

Executive Summary

This policy paper endeavoured to give a proposal for streamlining the Nation Building Tax system, to achieve the NBT target of the Department of Inland Revenue. Nation Building Tax is a third major revenue generator compared to total revenue collection of the Department. Therefore, this study is highly important to the future of the Department of Inland Revenue. As the NBT is totally based on the turnover of businesses, it is expected to collect more revenue from NBT with the increasing business trend of the country.

The study was carried out in order to find out reasons for not increasing the NBT revenue. A standardized questionnaire and interviews were used as primary data to find out the ideas of several stakeholders of the IRD to evaluate the NBT system, shortcomings of existing system and collecting proposals and suggestions for improvement. A questionnaire consists of 17 main questions and 25 sub questions. Findings of the questionnaire were further strengthened by the responses gained from the results of interviews.

During the course of the study, it was evident that the existing rate applying method and existing liable turnover limit is not a major issue for not increasing the NBT revenue. After analyzing of collected data, it was defined that the main issues relate with rapid policy changes and weaknesses of tax administration. Because of not having a proper administration mechanism and procedures, the NBT revenue has not been increased over the last three four years.

Every identified policy issue will always have to remedied or resolved by taking in to consideration of suitable policy recommendations. Accordingly, this study tried to give recommendations for increasing the NBT revenue collection. Recommendations were made by analyzing, the collected data on proposals. The highlighted recommendations were, conducting taxpayer awareness programmes, improving the quality of existing taxpayer awareness centers, conducting effective trainings for tax officials, establishing closer co-ordination through modern technology between other agencies, re-consider existing NBT exemptions, designing annual NBT return and do necessary policy changes for it, introducing new techniques and improving, RAMIS for future requirements and re-establishing the NBT unit in the Department.