

## EXECUTIVE SUMMARY

Department of Inland Revenue is a leading guidance in monitoring the finance engaged in the collection of tax revenue for the government coffers under the Ministry of Finance. This department places a major role in collecting revenue for the government like that of the Custom Department and the Excise Department. Transfer pricing is newly emerged tax arena where MNEs attempt in going beyond the arm's length principle and handling shifting profits into low tax or no tax jurisdictions.

Transfer pricing unit was established (2013) in IRD with the view to dealing with such complicated transactions of much trouble to revenue authority in Sri Lanka. Having passed five years since its origin, the unit has completely failed in collecting the expected revenue to the department. This was clearly signified in comparison of the normal auditors and TP auditors contribution to the additional revenue (performance gap is 90%).

When the normal audit and TP audit contributions to total revenue contribution were compared, it clearly showed that the performance gap was 97% and number of audits finalized that the expected audits performance gap was 67%. These figures signified the ineffectiveness of the TP unit leading to a non-productive arm of the IRD. Having studied the analyzed facts and information in the available scholarly literature, it was able to recognize the real incapability and inefficiency in which paved the way to make a model to restructure the TP unit in better way.

Based on the gathered solid facts, the author could identify strong study framework to restructure the TP Unit. This study revealed that the training of TPOs, automation of audit functions and process improvement of TP unit have to be performed in increasing tax revenue by the end of 2019. The resource allocation was done as per the project components in promoting the perspectives of the project

The Cost- Benefit analysis was done on the estimated basis, and projected output and outcome have been presented at the end of the Chapter four. Chapter five discussed the project components and their importance in the process of the implementation. In conclusion, fruitful recommendations have been presented in achieving successful results.