

EXECUTIVE SUMMARY

This Management Field Project Report is presented to the Inland Revenue Department (IRD) in Sri Lanka to improve the VAT productivity ratio of the construction sector through administration. The VAT is a tax on consumption. The ultimate VAT burden is passed on to the consumers. Therefore, VAT collection as a percentage of GDP into standard VAT rate should be at an optimum level to generate potential revenue. Since the ratio of the construction sector is at lowest level, this report explains the methodology of improving it in the IRD.

The vision, mission and strategic goals describe the intentions of the IRD. Implementation of this Project has a direct link with the future of the IRD. Through SWOT analysis, the weaknesses and threats that result in the problem and strengths and opportunities to address the problem were discovered. Then, the report illustrates the impact of having low VAT productivity ratio in construction sector based on secondary data.

Studying the theoretical background of the problem provides a clear understanding of ways to resolve the problem. Economic deterrence theory and the behavioral approach discussed by authors in relation to the voluntary tax compliance is prominent to this problem. Based on the strengths of both theories, the Project drivers were identified. The Project drivers are: process improvement, employee training and taxpayer awareness.

This Project should be implemented by firstly analyzing the current situation. The SWOT analysis, root cause analysis and stakeholder analysis were performed for that purpose. To improve the administration processes, a separate construction sector VAT unit should be established. In that unit, it is suggested to measure the voluntary compliance and initiate the suggested work items. To perform the assigned functions effectively, selected employees need to be trained with the suggested training process and must raise awareness to the tax payers of the construction sector. Financial benefits, promoting tax payer service function and many other benefits of the Project are also in line with IRD vision and mission.

The report clearly describes the reasons why this Project should be carried out in IRD. Finally, the author recommends to cultivate professionals within and outside the IRD, cooperate with tax payers by investing more on tax awareness and changing the processes to improve the VAT productivity ratio in construction sector.