

## EXECUTIVE SUMMERY

This project focus to identify causes related to the lower number of refunds to tourists under Tourist Value Added Tax Refund Scheme. Sri Lankan Tourist Value Added Tax Refund Scheme is started its operation in 2018 with the expectation of being shopping hub in South Asia. The project problem is justified as refund take up ratio and refund coverage ratio are far behind the international empirical evidences. The overall objective of the study is decreasing cost of refund per Rupee by increasing number of refunds claiming. Since the recommendations of the project can be adopted for general Value Added Tax refund scheme, significance of the study is very high. Author identified the inherited reasons of the lack of productivity in the tourist refund process by using SWOT, PESTEL and Cause and Effect analysis. Further, to collect primary data from tourists a questionnaire was used and to collect the details from other stakeholders, employees of Inland Revenue Department and Authorized Retailers, face-to-face discussions were done. However, this study has been completed within several limitations such as data, scope, and legal bounds.

Tourist Value Added Tax Refund Scheme has not shown any significant impact on tourism shopping or the taxation of retail sector as per secondary data. The Tourist refund take up ratio was 0.03% in its first year while the international evidences shows it was around 3% in a paper-based system. Average refund coverage ratio in other countries is 78.7%, but in Sri Lanka, it is around 33%. As a result, cost of refund per rupee has increased up to Rs.2.36 and the burden on the poor domestic taxpayer is 86% of total cost. Information collected from questionnaire, interviews, and scientific causes and effects analysis confirms that the lower numbers of refunds are due to the lack of satisfaction on paper-based invoice management system, low number of tax-free shops, long time-consuming process, unclear law and procedures and lack of involvement of all stakeholders. The reasons behind the lack of stakeholder involvement are lack of awareness of tourists and Authorized Retailers and the lack of involvement of employees of Inland Revenue Department to make efforts for promotions on refund scheme and changing work environment.

The theoretical studies performed under the areas that identified from the cause and effect diagram. It was analyzed under four key areas. First was Tourist Value Added Refund Scheme. Secondly, invoice management system, thirdly, refund-claiming process, finally,

stakeholder's involvement. The theoretical background has given foundation to identify the problem and enlighten solutions, which may helpful to resolve the problem. Through theoretical study, it was notified that investing technology on refund management system, claiming process improvement, and increasing stakeholder involvement through promotions, awareness, and training on technology and changing attitude are usually more usable when streamline tax functions, attracting more tourists and vendors for Tourist Refund Scheme. Accordingly, theoretical background helped to build study framework and identify the project components as invoice management system, refund claiming process and stakeholder's involvement.

The main project objective is decreasing cost of refund per Rupee from Rs. 2.36 to Rs.0.14 by increasing number of refunds from 0.03% to 4% of total arrived tourists within 01<sup>st</sup> year of implementation of the project. Other objectives are to increase refund coverage ratio from 33% to 95%, to reduce claiming process time of a tourist from 72% to 25%, to increase tourist involvement by increasing tourist refund claiming ratio from 24% to 95% while increase Authorized Retailers involvement by increasing compliance rate from 73% to 95%. This project focus to increase number of refunds claims by streamlining the Tourist Value Added Tax Refund Scheme. Each project components were discussed in detail with issues related to main problem. Current situational analysis of each component was discussed to identify the loopholes. The solutions are developed based on the analysis and have referred as appendices of this project report. With intention of starting this project, requirement of resources: time and human resource, are identified by the Author based on need and relevancy. The areas of the responsibility and the owner of the jobs with output and outcome of the project are identified. Cost and benefit analysis are done to take decision of starting this project as a pilot project for adopting e-invoice management system in Sri Lanka.

The project recommendations have listed under the chapter five after revealing the finding of the study. The Author recommended to introduce e-invoice management system, redesigned new process flow with the option of choosing credit/debit card payment and amending related law, increasing of stakeholder involvement by conducting promotions, awareness and training programs and establish separate single unit to handling files related to Tourist Value Added Refund Scheme.