

EXECUTIVE SUMMARY

As a main revenue collector from the public in Sri Lanka, the IRD has more responsibilities. According to the vision and mission of the organization, IRD should collect taxes on behalf of the country to its future developments. For that IRD has 1232 staff officers from ACIRs up to CGIR and another 1514 of other services officers. Last six years the collected revenue from the IRD was Rs 500,000,000,000 in average and its contribution to the government revenue was nearly 40% and its contribution to the GDP was nearly 5%.

Although the IRD officers empowered by the Inland Revenue Act No. 10 of 2006, there are some policy issues that they had to face time to time. Among those problems, determination of professionals' income was very important because executive officers who are experienced more than 30 years in the particular field also didn't have a method to do that properly. Not only Sri Lanka, but other countries have faced the same problem. Then that was a globally existing problem for a long time but no one has been able to sensibly touch it so far. Therefore, the writer tried to introduce a new income determination method for professionals and then the writer thought to increase their tax compliance effectively and efficiently.

To make that purpose a success the writer reviewed the literature of the issue and tried to get some international tax officials' ideas about the problem. Developed countries such as the UK, Australia and Korea have medical insurance method to touch doctors' income but even in those countries they didn't have a proper method to determine the true and the total sum that a professional receive.

The writer selected four samples to collect quantitative data such as IRD staff officers, professionals, International tax officials and other public. The survey was done by hand, by e-mail and by post. In the mean time the writer collected qualitative data from interviews with more than 30 years experienced IRD officers and more than 20 years experienced professionals. There were some face to face interviews as well as telephone interviews. After getting data and analyzing them, the writer could get a clear idea about the policy issue and could find some important findings such as the way almost all officers used to determine professionals' income. What the writer realized with the findings was those officers were not satisfied with those methods that they have used so far. Therefore the necessity of introducing a proper method is highlighted by all respondents.

Finally main recommendations were changing the return of income according to the main source of income, especially introducing new return for professionals with monthly summary sheets and issuing free invoice books or software or both to issue invoices when they charging money. To make the whole process a success IRD officers have to follow up and should make all citizens aware about new system like "Giving money or charging money without taking or issuing an IRD approved invoice is a punishable offence"

This is not a legal problem because according to the Inland Revenue Act No. 10 of 2006 sec. 106 (1) the CGIR has powers to design a return for the tax payers and they don't want waste their money, time or technology or something for the new system. Then the writer decided this new method is practical and implementable without any harassment and with the IRD vision and mission to achieve its goals successfully.