EXECUTIVE SUMMARY

At the arriving the expected revenue target tax compliance was the most important factor. Poor income tax return compliance in corporate sector was remarkable issue in Sri Lanka. For the year of assessment 2015/2016 only 30 per centum corporate income taxpayers among registered taxpayers had furnished the return of income on due date. This project aimed to discuss the key grounds for income tax return non-compliance in corporate sector and significant results of the problem. The analyzing tools were used to identify environmental and immediate causes that were affected to the Department and the problem. Limitations such as unavailability of secondary data and researches were barriers to the project.

With 86 years history, the Department of Inland Revenue has played vital role in the country. In 2017, contribution of the tax revenue to the Gross Domestic Product (GDP) is 12.6%. The Inland Revenue Department (IRD) administrated ten types of taxes during the year and Department contribution to the Government revenue was 38.05%. As a percentage of GDP was 5.42%. SWOT and PESTEEL tools were used to identify environmental and other elements that affects to the Departmental performance. Identified key problem was noncompliance behavior, specially, tax return noncompliance behavior of taxpayers. This was affected to Government revenue, budget deficit and cost income ratio of Department.

Many scholars and researches had studied the factors affected to the tax return non-compliance. They had found many reasons that were led to the issue. These grounds could be identified under the three main categories: employees related issues, tax policy, procedure and process related issues, and taxpayers related issues. The knowledge, skills attitudes and behavior of the workforce; complexity, fairness, transparency and friendliness of process; and education, perception and awareness of tax payers were recognized as critical causes that are affected to the question.

Clear directions for achieved, accepted tasks were introduced and discussed in this project. Specific, measurable, achievable, realistic and time bound objectives were set. Current situation was analyzed by using cause and effect tool and main, direct and burning causes for the issue were identified. Employee training, database and process development and tax payers' education were accepted as components for resolve the issue. Human, financial and physical resources

requirement and allocation for the project, cost benefits analysis also conducted and projected outputs and outcomes were recognized.

By implementing the project many benefits could be achieved. Improving knowledge, skills, attitudes and changing employee behavior in taxpayers friendly way, developing database and improving the tax return compliance monitoring process, and enhancing taxpayers awareness and developing positive perception towards the Department were benefited of the project and recommendations were provided to success of the projects. Finally, 3P model (performance, perception and participation) has introduced to achieve the objectives of the project.