

Executive Summary

Corporate Income Tax plays a pivotal role in the collection of revenue as it being a main direct tax arising from the stable source of formal legal entities in the jurisdiction of Sri Lankan taxation framework. Tax compliance from the corporate sector is utmost important as corporate taxation forms the integral part of the country's tax system. Since the Department of Inland Revenue has been facing a problem of declining trend in Corporate Income Tax compliance, importance of this study cannot be discounted. This study provided a taxpayer a centric new system to the department of Inland Revenue to improve Income Tax compliance for the corporate sector.

The study was carried out in order to unveil causes behind the low compliance problem in Corporate Income Tax. The internal and external environmental analyses were performed in order to identify the department's strengths and the weaknesses, and the opportunities and threats to which it is exposed. The Root Cause Analysis was carried out in order to discover root causes of the problem.

In this study it was discovered that the IRD has been facing issues in core competencies of their workforce. The inherent deprived attitudes of the traditional staff cause negative impact on their quality of service delivery. It was revealed that non-existence of responsible officer to look into taxpayers' service related issues had a major impact in tax morale of the taxpayers. The lack of a versatile service oriented e-service platform has brought about a technological gap between the regulator and regulatee. The unplanned ad-hoc awareness initiatives have only brought minor achievements in productivity. At the same time, it was found that non-availability of Risk Information Management System caused a major issue in managing compliance risk.

In this MFP designed a capacity development initiative followed by a customized taxpayer service oriented training and development program in order to change the behavior and competencies of the staff in the Corporate Tax compliance function. The systematic awareness program was designed for the corporate taxpayers. The revolutionary SLIRD Mobile Application was planned to be designed and implemented with the enhanced e-services. RIMS program module was planned to be designed and implemented. Moreover, a Hard-Soft model was proposed to facilitate Corporate Income Tax compliance together with an assortment of recommendations.