The impact of Tax Policy Changes and Gross Domestic Production on the Tax Revenue in Sri Lanka

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Abstract

Taxation is a mode of revenue mobilization, providing resources for National Budgets and forming an important part of the macroeconomic management. The tax revenue is one of the major sources of income in every government. Tax policy and Gross Domestic Production influence to the government revenue of a country. Sri Lanka has been continuously producing budget deficits even though the tax revenue as a whole has been rising throughout the years. This study aims to identify the impact the tax policy changes and GDP of Sri Lanka has had on the tax revenue collected in Sri Lanka covering 17 years throughout the period from 2000 to 2016. Data was analysed using trend analysis and with the aid of IBM SPSS, OLS regression and correlation was used to understand the impact. The overall model predicts 89% of variance in the tax revenue. The results revealed that the correlation analysis confirms that there is no significant relationship between tax policy changes and tax revenue and the Gross Domestic Production of the country has a positive and significant impact on the Tax Revenue.

Key Words: Tax policy changes, Gross Domestic Production, Tax Revenue, Budget Deficit