

IMPACT OF DIRECT TAX ON ECONOMIC GROWTH OF SRI LANKA AFTER 1990

Direct tax has become a major tax source in developed and developing countries. That is one of the instruments of fiscal policy. Thus, this research is about the impact of direct taxes on the economic growth of Sri Lanka after 1990. According to the researcher, the main objective of this research is to find out the impact of direct taxes on the economic growth of Sri Lanka after 1990, and the sub objectives of the research are to identify the correlation between GDP and income tax, international trade tax, and stamp duty, and to examine the total direct tax trend in Sri Lanka after 1990. The research is based on time series data. A multiple regression model was used to analyze the data using E-Views and descriptive analysis was also used. The secondary data was collected from the Inland Revenue Department of Sri Lanka and the Central Bank Report of Sri Lanka. According to the time series analysis, it was found that Income Tax, International Trade Tax, and Stamp Duty Levy significantly influenced gross domestic product (GDP) in Sri Lanka after 1990. The long-run relationships between stamp duty and GDP have been positively and statistically significant at the 1-unit level. International trade tax and stamp duty were correlated with GDP before 2004. According to the total direct tax trend in 2006, there was a sudden increase in the direct tax revenue. The revenue increased slightly more than in the previous year. Stamp duty and GDP have been far away. So, the Inland Revenue Department needs to introduce a new amendment to the stamp duty. Like that, international trade tax is included in direct tax. It includes import duties, export duties, profit of export or import monopolies, exchange profit, and exchange taxes. After 2018, the international trade tax rate began to decrease at a slow level. So, Sri Lanka's government needs to increase the international trade tax rate in the future. And after 2006, the Stamp Duty level increased slowly. But the Sri Lanka government changed the Stamp Duty act in 2006. So, the government needs to redesign the Act on Stamp Duty.

Keywords: Direct tax, Stamp duty, International trade, Income tax

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