

**A STUDY OF CORPORATE TAX COLLECTION FROM
COMMERCIAL BANKS**

Submitted By:

Basant Sharma

T.U. Regd. No. : 5-1-15-608-2002

Campus Roll No.:406(065/067)

Second Year Roll No: 280032

Central Department of Management

Kirtipur

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In The Partial Fulfillment of the Requirements for the Degree of

Master of Business Studies (M. B. S)

Kirtipur, Kathmandu

November, 2011

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Basant Sharma

Entitled:

A Study on Corporate Tax Collection from Commercial Banks

has been prepared as approved by this Department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

.....
Prof. Dr. Puspa Raj Kandel
Thesis Supervisor
Central Department of
Management, Kirtipur

.....
Dr. Bal Krishna Shrestha
Chairperson, Research Committee
Central Department of
Management, Kirtipur

.....
Prof. Dr. Dev Raj Adhikari
Department Head,
Central Department of
Management, Kirtipur

Date:.....

VIVA- VOCE SHEET

We have conducted the viva-voce examination of the thesis

Presented by

Basant Sharma

Entitled:

A Study on Corporate Tax Collection from Commercial Banks

and found the thesis to be original work of the student written according to the prescribed format. We recommend this thesis to be accepted as partial fulfillment of the requirement for Master's Degree in Business Studies (M.B.S.).

Viva-Voce Committee

Chairperson (Viva-voce committee)

Member (Thesis Supervisor)

Member (External Expert)

Member (Central Dept. of Mgmt.)

Date:.....

ACKNOWLEDGEMENT

This thesis has been prepared to fulfill the partial requirements for the Master's Degree of Business Studies (MBS), Tribhuvan University, Nepal. In the process of preparation of this thesis, I got a lot of inspiration, co-operation and suggestion from various persons.

Firstly, I owe a debt of gratitude to and my respected thesis supervisor Prof. Dr.Puspa Raj Kandel, University Campus, Central Department of Management, Kirtipur. I am extremely indebted by their efforts despite of their busy schedule.

I am very much grateful to the officers of various commercial banks, Kathmandu, for their kind co-operation for my research works. It was a great opportunity for me to learn things from them where I could secure valuable experience.

I am also indebted to my respected teachers of University Campus, Central Department of Management, Kirtipur, who have assisted from their respected sectors. I am also thankful to the library members of Central Department of Management, Kirtipur and Central Library of T.U.

I would like to express more thanks towards all the members of my family who provided regular inspiration and continuous contribution for my success.

Thanks.

Basant Sharma

DECLARATION

I hereby declare that the work reported in this thesis entitled "A Study on Corporate Tax Collection From Commercial Bank" submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirement for the Master's of Business Studies (MBS) under the supervision and guidance of Prof.Dr. Puspa Raj Kandel of University Campus, Central Department of Management, Kirtipur.

Date.....

Basant Sharma

Researcher
Roll No:- 406/065
Central Department
of Management

TABLE OF CONTENTS

	Page
Recommendation Letter	i
Viva –Voce Sheet	ii
Declaration	iii
Acknowledgements	iv
Table of Contents	v
List of Tables	viii
List of Figures	x
Abbreviations	xi
CHAPTER – I: INTRODUCTION	1-9
1.1 Background of the study	1
1.1.1 Meaning of Commercial Bank	2
1.1.2 Functions of Commercial Banks	4
1.2 Statement of the Problem	5
1.3 Objective of the Study	5
1.4 Significance of the Study	7
1.5 Limitation of the Study	8
1.6 Organization of the Study	8

CHAPTER – II: CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE	10-32
2.1 Conceptual Framework	10
2.1.1 Meaning of Tax	10
2.1.2 Objectives of Taxation	11
2.1.3 Canons or Principles of Taxation	12
2.1.4 Types of Tax	13
2.1.5 Income Tax	13
2.1.6 Administration	14
2.1.7 Tax Administration	
2.1.8 Taxpayer Registration and Identification	15
2.2 Collection	16
2.2.1 Assessment	16
2.2.2 Audit	17
2.3 Brief History of Evolution of Banking in Nepal	18
2.4 Review of Literature	20
2.5 Research Gap	25
CHAPTER – III: RESEARCH METHODOLOGY	27-30
3.1 Introduction	27
3.2 Research Design	27
3.3 Nature and Sources of Data Collection Procedure	28
3.4 Population and Sampling	28
3.5 Method and Analysis	29

CHAPTER – IV: DATA PRESENTATION AND ANALYSIS	31-75
4.1 Structure of Nepalese Government Revenue	31
4.2 Contribution of Tax Revenue to the Total Revenue	32
4.3 Contribution of Direct Tax to Total Tax Revenue and Total Revenue	34
4.4 Structure of Income Tax Revenue in Nepal	37
4.5 Role of Corporate Tax in Nepal	38
4.6 Corporate Tax on Government Revenue	40
4.7 Corporate Tax Collection from Commercial Banks	41
4.8 Contribution of Corporate Tax Collection from Commercial Banks to Total Tax Revenue and Total Government Revenue	46
4.9 Contribution of Income Tax Collection from Commercial Banks in Corporate Tax and Total Income Tax	48
4.10 Relationship of Corporate Tax and Corporate Tax from Commercial Banks with Gross Domestic Product	50
4.11 Analysis of Empirical Study	52
4.12 Background of Response	52
4.13 Major Findings of the Study	70
CHAPTER – V: SUMMARY, CONCLUSIONS AND RECOMMENDATION	76-83
5.1 Summary	76
5.2 Conclusions	78
5.3 Recommendation	81
BIBLIOGRAPHY	84-86
APPENDIX-I: QUESTIONNAIRE	86-89
APPENDIX-II LIST OF COMMERCIAL BANKS	90-92

LIST OF TABLES

	Page
Table 4.1: Contribution of Tax Revenue & Non-tax Revenue to the Total Revenue	33
Table 4.2: Contribution of Direct Tax to Total Tax Revenue and Total Revenue	35
Table 4.3: Contribution of Corporate Tax to Total Income Tax	39
Table 4.4: Corporate Tax on Government Revenue	41
Table 4.5: Corporate Tax Collection from Selected Commercial Banks	44
Table 4.6: Average Corporate Tax Collection from Selected Commercial Banks	45
Table 4.7: Contribution of Corporate Tax Paid by Commercial Banks to Total Government Revenue and Total Tax Revenue	46
Table 4.8: Contribution of Income Tax Collection from Commercial Banks to the Income Tax and Corporate Tax	49
Table 4.9: Relationship of Corporate Tax Collected From Commercial Banks with Gross Domestic Product	51
Table 4.10: Effectiveness of Income Tax System in Nepal	52
Table 4.11: Causes of Effectiveness of Income Tax System of Nepal	53
Table 4.12: Causes of Non-Effectiveness of Income Tax System of Nepal	54
Table 4.13: Soundness of Tax Administration in Nepal	55
Table 4.14: The Responsible Causes for the Creation of Unsound Tax Administration of Nepal	56
Table 4.15: Options about the Current Tax Rate	57
Table 4.16: Sufficiency of Exemptions Items of Income Specified in the Act	57
Table 4.17: Improvements in Exemption Limits for Income Tax in Nepal	59

Table 4.18: Necessary Steps of Facilities Should be Taken by Government for Bank and Finance Companies	60
Table 4.19: Available Tax Concession for the Commercial Banks	61
Table 4.20: Steps that should be considered to Generate More Revenue from Banks and Financial Companies	62
Table 4.21: View about the Current Income Tax Rate	63
Table 4.22: Effectiveness of Income Tax in Nepal to Raise Govt. Revenue	64
Table 4.23: Adequate Contribution of Income Tax from Banking and Finance	65
Table 4.24: Causes of Inadequacies Contribution of Corporate Tax from Banking & Finance Companies	65
Table 4.25: Suggestion for Increasing Contribution of Income Tax to National From Banking Sector	66
Table 4.26: Effectiveness of Contribution of Corporate Tax to National Revenue From Banking Sector	67
Table 4.27: Particular Suggestion to Increase Corporate Tax from Banking Sector	68
Table 4.28: Complain of Banking and Financial Companies	69
Table 4.29: Existence Trouble For Paying Corporate Tax	69
Table 4.30: Existences Problem Faces by Banking and Financial Companies	70

LIST OF FIGURES

	Page
Figure 4.1: Contribution of Tax Revenue to Total Revenue	33
Figure 4.2: Contribution of Direct Tax to Total Tax Revenue and Total Revenue	36
Figure 4.3: Contribution of Corporate Tax to Total Income Tax	39
Figure 4.4: Contribution of Income Tax Paid by Commercial Banks to Total Govt. Revenue and Total Tax Revenue	47
Figure 4.5: Contribution of Income Tax Collection from Commercial Banks to the Total Income Tax and Corporate Tax	50

ABBREVIATIONS

CBS	:	Central Bureau of Statistics
CEDA	:	Centre for Economic Development and Administration
CIF	:	Cost Insurance and Freight
DT	:	Direct Tax
DTR	:	Direct Tax Revenue
DRP	:	Duty Refund Procedure
FY	:	Fiscal Year
GATT	:	General Agreement on Tariffs and Trade
GDP	:	Gross Domestic Product
GNP	:	Gross National Product
IDT	:	Indirect Tax
IEA	:	Industrial Enterprises Act
IRD	:	Inland Revenue Department
IRO	:	Inland Revenue Office
IT	:	Income Tax
IP	:	Industrial Policy
ITA	:	Income Tax Act
LC	:	Letter of Credit

MOF	:	Ministry Of Finance
NCC	:	Nepal Chamber of Commerce
NG	:	Nepal Government
PAN	:	Permanent Account Number
PL	:	Profit and Loss
TU	:	Tribhuvan University
UC	:	Under Construction
UO	:	Under Operation
VAT	:	Value Added Tax
WTO	:	World Trade Organization