

Executive Summary

Tax compliance is the key problem confronted by the Inland Revenue. In order to achieve economic growth effectively the level of tax compliance must to be improved and maintained. Even though tax administration initiated various activities to improve tax obligations compliance rate is at low level. Therefore the field project “Introducing a mechanism to improve corporate sector Income tax compliance” in the Department of Inland Revenue addressed this key problem associated with the Inland Revenue which requires improving tax compliances. The effect of tax compliance extended to the identified revenue gap in the income tax sector.

The key problem identified in this project is as the declining of the income tax compliance in the corporate sector which was noted both in tax return and revenue compliance. Theoretical underpinning was carried out to identify effecting factors and the areas for development. The literature review suggested a few areas needed to be improved in order to find out the solutions to the identified problem and provided the scope to develop the study framework to address the identified negative sequence.

The project addressed vital components such as current situation analysis, tax audits, tax awareness and improvement to the existing process. The art of this project was addressed to develop both internal and external factors for the compliance development process. The current situation analysis was conducted utilizing techniques such as Ishikawa diagram to gather information specially to identify the exact causes effect to the key problem. To justify other components used for the objective of the tax compliance improvement, detail analysis was conducted on the each component which was selected for the project with the resource allocation plan. The cost estimation, the benefit analysis and the projected output and outcome were identified to grasp the idea of the viability of the project. .

Finally, it has been made recommendations to minimize the negative consequence in the income tax compliance in the corporate sector and to attain departmental objectives successfully and sustainably.