

EXECUTIVE SUMMARY

The Department of Inland Revenue (IRD) is still facing a higher tendency of non-compliance among taxpayers. Higher compliance means more income can be collected and hence, more money can be kept to develop the countries and funding the welfare of the society. By enhancing tax compliance, the tax ratio to GDP will go up. Therefore, this field project endeavored to give a proposal for enhancing tax compliance in Sri Lanka.

The purpose of the study to suggest possible ways to enhance the tax compliance in Sri Lanka. The two objectives of the project lead the study towards its purpose. The secondary data was used for the study. The secondary data was gathered from Inland Revenue Performance reports, Central Bank reports, Ministry of Finance and from various research data relating to the subject.

When analyzing the data, it was evident that some factors which are affecting the tax compliance. These findings included low tax knowledge, weak administration, complex in tax law and weak automation. These findings suggested that training and education, tax administration and automation systems are contributing factors towards enhancing tax compliance in Sri Lanka.

Every identified project component always has to remedy or resolved by taking into consideration suitable recommendations. Accordingly, this study tried to give recommendations for enhancing tax compliance in Sri Lanka. Recommendations were made by analyzing the secondary data on the proposal. The highlighted recommendations were, conducting tax awareness programs for taxpayers and government staff grade officers, need more publicity and do more tax awareness advertisements and programs through TV, radio, and social media. Also, increase the number of tax file audits and field audits, taxpayer's services can also be enhanced by giving correct guidance on how the tax return forms are to be completed correctly, increasing public relative events, providing proper consultation services to taxpayers through telephone, facsimile, etc. through launching 'one stop shop' service centers in all regional office. Further, when interfacing government departments with IRD need an evaluation of several ratios of the firm like gross profit against industry norms to identify any unusual income or deduction patterns.