

The impact of Gross Domestic product (GDP) on Income Tax in Sri Lanka

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Abstract

Since becoming independent from Britain in February in 1948, the economy of the country had been affected by number of insurrections in 1971, 1978- 89 and the 1983 to 2009 civil and natural disasters in 2004 Indian ocean earthquake. In Sri Lanka, tourism, tea export, apparel textile, rice production and other agricultural products are the main economic sectors which are contributing to the development of GDP. In addition to these economic sectors, overseas employment contributes highly in foreign exchange, most of them from Middle East (Central Bank Report, 2010). The research question is developed from empirical evidences and previous literatures. Researchers raise “why the income tax changes differ from the changes of GDP” in Sri Lanka? as a research question. The objective of the research is to assess the linearity of the income tax & GDP in Sri Lanka and to find out the gap between the income tax and GDP in Sri Lanka. For this study, the primary and secondary data were used. The secondary data were collected from Central bank reports, articles and Journals. ICASL guides to income tax law and economic review and the primary data were collected by interviewing tax payer, tax authorities from Inland Revenue Department. Researchers used data during the period from year 1990 to 2010 for this study. E- views was used to analyze the data. It is proposed to explain the findings and to make suggestion with the recommendations to the Government, revenue department and different types of the tax payers to have cooperative efforts to build up the national assets and to increase the flow of income tax payment from the public.

Keywords: *GDP, income tax*

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