition that goods will be re-exported after the completion of work.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To minimize the upfront cost of the project to the Government.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Raw Materials or Packing Materials Imported for the Manufacture of Ayurvedic Preparations.**		
Description	SSCL is exempted on the articles of raw materials or packing materials imported for the manufacture of ayurvedic preparations which belong to the ayurveda pharmacopoeia or ayurveda preparation subject to the approval of the relevant authority.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the levy on the prices of consumer goods with the aim of improving the living standards of the General public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Pure-Bred Breeding Animals.**		
Description	SSCL is exempted on the articles of Pure-bred breeding animals under HS 0102.10 or HS 0104.20.10, milking machines under HS 8434.10, dairy machinery under HS 8434.20 and spare parts under HS 8434.90, at the point of importation.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part IA of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote the development and modernization of the dairy sector		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Solar Panel Modules, Accessories or Solar Home Systems.**		
Description	SSCL is exempted on the articles of solar panel modules, accessories or solar home systems for the generation of solar power energy classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote the adoption of renewable energy and support the transition to sustainable energy sources.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of Coal.**		
Description	SSCL is exempted on the articles of coal.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part 1A of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To support the energy generation and industrial production.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Articles of any Machinery or Equipment Imported or Purchased Locally.**		
Description	SSCL is exempted on the articles of any machinery or equipment imported or purchased locally for the purpose of generating electricity by the Ceylon Electricity Board established under the Ceylon Electricity Board Act, No. 17 of 1969 or any institution which has entered into an agreement with the Ceylon Electricity Board to supply electricity, being machinery or equipment classified under Harmonized Commodity Description and Coding Numbers for Customs purposes and approved by the Minister of Finance.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Ceylon Electricity Board		
Type of Measure	Exemption		
Legal Reference	Part IA of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the levy on the prices of consumer goods with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 -30.06.2026**
	-	-	-

Name	**Exemption of Equipment Used by Differently Abled Persons.**		
Description	Exemption of equipment used by differently abled persons.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals		
Type of Measure	Exemption		
Legal Reference	Part IA of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To improve the living standards of persons with disabilities by making assistive equipment more affordable.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exemption of Rice Manufactured Out of Locally Produced Paddy.**		
Description	Exemption of Rice manufactured out of locally produced paddy.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals		
Type of Measure	Exemption		
Legal Reference	Part IA of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To ensure the price stability of rice.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	Exempted Services of Generation of Electricity and Supply of Electricity.		
Description	SSCL is exempted on the services of generation of electricity and supply of electricity other than the supply of electricity by Ceylon Electricity Board established under the Ceylon Electricity Board Act, No. 17 of 1969.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	General Public		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the levy on the prices of consumer goods with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2024	2025	01.01.2026 – 30.06.2026
	-	-	-

Name	Exempted Services of Medical Services.		
Description	SSCL is exempted on the services of medical services.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	General Public		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the Levy on the prices of consumer goods with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2024	2025	01.01.2026 – 30.06.2026
	-	-	-

Name	Exempted Services of Supply of Water.		
Description	SSCL is exempted on the services of supply of water.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent a cascading effect of the levy on the prices of consumer goods with the aim of improving the living standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	2024	2025	01.01.2026 – 30.06.2026
	-	-	-

Name	**Exempted Services of Transportation of Goods and Passengers.**		
Description	SSCL is exempted on the services of transportation of goods and passengers.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To prevent cascading effect of the levy on the prices of consumer goods with the aim of uplifting the life standards of the general public.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Services Provided to any Exporter of any Article.**		
Description	SSCL is exempted on the services of services provided to any exporter of any article, being services directly related to improving the quality and character of such article.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote exports.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Sewing Garments.**		
Description	SSCL is exempted on the services of sewing garments provided to any exporter of such garments.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote exports.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Services of a Freight Forwarder and a Shipping Agent.**		
Description	SSCL is exempted on the services of a freight forwarder and a shipping agent licensed under the Licensing of Shipping Agents, Freight Forwarders, On Vessel Operating Common Carriers, and Container Operators Act, No. 10 of 1972 or courier services in so far as such services are in respect of the exporter of any article from Sri Lanka.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To enhance the international competitiveness of services exported from Sri Lanka.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Services Provided by a Public Corporation.**		
Description	SSCL is exempted on the services of services provided by a public corporation, in so far as such services are in respect of the exportation of any article from Sri Lanka.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote exports.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of an Auctioneer, Broker, Insurance Agent or Commission Agent of any Local Product.**		
Description	SSCL is exempted on the services of an auctioneer, broker, insurance agent or commission agent of any local product to the extent of the brokerage receivable by such auctioneer or broker, or commission receivable by such insurance agent or commission agent, as the case may be.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To support the domestic trade and marketing activities		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Tourism related Services.**		
Description	SSCL is exempted on the services of; (a) a travel agent in respect of inbound tours operated; or (b) a hotel, guest house, restaurant or other similar businesses, where the payment for such services is received in foreign currency through a bank and such agent, hotel, guest house, restaurant or other similar business is registered with the Sri Lanka Tourism Development Authority;		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote tourism.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Client Support Services Provided over the Internet, Telephone or by an Enterprise.**		
Description	SSCL is exempted on the services of client support services provided over the internet, telephone or by an enterprise, exclusively for the provision of such services, to one or more identified clients outside Sri Lanka, for payment in foreign currency.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote the export of services and strengthen Sri Lanka's position in the global business process outsourcing (BPO) and IT-enabled services sector.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of the Business of Life Insurance.**		
Description	SSCL is exempted on the services of the business of life insurance.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To support the development and stability of the life insurance industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Distribution, Production and Supply of any Cinematographic Films.**		
Description	SSCL is exempted on the services of distribution, production and supply of any cinematographic films primarily for exhibition in cinemas.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To support the development and stability of the cinema industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Exhibiting Films in a Cinema.**		
Description	SSCL is exempted on the services of exhibiting films in a cinema.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To support the development and stability of the cinema industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of any Service Rendered in or Outside Sri Lanka to any Person or Partnership Outside Sri Lanka.**		
Description	SSCL is exempted on the services of any service rendered in or outside Sri Lanka to any person or partnership outside Sri Lanka for the utilization out of Sri Lanka for payment in foreign currency, if such foreign currency is remitted to Sri Lanka through a bank.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote exports.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Services Provided to any Specific Project.**		
Description	SSCL is exempted on the services of services provided to any specific project carried on, out of foreign funds or donations received by the Government, as approved by the Minister considering the economic benefit to the country.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Government Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To minimize the fiscal burden on the Government		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Services Provided in relation to Shipbuilding for the International Market.**		
Description	SSCL is exempted on the services of services provided in relation to shipbuilding for the international market for payments made in foreign currency.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote the shipbuilding industry.		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

Name	**Exempted Services of Services Provided by any General Sales Agent**		
Description	SSCL is exempted on the services of services provided by any general sales agent who holds an air transport service license issued under Section 97 of the Civil Aviation Act, No. 14 of 2010.		
Type of Tax	Social Security Contribution Levy		
Beneficiaries	Individuals and Entities		
Type of Measure	Exemption		
Legal Reference	Part II of the Social Security Contribution Levy Act, No. 25 of 2022.		
Objective	To promote the travel industry		
Source of data	Inland Revenue Department		
Estimation Method	The cost of this measure reflects administrative data provided by IRD.		
Estimates (Rs. Million)	**2024**	**2025**	**01.01.2026 – 30.06.2026**
	-	-	-

3.5 Tax Expenditure Inventory of Excise Duty (Special Provisions)

Name	**Port City Duty Free Shop – Imports.**		
Description	XID exemptions granted to imports of Port City Duty Free Shop.		
Type of Tax	Excise Duty (Special Provisions)		
Beneficiaries	Duty Free shops established within the Colombo Port City.		
Type of Measure	Exemption		
Legal Reference	Colombo Port City Economic Commission Act No. 11 of 2021		
Objective	To promote tourism within the Colombo Port City.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates (Rs. Million)	**2024**	**2025 [a]**	**01.01.2026 – 30.06.2026 [a]**
	250	94	8

[a] *Provisional*

Name	**Exemption for Locally Assembled Vehicles**		
Description	XID exemptions granted to locally assembled vehicles.		
Type of Tax	Excise Duty (Special Provisions)		
Beneficiaries	Individuals and Entities		
Type of Measure	Preferential Rate		
Legal Reference	Schedule II of Gazette Notification No. 2418/43 dated 10.01.2025 – (11.01.2025 onwards).		
Objective	To promote domestic value addition and industrial development in the automotive assembly sector.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates (Rs. Million)	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	9,717	16,156	9,004

[a] *Revised*
[b] *Provisional*

Name	**Exemption for Hearses, Imported by Registered Funeral Undertakers.**		
Description	XID exemptions granted to hearses, imported by registered funeral undertakers.		
Type of Tax	Excise Duty (Special Provisions)		
Beneficiaries	Individuals and Entities		
Type of Measure	Preferential Rate		
Legal Reference	Schedule II of Gazette Notification No. 2418/43 dated 10.01.2025 – (11.01.2025 onwards)		
Objective	To support burial services.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates (Rs. Million)	**2024**	**2025** [b]	**01.01.2026 – 30.06.2026**[a]
	-	4	10

[a] *Provisional*

3.6 Tax Expenditure Inventory of Customs Import Duty

Name	**19A Waivers (General Waivers and Special Projects).**		
Description	Duty waivers granted for consumer goods with the aim of uplifting the life standards of general public and for special projects of developing infrastructure contributing to economic development.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals, Entities and General Public		
Type of Measure	Exemption		
Legal Reference	Section 19A of the Customs Ordinance (Chapter 235)		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates (Rs. Million)	**2024** [a]	**2025** [b]	**01.01.2026 – 30.06.2026**[b]
	124,402.8	131,489.1	66,683.9

[a] *Revised*
[b] *Provisional*

Name	**Ground Equipment, Technical Supply used Inside Airport by International Airline.**		
Description	Equipment and materials for use within the limits of an airport in Sri Lanka and parts and accessories for repair and maintenance of aircrafts in connection with the establishment and maintenance of international air service, imported on the recommendation of the Secretary to the respective line Ministry, subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	29.7	47.7	1.3

[a] *Revised*
[b] *Provisional*

Name	**Containers & other Accessories thereof used for Safe Carriage of Goods.**		
Description	Containers and accessories thereof, including container seals used for the safe carriage and security of goods, imported subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	1.9	1.3	0.1

[a] *Revised*
[b] *Provisional*

Name	**Any Machinery, Equipment etc. for CEB and Subsidiaries.**		
Description	Any machinery, equipment, accessories and materials excluding items classified under the HS Heading 76.14 and 85.44 and utility vehicles, required for the purpose of providing electricity including distribution of electricity, by the Ceylon Electricity Board and its subsidiary companies, and such goods for the use of any project for generation of power including solar and wind power, under any agreement entered into between the Government of Sri Lanka and its development partners, as recommended by the Secretary to the Ministry in charge of subject of Power, subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	CEB and subsidiaries		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	1,806.2	1,121.0	178.5

[a] *Revised*
[b] *Provisional*

Name	**Finished Leather to be used by Leather Products Manufacturing Industry.**		
Description	Finished leather to be used by leather products manufacturing industry/semi processed (Crust) leather to be used by registered tan/leather processing companies for the use of leather products manufacturing process, imported on the recommendation of the Secretary to the Ministry in charge of the subject of industries, subject to approval of the Director General of the Customs		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	51.2	30.2	19.9

[a] *Revised*
[b] *Provisional*

Name	**Machineries use to Provide Health Services.**		
Description	Machinery including medical, surgical and dental equipment, instruments, apparatus, accessories and parts thereof, ambulances, required for the provision of health services, imported on the recommendation of the Secretary in charge of subject of Ministry of Health, subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	14.4	8.1	0.05

[a] *Revised*
[b] *Provisional*

Name	**Ingredients other than Maize, Lentils and Rice to Manufacture Animal Feed & Poultry Feed.**		
Description	Ingredients other than maize, lentils and rice, for the purpose of manufacturing animal and poultry feed, and linear low-density polyethylene, classified under HS Code 3920.10.90, by a Silage Manufacturing entity to supply silage to the local livestock farmers imported on the recommendation of the Secretary to the Ministry in charge of subject of Livestock, subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	9219.0	7818.4	4884

[a] *Revised*
[b] *Provisional*

Name	**Parts & Accessories of Motor Vehicles and Locomotives.**		
Description	Parts and accessories of motor vehicles and locomotives imported by the Sri Lanka Transport Board and Department of Sri Lanka Railway, on the recommendation of the Secretary to the Ministry in charge of subject of Transport, subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Sri Lanka Transport Board and Department of Sri Lanka Railway		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote public transportation through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	1.4	12.4	1.5

[a] *Revised*
[b] *Provisional*

Name	**Lacquers, Coating and Varnishes used Exclusively for Coating of Metal Cans and Closures used for Packing of Food.**		
Description	Lacquers, coatings and varnishes used exclusively for coating of metal cans and closures which are used for packaging of food, imported on the recommendation of the Secretary to the Ministry in charge of subject of Industries, subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	115.0	38.3	36.7

[a] *Revised*
[b] *Provisional*

Name	**Approved Capital Goods Imported or Locally Purchased for Selected Facilities under the Bonded Warehouse Scheme.**		
Description	Approved capital goods imported or locally purchased for the construction of dairy manufacturing facilities, pharmaceutical manufacturing facilities, medical equipment manufacturing facilities, solid waste management facilities and renewable energy generation facilities under the Bonded Warehouse Scheme, on the basis of exemption of selected duties and taxes, subject to recommendation by the relevant regulatory agency, approval by the Secretary to the relevant line Ministry and the Director General of Customs, and policy compliance approval by the Secretary to the Ministry of Finance		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	11.0	2.5	3.7

[a] *Revised*
[b] *Provisional*

Name	**Raw Materials and Packing Materials for Manufacturing of Pharmaceuticals.**		
Description	Raw materials and packing materials for the manufacture of pharmaceuticals, imported by the pharmaceutical manufacturers, on the recommendation of the Secretary to the Ministry in charge of Health, subject to approval of the Director General of Customs		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	427.4	494.5	397.3

[a] *Revised*
[b] *Provisional*

Name	**Products and Preparations Registered as Drugs Medicine under NMRA.**		
Description	Products and preparations certified by the Ministry of Health as having been registered as drugs under the National Medicines Regulatory Authority Act, No.5 of 2015, imported subject to approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	805.3	869.9	525.4

[a] *Revised*
[b] *Provisional*

Name	**Raw Materials for Manufacturing Ayurvedic Medicine.**		
Description	Ayurveda, Siddha and Unani, raw and prepared drugs (other than Cosmetics Preparations) and medicinal plants and Ayurveda, Siddha and Unani medicinal raw materials, specified by notification published in the Gazette by the Director General of Customs in consultation with the Secretary to the Ministry in charge of subject of Indigenous Medicines, imported on the recommendation of the Secretary to the Ministry in charge of subject of Indigenous Medicines, subject to approval by Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	57.4	11.8	32.3

[a] *Revised*
[b] *Provisional*

Name	Materials for Agriculture Purposes.		
Description	Following equipment, accessories and parts thereof, for the use in agriculture and related activities, imported on the recommendation of the Secretary to the Ministry in charge of the subject of Agriculture, subject to approval of the Director General of Customs; weather stations, greenhouses, poly-tunnels, sprinkler/misting systems, drip irrigation systems, fertigation systems, hydroponic systems, mulch films, pond liner, hydroponic trays, horticulture lamps and shade for netting.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote investment and strategic economic activities through targeted import duty exemptions.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025[b]**	**01.01.2026 – 30.06.2026 [b]**
	450.2	393.5	146.3

[a] *Revised*
[b] *Provisional*

Name	Raw Materials for Sanitary Napkins.		
Description	(i) 3920.10.20 (Polyethylene Film – Not metalized, of a width exceeding 110 mm but not exceeding 230 mm, of a kind used in manufacturing of napkins, sanitary towels), 3920.10.90 – Other (Polyethylene Film (W)) and 3926.90.99 – Other (Polypropylene Film) by domestic manufactures of sanitary napkins and; (ii) 4818.90.20 (Tissues in jumbo rolls exceeding 15 cm in width), 4818.90.90 (Other-Tissues below 15 cm in width), 3921.90.19 (Other- Front Tape), 3920.10.90 (Other- Breathable Back sheet), 3920.20.20 (Strapping tapes) and 3920.20.90 (Other- PP Front Tape) by domestic manufactures of diapers on recommendation of Secretary, Ministry in charge of subject of Industries and approval of the Director General of Customs.		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Revenue Protection Order No. 01/2026 issued under the Revenue Protection Act, No. 19 of 1962		
Objective	To promote women's health and social walfare by improving access to affordable sanitary hygiene products while supporting domestic manufacturing.		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024 [a]**	**2025 [b]**	**01.01.2026 – 30.06.2026 [b]**
	77.8	55.5	11.6

[a] *Revised*
[b] *Provisional*

Name	**Port City Duty Free Shop – Imports.**		
Description	CID exemptions granted to imports of Port City Duty Free Shop		
Type of Tax	Customs Import Duty		
Beneficiaries	Individuals or Entities		
Type of Measure	Exemption		
Legal Reference	Colombo Port City Economic Commission Act No. 11 of 2021		
Objective	To promote investments within the Colombo Port City		
Source of data	Sri Lanka Customs		
Estimation Method	The cost of this measure reflects administrative data provided by SLC		
Estimates	**2024**	**2025[a]**	**01.01.2026 – 30.06.2026 [a]**
	46.0	756.5	456.3

[a] *Provisional*

Department of Government Printing