Executive Summary

The Department of Inland Revenue (IRD) dominating as the major tax revenue collector to the Sri Lankan government over the years. The importance of earning higher tax revenue has been increased gradually, IRD has to play its role strategically in order to meet the financial requirements of the Government of Sri Lanka. The department is facing huge challenges in increasing its tax payer base as it is a clear reflection of the strength of the department as well as the country to the world. Therefore, the department has identified this as a critical issue and need to find solutions to enhance its direct tax payer base. At present the tax revenue collection comprises of over 80% of indirect taxes and less than 20% as direct taxes. There is an emerging need to improve the direct tax base to be fair, equitable and have less tax burden to the citizens of the country. The author selected the enhancing of professional tax payers as a key initiative towards the path of increasing direct tax base of the country. The project addressed increasing professional tax payer base by streamlining the process of the existing unit through improved audit and investigating strategies and through education of tax payers, establishing the comprehensive data base system through market intelligence and improve the capability of the existing staff through training is also looked at as a strategy.

The author has done a theoretical underpinning for the prevailing issue to find the theoretical base and get lessons from other country practices to see actions taken by them in order to improve their direct tax base and to overcome difficulties in implementation. In order to achieve this the author has extensively studied the practices undertaken by several countries and finally encapsulated the solution under three main components such as to improve process, get proper information channel through market intelligence and training and development of the officers of the unit.

The project scope has encompassed current situation analysis, process improvement initiatives, establish data base management system as well as training and development. Current situation analysis entailed with root cause analysis, several brainstorming sessions to identify the causes and effects of the lagging problem. It was supported to develop the solutions in other components.

The author has proposed to enhance efficiency of existing branch by allocating officers to enable closer supervision of the professional sector by enhancing audits and investigations through better usage of market intelligence and productivity by improving quality of training initiatives. Further the author prepared the action plan for the unit, activity plan and identified the resources required with project team.

Thereafter cost benefit analysis has been made to verify viability of the project. Then, projected output and outcome have been explained in a detailed manner. Finally, the author elaborated the main findings and recommendations based on the identified remedies. This study addressed common problems typical to the department and it is intended to overcome such issues in an efficient manner by upturning the trend of tax contribution to the GDP.