

EXECUTIVE SUMMARY

A sound and robust tax system plays a vital role achieving growth, sustainable development, and well-being of the society. In this regard, government needs to collect adequate revenue for the country while releasing due tax refunds on time.

Tax on value addition was introduced to supersede the cascading effects which had under the Business Turnover Tax (BTT). In this regard Sri Lanka has executed the invoice based credit method which is known as Value added Tax (VAT). This paper addressed the problem of delay in VAT refunds which hits the cash flow of taxpayers while analyzing challenges on releasing VAT refund in the light of the RAMIS project.

The paper clearly highlighted the difficulties faced by exporters and indirect exporters in terms of their financial constraints, and due to that fact, how such persons try to bypass the statutory laws and statutory adjustments. This paper highly explained the relationship between the delay in VAT refund and increasing of cost of goods and services. From the studies, it sees that Sri Lanka takes more time than the developed countries and other neighboring countries. Further, Sri Lanka refunded very low amount from the collection of VAT revenue. Due to this current situation, Sri Lankan government has lost considerable revenue by annually.

This project paper identified the above problem and suggests necessary mechanism for expediting the VAT refund system. The methodologies adopted was based on the studies on existing literature including technical and conference papers, internal web papers, reports commentaries and with special reference to the field reports. In particular, this field paper identified the three objectives such as reduce the cross checking timing of VAT invoice, eliminating the VAT 31 process and improve the awareness of the tax payers and explain a study frame work in order to addressed to the identified project components. Further it discussed about resource allocation, cost allocation, and action plan giving due consideration in implementing this project. Further, based on the findings of the field paper, it emphasized the urgency for Sri Lanka to take action in order to expedite releasing of VAT refunds while safeguarding its revenue.