

Executive Summary

Taxes are the main income source of Sri Lankan government. 82% percent of tax revenue comes from indirect taxes. Decline of indirect tax collection is one of the main problem faced by IRD. This project is to find and recommend solution for reduction of indirect tax. Main objective of this project is to fill 10% performance gap in VAT. Over the years tax ratio goes down from 22% to 12.6 % level. Same time IRD contribution to government revenue drop down from 55% to 40% in last decade.

IRD has a rich history and reputation in tax administration. SWOT analysis shows HR factor and RAMIS is the big strength of IRD. Reduction of tax evasion and administrating digital economic activity is a weakness of IRD.

Reduction of indirect tax evasion is a challenge for IRD in current circumstances. People those who are liable to pay tax; do not comply with the tax law, by misreporting and paying fewer taxes there by breaking the laws known as tax evasion. Tax evasion happens in various form. To reduce tax evasion, current situation must be analysed. After the study of tax evasion literature writer found a study framework that will help to reduce tax evasion. Process changes in tax administration, introduce automated system for VAT, conducting taxpayer awareness program and increasing audit process are the four factors that will contribute to reduce tax evasion.

Project resource allocation prepared according to the five project component .Based on that cost estimation and expected benefit was prepared. There are several projected output in the project. Increasing VAT and NBT revenue collection, increasing tax base, improve tax and compliance behaviour are the main outcome of the project. Most of the resources can be obtained from IRD and project team comprise various staff grade officers and supporting staff.

Discussion of finding help to understand project in strategical way. Writer gain conceptual skills and technical skill from project finding. Continuous taxpayer programme and proper monitoring system and introduce e invoices are main findings of the project. Project recommendation is presented with the aim of increasing efficiency and effectiveness of the department. Field project study recommends that a further continuous study should be done in tax evasion field. Business world is dramatically changed every movement. Tax authority keep an eye on that and hence caught tax evaders into proper tax net.