

Exploring Potential Tax Compliance Approaches during a Pandemic Situation

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COVID-19 has triggered a severe economic collapse in Sri Lanka. Tax revenue has declined steeply, with businesses closed and operating at reduced hours. The rapid decline of the economy and uncertainty about the future revenue generation and foreign aids persuade tax policymakers to take immediate action and explore potential avenues that will support in dealing with the crisis. However, it is essential to consider the taxpayers' ability to contribute to revenue generation in a pandemic situation rather than implementing unbearable strategies abruptly. This research aimed to analyze different tax players' perceptions of the possible approaches to increase tax revenue during the pandemic. The study uses a qualitative method by collecting data through in-depth interviews with thirty-five taxpayers. The sample for the analysis was selected from the small and medium taxpayers who do business in the Colombo district in Sri Lanka. Focused Group Discussions were conducted to collect data from people playing various roles in the tax field. The results found possible actions to reduce the tax burden on people and increase tax compliance. Besides, the researchers attempted to uncover perspectives of the different actors in the tax field, which will give some insight into what the taxpayers expect in a pandemic situation. The study suggests that granting additional time for taxpayers to attend tax matters due to lockdown, allowing to re-schedule default tax payment plans, approving extensions to pay current taxes, and speeding up the process of refunds are required as urgent interventions in the tax field. Also, the study found that making available more online tax services will support reducing non-compliance. Easy access to new tax file openings, penalty concessions, audit policy changes, and introduce more benefits for the taxpaying community will keep the tax compliance level uninterrupted. The study highlights the requirement of policy changes and the revisions to tax administration during COVID-19 in Sri Lanka.

Keywords: COVID-19; Focused Group Discussion; Revenue; SME Taxpayers; Tax Compliance