

Contribution of House and Land Tax (Property Tax) to Total Revenue of Nepalgunj and Birendranagar Municipality

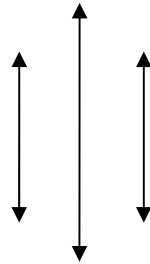
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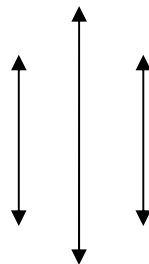
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RECOMMENDATION

This is to certify that the thesis

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Contribution of House and Land Tax (Property Tax) to Total Revenue of Nepalgunj and Birendranagar Municipality

Has been prepared as approved by this Department in the prescribed format of Faculty of Management This thesis is forwarder for examination

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VIVA-VOCE SHEET

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And found the thesis to be the original work of the student written according to the prescribed format. We recommend this thesis to be accepted as partial fulfillment of the requirements for Master of Business Studies (M.B.S.)

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DECLARATION

I hereby declare that the work reported in this thesis entitled "**CONTRIBUTION OF HOUSE AND LAND TAX (PROPERTY TAX) TO TOTAL REVENUE OF NEPALGUNJ AND BIRENDRANAGAR MUNICIPALITY**" submitted to **Shanker Dev Campus, Faculty of Management, Tribhuvan University** is my original work. It is done in the form of Partial fulfillment of the requirements for the **Master's Degree in Business Studies** under the supervision and guidance of **Prof. Dr. Kamal Deep Dhakal of Shanker Dev campus.**

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LIST OF ABBREVIATION

%	:	Percent
&	:	And
BMC	:	Birendranagar Municipality City
BS	:	Bikram Sambat
CEDA	:	Center for Economic Development and Administration
CR	:	Coverage Ratio
DDC	:	District Development Committee
Etc.	:	Etcetera
FY	:	Fiscal Year
i.e.	:	That is
LDM	:	Local Development Ministry
LSG	:	Local Self-Government
MBS	:	Master of Business Studies
Mgmt.	:	Management
Mis.	:	Miscellaneous
N.G.	:	Nepal Government
NMC	:	Nepalgunj Municipality City
No.	:	Number
Rs.	:	Rupees
S.N.	:	Serial Number
Sec.	:	Section
Sec.	:	Section
Sq. ft.	:	Square feet
TR	:	Tax Ratio
TR	:	Total Revenue

TU : Tribhuvan University
U.S.A. : United State of America
VAT : Value Added Tax
VDC : Village Development Committee
 Σ : Summation

CHAPTER-I

INTRODUCTION

1.1Background

The Himalayan nation Nepal is sandwiched between two large countries, India and China. Thus the economic development of the country largely depends upon the attitude and behavior of the neighbor countries. Nepal is located three sides by the territories of India with open boarder. So the development strategies of Nepal are always influenced by the attitudes and behavior of India. The primary goal of any nation including Nepal is to embark upon the path of economic development by economic growth rate and developing all sectors of economy.

The government of a country requires sufficient revenues to carry out development plans, to operate daily administration, to maintain peace and security and to launch other public welfare activities. The government collects revenues from various sources such as tax, revenue from public enterprises, special assessment fees, fines, grants, assistance etc. Among them, tax is the main source of government revenue. The revenue which is collected by the government can be classified into two classes; one is revenue from the sources of non tax action and another is revenue from taxation. Among them in Nepal nearly 80% of revenue is collected from taxation and 20% non taxation.

In the process of long lasting reconstruction, the participation of the whole people is essential. Different countries' histories have proved that decentralization is their major motto. It is obviously clear. The discussion on its reconstruction has been raised from rustic people as well as the city people. The solution on state's reconstruction has been raised

on the high level from different levels. Right after the people's movement that happened in 2062/063, it has been more valuable. Political parties, civil coordinator groups as well as other groups concerned to it, have been advocating for his content also. It has been assigned in the peace talk between the government and the Nepal Communist Party (Maoist).

Since the unification of the country, Nepal has been centralized towards its unified form. The limited members of autocrats have reigned in the country. To make it independent reconstruction is most important. To manage at the ground level in economic source, human resource, the decentralization is the most important. It was developed in France and in England in the year of 1950 and 1960 (20th century) by their capitalists to make it pragmatic. After the restoration of democracy in 1990s the world restrictive policies government were replaced by more liberal, open and market oriented of the policies, based on the distinct feature of globalization, liberalization and privatization. Further, after the restoration of democracy in 1990. The government also embarked on development process based on decentralization successfully realized, the local bodies such as municipalities, DDC, and VDC must be made financially capable to encounter the problem of resource constraints.

Decentralization means the process of delegating authority to all bodies. It is opposite of centralization. If the power is centralized, the performance is not effective. So, by the process of Decentralization local bodies should be made powerful. Decentralization is supposed to take decision of one's own life which affects in human beings. In modern political system, the nation is divided into small political areas/units on the basis of geographical reasons. The small unit should get the authority to solve the problems of their reason/areas. That supposition is called decentralization.

Now the main source of revenue is in the hands of central government in Nepal. Customs, VAT, Income Tax and excise duty etc main taxes are all in the hand of central government LSG 2055. Some resources of revenue are given to the local bodies but they are not revenue productive Nepalgunj and Birendranagar are the financial capital of mid-western region of Nepal. These are two municipalities among 57 other municipalities. Nepalgunj municipality has 16 wards whereas Birendranagar has 12 wards. These cities are facing a great problem of managing waste products, drinking water, road lamps, electricity and maintenance of roads etc. It needs greater amount of money to fulfill its responsibilities. The main source of collecting revenue of local bodies like municipalities is only property tax.

There are two major types of taxes that are: Direct and Indirect tax. The examples of direct tax are Income tax, Property (house and land) tax, Vehicle tax, Contract tax etc. Among these taxes house and land tax is one of the important taxes.

According to Oxford Advanced Learners Dictionary; Property refers to "a thing or things that are owned by some body. In other words any kind of assets such as building, land, vehicle, silver, gold, jewelry, furniture, plant and machinery equipment etc owned by someone are Property". The property tax is the compulsory payment to the public authority, which is based on the capital value of property. In law, the courts define property as the right of possession, enjoyment and disposition of all things themselves which are the subject of ownership. The tax which is levied on some personal possession is known as a property tax. So the property tax has a great potentialities of source mobilization on the developing countries legally all property can be divided into two classes personal property and real property.

The person with less than 1 million (10 lakh) in assets are exempt from the wealth tax. Tax clearance papers from the tax office are required before properties in urban areas can be registered. Those on the wealth tax list have to get such clearance if they sell their land or house.

Property tax was introduced in European countries more than 100 years ago. Right now, property tax has been the major source of revenue in most of the countries of the world. In Nepalese context property taxes are named as house and land tax.

In Nepal, the first elected government introduced this tax. Property tax was introduced by financed act 1959 as a central tax. Due to ineffectiveness in collection revenue from property tax it was replaced by urban house and property tax in 1962 for the purpose of collecting revenue from urban house and land property. Initially this tax was introduced in Kathmandu, Lalitpur, Bhaktapur, Biratnagar, Birgunj, Nepalgunj, Rajbiraj, Janakpur and Butwal. Later in 1963/64 it was extended to Bhadrapur and then to Dharan. In 1964/65 it was extend to Bhairawa, Pokhara, Palpa and Hetauda in 1973/74. The tax was introduced in Bharatpur in 1988/89. The interim government of 2047 again introduced the property tax in 1990 by the Finance act. It was again replaced by urban house and land tax in 1995/1996.

After the introduction of local self government act in 1999 property tax is given to local bodies right now. There are two variant of property taxes house and land tax and unified property tax. Local bodies i.e. VDCS and municipalities have the right to collect property tax where as the right of collecting unified property tax is given to municipalities.

1.2 Statement of Problem

Nepal has been facing the most serious economic problem from the beginning of her developmental phase to present time. It needs huge amount of capital for economic development of Nepal. Despite the various measures adopted by the government to boost revenue collection there is still a substantial resource gap between expenditure and revenue. The rate of government expenditure is exceeding the rate of growth revenue almost every year. The budget deficit has been growing and this may have negative effect on the Economy. In this context, taxation can be taken as means for resolving this problem by mobilizing additional resource from the domestic sources, small part of total incomes under the purview of house and compound(property) tax.

Before local self government act 2055 all taxes were collected by the central government and only octroi duty was allowed to collect to local body. At present octroi duty is abolished and central government collects 1.5% of custom duty for local development fees but this is not stable in future because the country has been entering into globalization and which deduct tax rate, in this condition only property tax increased to develop local level so, it is one of the problems.

Nepal has been facing various problems for the implementation of propert taxation. In the under developed country like Nepal, Firstly the Government inefficiency of its dependent on the political pressure is far from expectation. In this condition specific statement of problems are as:

- What is the contribution of house and land tax on total revenue of Nepalgunj and Birendranagar Municipality?
- What is the trend of house and land tax on Nepalgunj and Birendranagar Municipality?

1.3 Objective of the Study

The main objectives of the study are as follows:

- a) To analyze contribution of house and land tax on total revenue of Nepalgunj and Birendranagar Municipality.
- b) To analyze the trend of house and land tax on Nepalgunj and Birendranagar Municipality.
- c) To draw conclusion and provides suggestions about above objective.

1.4 Significance of the Study:

A country needs a lot of resources to implement plans or programs. Taxation is one of the means to mobilize domestic resources for economic development of a country. Taxation is not only the means for raising resources but it may bring about remarkable change in the social and economic structure of the economy as well as change in social attitude of the people.

The property tax helps government to raise revenue of local bodies. It also helps government to achieve the goals of growth, equality and stabilization of the economy. Through the instrument of property taxation the country can encourage the growth of certain industries, restricts the conspicuous consumption of certain commodities, increases the rate of saving and regulates the price of commodity.

Revenue mobilization is the challenging task for developing countries like Nepal. The responsibility of the developing countries is higher than the developed countries because more money is needed for economic development of a nation so, it is necessary to inquire different resources of taxes to fulfill such purposes Property tax may help government to raise revenue of local bodies.

Property tax has been very essential to empower the local bodies. It is most necessary to empower first local body to empower central government. Before local self government act 2055 all taxes were collected by the central government and only octroi duty was allowed to collect to local body. In fact, it was not sufficient to develop local body. At present octroi duty is abolished and central government collects 1.5% of customs duty for local development fees, but this is not certain in the future because the country has been entering into globalization and which deducts tax rate. In this condition only property tax can be one of the major sources to raise revenue to make empowerment local body.

This study has suggested measures to improve the revenue collection system in Nepalgunj and Birendranagar municipality. Other municipalities also help to increase revenue mobilization from property tax.

1.5 Methodology Used in the Study

The data used in the study are Primary and secondary. The secondary sources of data are books, journal, newspapers, reports, dissertations records of Revenue collection department of NMC and BMC etc and primary sources of data are answer given by staff of that office .The research design can be partly regarded as a historical research design. After collection of data the study tries to analyze its own procedure. Thus it follows analytical as well as descriptive research design.

1.6 Limitations of the Study

In the field of the every study it has got some limitations. This study also is not free from limitations. The main limitations are as follows.

- i. This study mainly based on secondary data so the reliability of the study depends largely upon the reliability and validity of the secondary data.
- ii. Limited statistical tools and techniques have been used.
- iii. The study has been done for the partial fulfillment of MBS degree in management. This is not a comprehensive study.
- iv. There are time and resource constraints.

1.7 Organization of the Study

The research has been carried for the partial fulfillment of the requirements for the degree of master of Business studies (MBS). The research report is organized under the prescribed format by central department of management, Tribhuvan University. The study has been organized into the following five different chapters:

The first Chapter is the introduction. It includes Background, Statement of the Problem, Objective of the study, Significance of the study, Methodology used in the study, Limitation of the study and Organization of the study.

The second Chapter is the review of Literature. Some books, Dissertation, Reports and Articles have been reviewed in this Chapter. Introduction of Property Tax is also given in this Chapter.

The third Chapter is concerned with Research methodology, which includes Introduction, Research design, Nature and Sources of data, Method of data analysis and tools used for analysis of data.

The fourth Chapter is on the Presentation and Analysis of Data. This is the major part of the study. It aims of make clear understanding of contribution of property tax of Nepalgunj and Birendranagar Municipality.

The fifth Chapter is mainly concerned with Summary, Conclusion and Recommendation of the study. Appendix and Bibliography have been presented in the last part of the study.

CHAPTER-II

REVIEW OF LITERATURE

2.1. Introduction

This chapter is mainly divided into two parts– one is the conceptual part and the other is the review of the earlier studies which are described as follows:

2.1.1 Meaning of Taxation

Different persons have defined tax in different ways. In this respect, it would be better to take the definition given by Seligman. Tax is a "Compulsory contribution from a person to the government to defray expenses incurred in the common interest of all without reference to special benefit conferred." (Seligman as cited in Kandel 2004). As the above definition, it can be said that firstly, a tax is a compulsory levy and those who taxed have to pay it without getting corresponding benefit of service or goods from the government. The taxpayer does not have any right to tax paid.

Due to the compulsory nature people have expressed different views in satirical ways about the tax. Some says, "Nothing is certain in this world but death and taxes." Some says, "Death and taxes are both certain bit death in not annual." While other says, "Death means stopping to pay tax" (Kandel 2004). Here it should be noted that all compulsory payments are not taxes. For example: fines and fees are also compulsory payments without having any direct benefit to the taxpayers but they are not tax because their objective is not to collect revenue but to curb certain types of offences. Secondly, taxpayer cannot receive any quip pro-quo for the

payment of the tax. The taxpayer does not receive equivalent benefit from the government. A tax is not a price paid by one, for which he can claim goods and service. The charges of price for goods and service by public authority is not a tax. Thirdly, the tax is paid for the government for running it. Fourthly, in case of tax, the amount is spent for common interest of the people. The tax is collected from haves and basically, spends for the interest of haves not in the society. Fifthly, a natural or an artificial person pays the tax.

In conclusion, it can be said that a tax is a liability to pay an amount to the state. The basis for the payment is that the assesses have income of a minimum amount from certain specified sources or that they own certain tangible or intangible properties or that they carry on certain economic activities or they consume certain goods and services which have been chosen for taxation. One thing is noted that tax and taxes are not synonymous terms. Taxation is a device for imposing tax.

(Source: Agrawal ,Govinda Ram)

2.1.2 Principle of Taxation

The principle purpose of taxation is to raise revenue to support public services. A good tax system is pre-requisite to attain goal of required revenue. The goal may be obtained through many ways. But, there are set up principles written by various scholars. The principle of good taxation emerges since the start of the seventeenth century. A French scholar, Jean Baptiste Colbert argues that a fundamental deliberation about principle of taxation. In his argument "The art of taxation is the art of plucking the goose so as to get the largest possible amount of feather with the least possible squealing." Likewise, the famous economist, Adam Smith

wrote" An enquiry into the nature and causes of the wealth of nations" in 1776 and mentioned four maxims of taxation. However, among of tax system of different nations wide variations exist in how money is raise and spent? Tax and expenditure policies reveal the fundamental ideology of a government and a political system.

The successive writers to the development of taxation principles may be distinctly divided into two approaches: (1) "The benefit approach" and (2) "The ability to pay approach". He argues that benefit approach views the tax services supplied by government free of direct charges. In ability to pay approach, taxation which is unrelated to benefit to seen as a compulsory payment and the revenue expenditure process is viewed as a planning problem not subject to solution by the rules of market. Thus, the principle to design a good tax system is evaluated on the basis ability-to-pay principles. (*Sourc:e Unpublished Thesis of Gautam Thaneshor*)

2.1.3 Types and Classification of Tax

Tax can be classified into different division on different basis. The economists have classified a long list if different types of taxes. They classified into five groups. Those may be grouped on the basis of their form, structure, nature, essence and volume.

2.1.3.1 On the basis of form

On the basis of form, tax can be divided into direct and indirect tax.

- **Direct and Indirect Tax**

One of the most important and widely used classifications of taxes is the direct and indirect tax. The economists who are devoted on the principle of taxation have defined it in their own way. In 1917 (The first was on 1892), Bastable wrote 'Public finance' and stated that "Those taxes are direct tax which are levied on permanent and recurring occasion, while charges on occasional and particular events are placed under the category of indirect taxation".

Bastable's distinction between direct and indirect taxes is vague. The above stated definition makes confusion too. Both direct and indirect taxes may be recurring nature but direct taxes are more permanent in nature as compared to indirect. Thus, Bastable definition couldn't clarify the position of direct tax and indirect tax.

In 1903, Mill defined direct and indirect taxes as; "A direct tax is one, which is demanded from the very persons who, it is intended of desired, should pay it. Indirect taxes are those which are demanded from one person in the expectation and intention that he shall indemnify himself at the expense of another."

The stated definition clears that a direct tax is actually paid by the person on whom it is imposed formally while as indirect tax is imposed on one person but another person abide to pay it partly or wholly.

(Source Unpublished Thesis of Gautam Thaneshor)

2.1.3.2 On the basis of Structure

Economists have classified taxes into four types on the basis of tax rate structure. They are explained as follows:

- **Proportional Tax**

If tax is similar to all tax payers, it is proportional tax. Through the tax rate is same, the amount of tax goes on increasing with the increase in tax base.

- **Progressive Tax**

If the rate itself of tax goes increasing with the increase in tax base, it is known as progressive tax.

- **Regressive Tax**

If the tax rate goes on decreasing with the increase in the ability to pay or tax base, it is called regressive tax.

- **Digressive Tax**

Digressive tax is the combination of progressive and proportional tax. The rate of taxation increase to certain limit and the rate remain constant after crossing the limit of income. (*Source: Unpublished Thesis of Gautam Thaneshor*)

2.1.4 On the basis of Nature

On the basis of nature, taxes can be classified into various groups: income, property, production, consumption, capital goods and consumption goods taxes etc.

- **Income Tax**

Income tax is levied on the earning of a person of corporation. It includes employment, business and investment income. A person or corporation pays tax if they earn taxable income.

- **Property Tax**

Property tax is a levy on an individual's wealth, the value of person's assets on both financial (stocks and bonds) and real property (house, car and art work).

- **Production Tax**

Production tax is levied by state on value or quantity of production or extraction of natural resources. It includes gasoline tax, gold production tax, crude oil tax, kerosene production tax etc.

- **Consumption Tax**

A consumption tax is levy which is imposed on sales of goods or services. The most important kinds of consumption taxes are general sales tax, excise tax, Value added tax (VAT) and tariffs.

- **Capital Gain Tax**

A capital gain tax is a levy on profit realized upon sales of an asset. It includes gains from sale of financial assets including securities, derivatives or personal property as capital gains. (*Source: Unpublished Thesis of Thaneshor Gautam*)

2.1.5 Meaning of Property

In general sense property refers to car, farm, watch or anything else owned by the people. Property also refers to any types of capital goods that are owned. For example: Machinery, raw materials, and finished products are property. There are two ways to classify property-real property including land and things permanently attached to it, such as

building etc. and personal property including all other kinds of property, such as furniture, stock, and harvested crops. It is much easier to transfer personal property than real property. Real property must be transferred in writing but personal property may be transferred orally, when a man dies he heirs usually in real property. But personal property generally passes in to the hands of the estate administrator who sells it and divides the process among the next of kin, unless one makes other provisions for dispending it. In brief, real property consists of Immovable and personal property of movables. (*Source: Unpublished Thesis of Gautam Thaneshor*)

2.1.6 Definition

a) Real property: Real property is property that includes land and buildings, and anything affixed to the land. For a business, real property would include warehouses, factories, offices, and other buildings owned by the business. Real property only includes those structures that are affixed to the land, not those which can be removed, such as equipment. Real property may also be determined to include:

- Whatever is beneath the surface of the land, like minerals, natural gas, and oil.
- Rights to the use of property.

Different methods are used in valuating two kinds of property, for instance, depreciation must be considered in the case of buildings and but not for valuating land.

b) Personal property: Personal property is property owned by an individual or business which is not affixed to or associated with the land. Basically, personal property is everything except real property. Personal

property for a business would include equipment, office furniture and equipment, cars/trucks purchased and used by the business, and, basically, everything that isn't "nailed down."

In other words, personal property is movable, while real property is not. Because of the mobile nature of personal property, it is more difficult for a credit to use personal property to secure a loan. For example, if a bank loans money on a building, it can be sure that the building will not be moved. But if a bank loans money on the car, the car can be driven away.

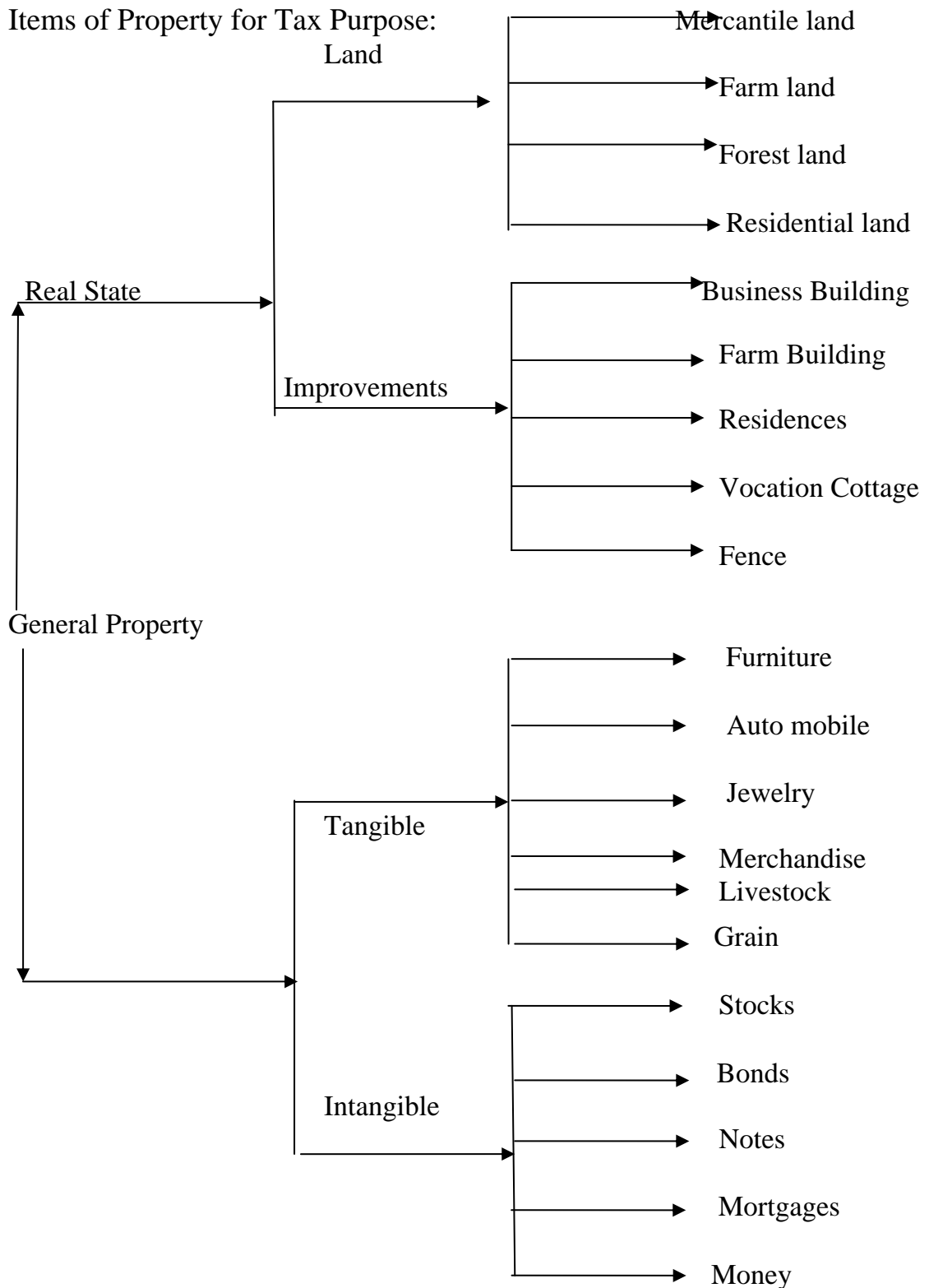
Similarly personal property is classified into tangible and intangible. Tangible personal property includes a great variety of goods: merchant's and manufacture's stocks (inventories), business furniture, fixtures and machinery, tool and pattern: rolling stock of rail way: from machinery; harvested crops; logs; household furniture, clothing, jewelry and other personal effects.

The second category of personal property is intangible property. This class consists; stocks, mortgages, deposits, money and book credit, copyrights and patents goodwill, franchise value. Intangible property can easily escape taxation whether by migration or by hiding. Many estates classify intangible separately and apply a low flat rate tax to them as a substitute for the general property tax.

c) General Property Tax: It is a tax on all wealth tangible and intangible which possesses exchange value. The chart is given below (Singh, 1991: 423).

Figure 1

Items of Property for Tax Purpose:
Land



(Source: Unpublished Thesis of Gautam Thaneshor)

2.1.7 Property Tax

Government on owners of property levy property tax. This property includes real estate, such as homes, buildings and vacant land. It also includes personal property such as home, furnishings, stock and bonds and automobiles (World book, 1973: 15).

Taxation is the compulsory payment to the government. The tax, which is imposed on personal possession, is known as property tax. Property taxation has a great potentiality of resources mobilization in the developing countries. In these countries the process of economic development tends to be accompanied by a boom in real estate and investment in housing in urban areas.

The property taxation is the compulsory payment to the public authority, which is based on the capital value of the property. In law the courts defined property tax as the right to possession, enjoyment and disposition of all things subject to ownership.

In the united state and Canada only provincial state and local government laid property taxes. The federal governments of the two countries do not use these types of tax. Since the early 1930's state have received less and lesion property taxes. But the tax continues to the on important source of revenue for local government.

The property tax rate varies depending on the tax revenue, needs of the governmental. The rate is usually based on the property's assessed valuation. This is a certain percent of the property's total value as determined by the government property is rarely taxed at its full market value (World book, 1973:15).

As companies are not chargeable to wealth tax and the valuation of the shares of such companies does not also reflect the real work of the assets of the company. Those who hold such on productive assists in

closely held companies are able to successfully reduce their wealth tax liability to a substantial extent (Prasad, 1999-2000, 36). Tax may be levied on flows, Such as income and expenditure or on stocks such as wealth. Wealth taxes may be imposed on the holding of wealth or on transfer of assets and transfer by gift.

Wealth taxes occupy a dominant position in the tax, structure of local bodies. They are justified done two grounds benefits and ability to pay since property receives certain especial benefits from government it should be taxed for these benefits. Wealth taxes based on benefit consideration are in rare type property taxes while ability to pay consideration point to a personal taxed on net wealth (Singh, 1991:210-220). . (Source: *Unpublished Thesis of Gautam Thaneshor*)

2.1.8 Local Property Tax

Taxes on land and property exist all over the world in many forms and are an important revenue source for local governments. The international debate focuses on the potential contributions of property tax to the revenues of municipalities and to more efficient land use. The property tax is historically associated as local tax in most countries. One reason that taxes on land and property have been considered to be appropriate especially as a local revenue source is that real property is immovable. A second reason is the connections of local property taxes to many of the services typically funded at the local level and the benefit to property values. There are four characteristics of the property tax, which differentiate it to some extend from other taxes:

1) Property tax is a visible tax. Unlike the income tax, for example, the property tax is not withheld at source. Rather, it generally has to be paid

directly by taxpayers in periodic lump sum payments. This means that taxpayers tend often to be more aware of the property taxes they pay than they are of other taxes. Furthermore the property tax finances services which are very visible, such as roads garbage collection, and neighborhood parks. Thereby tax payers can get aware of the costs of local public services. However, in Nepal the public administration is lacking of the capability to show the visibility of local property taxes.

2) The base of property tax is relatively inelastic, meaning that it does not increase automatically over time. Property values generally respond more slowly to annual changes in economic activity than do incomes. In contrast to Nepalese urban areas property values increase faster than individual income due to a high rate of migration (5 to 6% annually) which exerts pressure on land demand. Few municipalities update property values for taxation purpose on an annual basis or even in terms of 5 years. As a result, in order to maintain property tax revenues in real terms, it is necessary to increase the rate of the tax. As with visibility, inelasticity leads to greater accountability but it also leads to greater taxpayer resistance.

3) Most taxes are based on flows – income or sales. The tax base may sometimes be the source of argument between taxpayer and tax authority. In principle, however, there is a measurable economic activity on the basis of which the tax is levied. In contrast, taxes on land and property are generally based on asset values (capital or rental). Therefore valuation is inevitable. If there is a ‘self-assessment’ system, owners are likely to undervalue their property. If there is an ‘official’ assessment system, owners are likely to feel that their property is overvalued. However, under official valuation process, the Nepalese municipalities Dhangadhi and Dharan undervalued the property of taxpayers due to

resistance from taxpayers. For this reason it is not surprising that the process of obtaining “good” valuations is not likely to be cheap.

4) To the extent property taxes are levied only by local governments they obviously act as main support to local autonomy. An essential ingredient of responsible local autonomy is to set the tax rates locally. This idea of local autonomy goes very far and can only be fulfilled by a strong tax administration.

In the international context local property taxes are in all countries the best minor revenue source. Local property taxes are an important tax for sub-national revenue, rather in developing countries than in developed or transition countries. “Property tax is at present and will most likely continue to be an important source of revenue in urban councils”.

5) It may also become important in semi-urbanized centers in district councils. Some tax consultants even claim that commercial land tax can be one of the principal revenue sources for most of the rural councils.

6) Finally local property tax accounts in average 40% of all sub-national taxes in development countries.

The increase of local property taxes since 1999 until the FY 2004/05 can be evaluated as very successful. Due to the implementation of IPT/HALT in many municipalities the revenue were constantly growing, i.e. in the FY 2003/04 local property taxes implied 13% of the total tax revenue composition of municipalities until the FY 2005/06 the percentage raised up to 17%. In the same FY most of the municipalities had implemented IPT/HALT. Since then the support to municipalities was considerably reduced and the revenues from local property taxes remained to a large extent on the level of the FY 2005/06. (*Source:*

Unpublished Thesis of Gautam Thaneshor)

2.1.9 Objectives of Taxation

Tax is permanent instrument for collecting revenues. SO it has been very essential element of a government from the very beginning of the state system. However, the main objective of taxation has been different for different epochs. In ancient time, the major objective of taxation was strengthening the muscle of the state by providing the resources.

Till to the time of Adam smith, the chief motive of collecting the revenue was to provide resource to the government for providing security to an individual and society against violence, invasion and injustice and maintaining public institutions. In modern days, the main objective of taxation has been shifted from security perception to the economic development.

The modern objective of taxation is not only to maintain peace and security but also to conduct development activities. The main objectives of tax are: to raise more revenue, to prevent concentration of wealth in few hands, to redistribute wealth for the common good, to boost up the economy, to reduce unemployment and to remove regional disparities.

(Source: Unpublished Thesis of Gautam Thaneshor)

2.1.10 Historical Background of Property Tax

Property tax has its origins in early American history. Initially it was assessed in selected items of property such as land and cattle with different relate imposed on varies categories. Thus classified property tax was the main source of revenue to the colonies. During the 18th and 19th centuries a greater variety of property merged making it difficult to maintain such differentiation. Thus the tax developed into a general and uniform tax rate. The uniform tax was applied to property independent of from with total property viewed as a general measure of taxable

capacity. This approach gave way under the increasing complexity of property forms. The growing importance of intangible property tax had been supplanted by a much narrower approach. It became a selective tax on real estate and business personality and has remained ever since. Tangible property other than real estate held by persons now largely escapes tax and to attempt is made to reach intangible property. While the share of the property tax in total tax revenue has declined from over 50% at the beginning of the century to around 10% at present property tax revenue as 1% of privately held wealth or as 1% in G.N.P. has not changed greatly over the last century. It is estimated that the revenue wealth ratio has remained at about 1%. The share was lower however for municipalities 61% which are increasingly, developing additional revenue sources.

Right Now, property tax has been the major source of revenue of most of the cities of the world. Property tax gained importance because of the population increase growing urbanization in 1990. By narrowing the tax base to those property, which could be easily discovered improving assessment providing better staff many countries, adopted, property tax in moderate form. At least in sun-urban area it is a fairly adequate surrogate for a local income tax since a high relationship has been found between property values and income level.

Property taxation has been the major fiscal resource of American local government since 17th century. In 1960 the selected Asian Nations like: Indonesia, Republic of Korea, Laos and Thailand. Made only small use of urban property taxation, property taxes are most important in India where as in Malaysia, Pakistan and Philippines they yields less than 20% of local revenue.

Argentina local governments, levy earns in tax which applies to Urban and rural land and improvements on the official value. The general rate is 0.1% Buenos Aires however applies progressive rate with a maximum of property and local taxes on acquisition. A low 0.3% tax applied to land in Korea.

Brazil has power to impose a tax on rural land to ensure uniformity through the country since local government tax urban land at rates that can vary from 0.5% to 10% Colombia by municipalities. There is a national surcharge of 10% of the municipal tax.

In Guatemala a municipal tax on urban property is based on actual or presumed income. There is also a national tax in real property levied on a personal basis on the total official value of the real property of each taxpayer. The rates range from 0.3% to 0.6% revenue from property tax is selected in developing countries.

Poland adopted an agricultural Property Tax in 1985 and real estate tax in 1986. Poland's property taxes are urban, agricultural and forest. Local government facing budget deficits are eager to increase property tax revenues and urban areas seeking more efficient land usage have supported conversion of the tax base to market value.

Estonia's land tax was introduced in 1993 as an integral part of both land and fiscal reforms. The tax on land levied on both public and private lands with few exemptions, was intended to stimulate the efficient use of land. Estonia local governments select a market value tax base. Recently the government has explored the possibility of adding buildings to the property tax base to expand revenues without increasing tax rates.

In the Czech Republic's fiscal reform, property tax revenues are assigned to local governments. Land and buildings are assessed

separately and taxed on the basis of land area or building floor space. It has area based system based on information, market pricing for location and types of uses. Its strong real estate market, stable economy and administrative experience give the Czech Republic the foundation for a modern property tax system.

The Slovak Republic's fiscal system reflects taxes on land and on buildings governed by national law, although the revenues and some administrative tasks are assigned to localities. Land and building taxes are set per square meter.

The Russian tax system includes value added, corporate and personnel income taxes. The 1998 enactment retains taxes on land and property. Real state tax is based on market value is used to replace the taxes on land, on property (buildings) owned by individuals, and on property (assets, including equipment, inventory and vehicles, as well as buildings) of enterprises. Property taxes are shared between regional and local governments.

In Armenia Local self-government, real property rights, and taxation were adopted in 1995. A tax on buildings was added to the excising tax on land. To encourage business activity, American officials are now considering methods of expanding local revenues from property based taxes.

Finally, the property tax is the most widely used municipal revenue source in the developing world. In large urban populations, some form of property tax is assigned to the support of local government. To increase expenditures on municipal services, local governments frequently look to the property tax as a promising source of additional revenue. (*Source: Unpublished Thesis of Lamsal Navaraj*)

2.1.11 The Role of Property Tax

Land and property tax is an important source of local government. But property taxes are not always local taxes. Property taxes may depend upon environment in which they are levied and effective for equitable and efficient way to raise revenue. There is complex structure of property taxes around the world. In Germany, two variants of land tax are imposed on four different “base rates” by locally determined ‘leverage factor’.

In most countries, taxes on land property are among the oldest forms of all taxes. Central and Eastern Europe, Asia, Africa and Latin America have the potential contributions of the property tax to the revenue of urban and rural governments and to more efficient land use. The effort of any property tax depends upon the tax base, tax rates and administration. Land taxes can contribute to local government revenues and to more efficiency land use. Land and property taxes are among the tax base, the setting of tax rates and the ability to levy and collect the tax. In some countries one property tax covers all types of property. In others there are different taxes for different components of real property. Separate taxes on land and buildings; separate taxes on residential and non-residential property etc. are imposed in real life (Slack, 2002:160).

Property tax has been different roles. They are:

A) As a source of revenue:

The roles of the property tax as a revenue source are as follows:

- i. Taxes on land and property are at the best minor revenue sources in all countries.

- ii. Property taxes are important sources of sub national revenue in many countries and more so in developing than in developed or transition countries.
- iii. Property taxes are much more important in rich countries than in developing countries.

B) As a Local Tax:

The property tax has major part of local government's revenue source in many countries. The role of Land and Property tax as local revenue sources are as follows:

- i. Taxes are residential real property as essentially taxes on having services that property. Taxes are inherently regressive, since as a rule, housing constitutes a relatively larger share of consumption for poorer people.
- ii. Property taxes are essentially a tax on capital that such taxes are inherently progressive, since as a rule, income from capital constitutes a relatively higher share of income for richer people.
- iii. The portion of the tax that falls on land as beings paid out of economic rent often consider it to be inherently equitable to tax such "Unearned increments" often from public action. (*Source: Unpublished Thesis of Lamsal Navaraj*)

2.1.12 Characteristics of Property Tax

Property tax is a tax upon all wealth, tangible and intangible, that processes exchange value. It is levied according to exchange value, at last in theory, and at a common rate for all property in the same district. It is levied upon property located and the tax is paid by the owner. Property tax is levied and understanding of the nature of property is

essential to understanding the tax (Jems p. Jensen, 1931 and Dick Netzer, 1966.)

Characteristics of property tax are visibility and inelasticity. The property tax is the very visible tax. It is paid directly by taxpayers in periodic lump sum payments. The property tax finances service such as roads, garbage collection and neighborhood parks. Property taxes are considered to be a source of revenue for local government. Local property tax finances local services promoting public decisions, good schools, roads and transits etc.

The other character of the property tax is:

- a) Local property taxes finance services which benefit property values.
- b) Tax rates and services levels are decided by local voters.
- c) Voters-impelled by their sensitivity to property values.
- d) Property taxes are based on market value.

Property taxes are levied by local governments. However, not all taxes on property are levied by local government. Local government can do following:

- i. Decide to levy the tax.
- ii. Determine the precise nature of the tax.
- iii. Establish the base on individual taxpayers.
- iv. Determine the tax rate and
- v. Enforce the tax.

Finally, property tax is characterized by:

- 1. Gross property base,
- 2. Value measure,
- 3. Uniformity,

4. Universality,
5. Impersonality,
6. Local collection.

These characters are discussed below:

- 1) **The gross property collection base:-** The property tax is based on gross wealth. Taxpayers can't as a rule offset debts against the value of his property.
- 2) **Value measurement:** - There are many kinds of value, but the property tax is concerned with economists exchange value.
- 3) **Uniformity:** - The uniformity characteristics of property tax was the erosions of time, generally they call for uniform treatment of taxable property. Uniformity of property taxation would ensure neutrality of treatment.
- 4) **Universality:** - Property tax has to include all wealth excluding only a few items that could qualify for specific exemption.
- 5) **Impersonality:** - It is impersonally levied upon things, business and transaction. A person's property shows his ability to pay.
- 6) **Local collection:** - Property tax is applicable to the local units of government. It means that local legislative bodies are frequently held responsible for a tax rate. This makes the property tax a much more strictly local concern and accounts in part for the generous grant of discretion to municipalities in selecting base improvements partly dated or fully taxed. (*Source Unpublished Thesis of Lamsal Navraj*)

2.1.13 Criticism of Property Tax

Criticism of property taxes fall into two classes- theory or conception and practical or administrative difficulties. It has been said that property tax

has wrong in theory and does not work in practice. Theoretical and practical or administrative limitations or property tax are as follows:

A. Theoretical Limitations:-

Some theoretical limitations are given below:

i. A poor measure of ability to pay: - Ability to pay is related to an individual's income. Property tax related to an individual's housing consumption is likely to relate to ability to pay more closely than the tax levied on business.

ii. A poor measure of benefits received: - Benefits received may not always be a proper gauge for taxation. Property taxation gives no clear accounting of benefits can be received. Property tax payment may not be the index of the benefit received. Plehn concluded from his observation of this system that the creditor regularly shifted his entire share of property taxes to the debtor through higher interest and that he added an extra charge for good measure.

iii. Property taxation of personal abilities: - property tax failed one important kind of intangible assets that are personal in nature and not capable of exchange, except in person to levy every man according to his abilities what so ever.

iv. Inconvenience of property tax: - Property may go for long period without bringing the owner an income. Property that retains value and prospects of future income may go for several years without any net return. Governments must continue even through some property taxpayers have no ready cash. Income tax waits upon the taxpayer's convenience.

v. Regressively: - The property tax may be regressive in nature because the assessor may often assess property of high value at a lower ratio of assessed to true value than properties of lesser value. Regressively may appear because the owner of more valuable property is more influential in the community and with the assessor than poorer neighbors.

B. Practical and administrative limitations of property tax:

Some practical and administrative limitations of property tax are as follows:

a) Fractionalized assessments: - Critics of the property tax is the statistics. The property tax base represents only a minor fraction of its total. Property is legally exempt from tax. The property tax base is narrow due to the deliberate practice of under assessing all taxable property. This practice is contrary to all taxable property. This practice is contrary to statute.

b) Inequalities: - Taxes to be paid by each village town and city with its borders, great unfairness can arise from inequalities in district assessments.

c) Competitive undervaluation: - Frequency distributions of assessment ratios in one study shows rural properties within a country assessed at levels ranging from 5% to 50% of sales value. Proportional tax which are 10 times higher in some cases than in others.

d) Evasion: - The property tax universally have large amount of evasion. Intangible property, tangibles furniture and automobile etc avoid list.

e) Avoidance by migration: - Tangible property is less migratory than other tax bases and can't leave high tax districts for those with lower rates. Intangible property is highly migration. The property tax on bank deposits are difficult, to in base and real estate can be moved any with great difficult.

f) Property tax is tolerated:-According to professor Seligman: "Practically, the general property tax as actually administered is beyond all doubt on of the worst taxes known in the civilized world.

2.2 Property Tax in Nepal

The history of property tax in Nepal is not so long. Finance act 2016 had empowered the government to levy property tax. Property tax act 2017 was enacted to collect tax from property. Urban house and land & foreign investment were taxed at the sane rates under property tax act 2017. Under the provision of property tax act, NG/Nepal framed property tax act 2019 was enforced and subsequently, house and land tax rules 2020 was then enacted which repeated the existing property tax act, 2017. Earlier central government of local self-governance act, 2055 local bodies (i.e. VDCs and Municipalities) impose property taxes within their boundary. Currently house and land tax act 2019 property tax act 2047 and local self governance act 2055 have been implemented in the collection of property tax. Local bodies are levying property taxes under local self-governance act and rules. *(Source: Unpublished Thesis of Bhandari Kanak)*

2.2.1 Collection, Realization and Refund of Tax

A) Collection of Tax

Local self-governance act 2055 has empowered VDC municipality and DDC to levy taxes. The VDCs and municipality in the form of land revenue, land, tax house and land tax, integrated property tax and vehicle tax levy the property taxes.

Since the integrated property tax and vehicle tax are not exclusively practiced in some municipalities, tax collection and realization with respect to the house and land tax and revenue or land tax are discussed hereunder.

In the case of Village Development Committee (VDC)

According to section 55 of Local Self Governance act 2005, the VDC may levy the property taxes as follows in its area at the rate approved by the village council, not exceeding the prescribed rate:

1) House and land tax: On the basis of size, type, design and structure of the house within the area of VDC, it may impose annual house and land tax on each house and compound.

2) Land revenue (Malpot) or land tax: The VDC may levy land revenue or land tax on the land within its area. However 25% or revenue collected from land revenue or land tax has to be handed over to the District Development Committee (DDC). The rate of taxes to be levied by a VDC within its area is prescribed in Annex-4 of Local self governance regulation, 2056.

In the Case of Municipality

According to section 136 and 140 of Local Self-Governance act 2055, the municipalities levy the following property taxes within its jurisdictions:

- 1) House and land tax: On the basis of size, type, design and structure of the house, the municipality may levy annual house and land tax on each house and compound as approved by the municipal council.
- 2) Land revenue or land tax: The municipality may impose land revenue and land tax as prescribed on the land within the municipal area.
- 3) Integrated property tax: The municipality may levy an integrated property tax within its jurisdiction at the prescribed rate.

According to rule 140 of self local governance regulation 2056 the maximum and minimum limits of the rate of land revenue and of house and land tax that may be levied by a municipality within its area shall be as prescribed in annex-8 of the regulation. As per rule 144, the minimum and maximum rates of the integrated property tax that may be levied by a municipality within its area shall be as prescribed in annex-12 of the regulation.

B) Recovery of Tax

According to section 71 and 166, the fine and punishment imposed by the village development committee or by municipality are recovered by section 260. According to this process, if any person does not pay any tax, duty or charge levied or contracted or any other amount due and payable to the local body, the district administration office recovers it as government dues.

C) Refund of Tax

According to section 147 of LSG act 2055, the municipality is not entitled to collect any kinds of taxes contrary to the act or the rules. If the municipality collects such taxes, Nepal's government may order to stop such collection and to refund the amount of taxes so collected to the connected person. (*Source: Unpublished Thesis of Lamsal Navaraj*)

2.2.2 Penalties, Actions and Appeals

A) Penalties and Actions

Section 70 and 165 of Local self Governance act 2055 has made the provisions for find and penalties if anyone does not pay any taxes, fees, charges, duties, tariffs and any other amount due and payable under the act, the VDC and Municipality penalize the person.

1) In the Case of VDC

According to section 70.2 of local self governance act, if any person does not pay the taxes imposed or levied by the village development committee, it may punish such person with a fine of up a Rs.500 and may stop the service made available by the village development committee in regard to such person.

As per section 70.3 of the act, in case, any person commits any act in contravention of the act, of the rules, Bye-laws or Orders made under the act, such person shall be punished with punishment, if any prescribed elsewhere in the act; and if punishment is not so prescribed the village development committee may punish such person with a fine up to Rs.500. According to section 70.4 if any person who has already been punished under this section, commits the same offence again, the village

development committee may punish such person with two-fold punishment for each instance.

2) In the Case of Municipality

1) According to section 165.2 if any one does not pay the taxes imposed by the Municipality, it may take the following actions:

* If anyone does not pay the taxes, which may be collected under the act, the municipality may write to the concerned body to stop the transfer of ownership of the movable/immovable property of such person, may seal or lock up the trade, profession, and withhold the transactions including export and import.

* If the amount which the municipality is entitled to collect under the act, could not be covered up even from the stoppage of the house, land, transaction or assets of the concerned person, the municipality may recover it by auctioning the person house, land or other assets, if any.

2) According to section 165.5 if any one does not pay any taxes under the act, the municipality may stop the service provided by it, in regard to such person.

3) If any one commits any action in contravention of the act or the rule bye-laws or orders made under the act, such person is punished with punishment, if any prescribed elsewhere in the act, and if punishment is not so prescribed the municipality may punish such a person with fine of up to Rs. 1000 (section 65.5)

4) As per section 165.6 if any who has already been punished under this section commits the same offence again. The municipality may punish such person with two-fold punishment for each instance.

B) Appeals

In case any property holder is not satisfied with a punishment imposed by VDC or municipality the local self-governance act 2055 has made provisions of appeal against such punishment.

As per section 70.5, any party who is not satisfied with the punishment imposed by the village development committee may appeal to the concerned district court within 35 days from the date of knowledge of such decision.

Similarly, according to section 165.7 any party who is not satisfied with the punishment imposed by the municipality may appeal to the concerned district court within 35 days of the knowledge of such a decision.

(Source: Kendal, Puspa Raj)

2.2.3 Property not included in valuation for tax purpose

The following properties are not included in valuation for tax purpose:-

1. Growing crops: - Grass or standing trees on agricultural land, the growing crops grass or standing trees are excluded from the purview of the term of assets.
2. Animals: - Any domestic animals such as buffaloes cows, oxen and others but the act does not clear the types of animals.
 - a) Any agricultural animals such as bullocks, cows and buffaloes
 - b) Any performing animals in circus such as chimpanzees, bears, lions, tigers.
 - c) Any draught or transport: Animals as mules or horses.

3. Amount deposited for life insurance: - In Nepalese act, there is no certain information about insurance, according to Indian concept; it should be interested for an assesses in any policy of insurance in any policy.
4. Patent or copy right: - The patent or copyright is exempt from property tax. The patent or copyright is acquired by an assesses under a contract from the original author or the inventor or it is acquired by way or in heritage or otherwise no exemption is allowed in such cases.
5. Books and equipments for study.
6. Pots and equipments except valuable metals.
7. Wearing apparel provisions and other clothes for personal or household use of the assesses.
8. Furniture and equipments (except T.V., V.C.D, Deck, refrigerator, washing machines, camera etc.) They are exempted for developed countries like India. In the poor society, it is assumed highly luxury goods.
9. Tools, machinery and equipments used for professional works.
10. Simple equipments of decoration of house (except valuable metal equipments).
11. Singing and dance equipments for daily used.
12. Equipments for physical education.
13. Equipments and tools for first aid which are kept in houses.
14. Transportation equipments as cycle, riksa and other simple media.
15. Weapons and tools used for personal safety.
16. Equipments related to arts and photographs.

According to Local Self governance act 055/56, the assets exempt from taxes are:

1. Gold 10 totals with jewelries
2. Silver 200 totals with jewelry
3. Stock in trade
4. Industrial mills, machinery tools and equipments building and ware houses of industrial areas.
5. Invested shares and debentures
6. Loan issued by HMG which is declared exemption from these act,
7. Area for house of assesses 300 sq. ft. and ropanies of land.

Similarly, according to local self governance act 055/56 section 146, following rebates are:

- a. Goods and equipments for social welfare
- b. Land owned by farmers.
- c. The exemption limit for land are:
 - i. 10 Biga for terai area
 - ii. 20 ropanies for Kathmandu valley
 - iii. 60 ropanies for other hilly area.
- d) Land covered by Royal palace.
- e) The land related to N.G.
- f) Land and building for hospital
- g) Educational institutions.
- h) Land related to non-profit making organization.
- i) Foreign agencies organization.
- j) Pound, Electricity House, Airport, Bus Park etc.

(Source: Agrawa, Govinda Ram)

2.2.4 Types of Property Tax Exemptions

Property tax exemptions are exempt for social reasons such as homesteads, churches, lodges, private school some for developmental purposes such as new industries, some for fiscal or administrative reasons such as household furniture some to avoid double taxation such as credits. The tax exempted intangibles and certain types of tangible property are as follows:

- Homestead exemption: homestead includes any dwelling occupied by the owner as a residence the site upon which the dwelling is located, and varying amounts of surrounding land. The exemption may include not only the land and improvements used as a place to live but also considerable property used to make a living. Homestead exemptions depend on a number of variables, such as the degree of home ownership, area and value of homesteads and the ration of residential property to total property.
- Exemption of property used for religious and philanthropic purpose: Most of the governments exempt educational, charitable, benevolent and religious institutions from property taxation. In the case of religious organizations exemptions are church and a non-profit making organizations etc.
- Exemption to encourage economic activity: exemption to encourage economic activities are cash bonuses, loans, donations of site and building or their provision at nominal rentals, guarantees of favorable conditions and so on.
- Municipal exemption policies: municipality also provides exemption to individuals to attract the economic activity within the municipality.

(Source: Unpublished Thesis of Lamsal Navaraj)

2.2.5 Rebates from Property Tax:

From the property tax following incomes are rebated:

- Loan and debenture taken from registered institutions.
- Amount received from life insurance.
- Price received from social work.
- Amount received from provident fund.
- Amount received from personal annuity.
- Profit or dividend received from kingdom's commercial institutions.
- Amount of debenture received from NG/N.
- Amount received from foreign government.

(Source: Revenue department of NMC and BMC).

2.2.6 Problems for Efficient Tax Administration:

There exists problem because of the poor taxpayer and lack of tax education. So the local government would make sure them by teaching tax education. There are other factors like, delay in assessment and collection, unnecessary outside pressure and lack of proper incentives to tax personnel's. A good tax system must have certain administrative qualities including certain rules, compliance and collection cost enforceability and acceptability. Although there has been significant progress in the area of improving the elasticity and efficiency of tax system still the major source of revenue collection is land based.

2.3 Current Provisions of House and Land Tax in Nepalgunj Municipality and Birendranagar municipality

The current provisions of house and land tax in Nepalgunj Municipality City and Birendranagar Municipality City are as follows:-

2.3.1. Necessary Documents and Duties for Submitting Required Documents

Following documents are required to submit house and land tax return in Nepalgunj Municipality City and Birendranagar Municipality City.

- a. If any person has various land and houses in the Metropolitan area, statement should be submitted to related ward office of each land and houses.
- b. If any couple has separate land and house ownership, statement should be submitted jointly.
- c. If there is more than one own, statement should be submitted in the name of any one owner.
- d. People having liability to pay house and land property tax should submit the return as per Act.
- e. If there is any increase\decrease in house and land property, it should be reported to the ward office.
- f. Calculated tax as per submitted statement should be deposited in bank account of within 35 days.
- g. The necessary documents are:-
 - i. Copy of land ownership certificate-1
 - ii. Copy of approval of house map-1
 - iii. Copy of approval of new flat map if any -1
 - iv. Field inspection report by technician for house constructed without approval before provision of Metropolitan system-1

v. Copy of tax receipt if any submitted to tax office-1

h Tax officer holds right for following action if required :

- Necessary examinations and review of statements by tax payer by issuing notice for filling and taking interview.
- Field inspection.

(Source: Revenue department of (NMC and BMC).

2.3.2. Process of Tax Assessment

Process of tax assessment covers the process as follows:

- 1) Necessary documents should be registered in house and land tax book,
- 2) House valuation is done on the basis of size of house, area of land and depreciation rate.
- 3) Different types of houses should be valued in different ways.
- 4) Tax assessment is done on the basis of house and land valuation.
- 5) After paying house and land tax, tax clearance certificate should be issued and keep the records.
- 6) If owners are multiple persons, tax assessment should be done in the name of multiple owners like flat owners.

(Source: Revenue department of NMC and BMC)

2.3.3. Things to be considered in Process of Tax Assessment:

Things to be considered in process of tax assessment are as follows:

- a. Finding out actual valuation by total area of house.
- b. Find taxable value on the basis of depreciation, types of house, total valuation, year and rate.
- c. If approval is not taken during house construction, she/he should deposit Rs. 10 per sq. ft.
- d. Name and types of road should be defined in the map.

- e. Finding out the area of land in ropani /hector.
- f. Actual valuations are done on the basis of types of road.

(Source: Revenue department of NMC and BMC)

2.3.4. Mistake Corrections in the Process of Assessment (Corrective Measures)

The processes for mistake corrections are as follows:

- a) If the tax payer complains about tax and valuation of house and land within two years, tax officer can again determine the tax and valuation
- b) The administration should provide chance of revision about house and land tax if necessary.

2.3.5. Rebate for Tax Payers in Nepalgunj Municipality City

Rebate for tax payers are as follows:

1. 10% discount for paying tax before last of Shrawan.
2. No penalty for paying tax till Ashwin last.

2.3.5. Rebate for Tax Payers in Nepalgunj Municipality City

Penalties provisions are as follows:

- If any person submits false document invoices or wrong documents till Ashwin or every year, the penalty is Rs. 5000
- If a person does not follow directions of tax officer penalty is Rs. 500
- If any person does not follow rules and regulations regarding paying tax the penalty is Rs. 1000
- If tax is not deposited within 35 days 15% additional amount per annum shall be charged on assessed taxes.

2.3.7. Exemptions of House and Land Tax

Exemptions of house and land tax in Nepalgunj Municipality City and Birendnagar Municipality city are as follows;

- 1) House and Land occupied by Royal Palace. (*Source: Revenue department of NMC*)
- 2) House and Land owned by NG/Nepal.
- 3) House and Land owned by Municipalities and District Development Committee.
- 4) House and land related to Embassies Diplomatic Mission etc.,
- 5) Land related to crematorium, airport, stadium, garden, park etc.,
- 6) House and land related to not profit making educational institute and house and related to public enterprises.

(*Source: Revenue department of NMC and BMC*).

2.3.8. Documents Required for Property Valuation in NMC and BMC

Documents required for property valuation in KMC and LSMC are as follows;

1. Application form-1
2. Copy of house and land tax clearance certificate-1
3. Bill of land tax clearance-1
4. Field inspection report of Ward office-1

(*Source: Revenue department of NMC and BMC*).

2.3.9. Methods of Valuation in Nepalgunj Municipality City and Birendranagar Municipality City

Table 2.1 Procedures of Valuation of Building in Nepalgunj Municipality City and BMC

Classification of house	Average cost per sq .ft.(in Rs)	Depreciation rate per year in %	Total life in year
Green (Raw) brick with mud mortar	450	3	25
Kiln brick(stones) with mud mortar	525	2	30
Kiln brick(stones) with cement mortar	575	1	70
R.C.C. frame structure	635	.75	100

Notes:

- i. House and land of green (raw) brick with mud mortar and thatched roof or house made of bamboo or wood with thatched roof is not valued for the propose of house and land tax.
- ii. The main auditorium of cinema hall is valued by applying a 25% discount in aforesaid rates.
- iii. Classifications of house are Green (Raw) bricks with mud-mortar Kiln bricks (Stones) with mud mortar Kiln bricks (Stones) with cement mortar, R.C.C. frame structure. *(Source: Revenue department of NMC and BMC)*

2.3.10. Property Tax Administration

In property tax administration: discovery, valuation, billing and collection lies with municipal officials. Properties are recorded on tax maps for purposes of permanent identification. Values are calculated on the basis of objective physical characteristics and standard unit cost factors of complete and up-to-date set of all the documents required to administer the property tax.

Some points are:

- a. An updated municipal tax code.
- b. An updated tax map.
- c. A new set of property records.
- d. New unit cost tables.
- e. Current market prices.
- f. A new assessment roll.
- g. Property and its current tax liability.
- h. A complete set of tax bills.
- i. A ledger for recording payments against outstanding liabilities (William Dillinger, 1988:43-48).

“Tax administration is tax policy” in developing and transitional countries, so property tax has not only impacts on their revenue but also effects their equity and efficiency. In many countries, poor tax administration is an impediment to implementing the property tax. Often local authority does not have the capacity to administer the tax. Many administrative functions are performed manually rather than being computerized. The result is that the revenue base does not include all taxable properties, collection rates are low, and enforcement is almost not extent. Good property tax administrations have following features:

(Source: Unpublished Thesis of Lamsal Navaraj)

1. Property Identification:

The first step in levying a property tax is to identify the property, to determine the owner and the value of land and improvements. Cadastral maps are an essential element of property identification. Information needs to be collected for each property identification. Information needs to be collected for each property includes: assessment roll number of the property, the address the owner of the property the area in square meters and the age of the unit. The process of property identification is more difficult in developing countries due to:

- a) Revenue base information is neither up to date nor completed.
- b) It is too expensive for the local government to keep a good record of property identification data. Taxes are not collected on all properties within each jurisdiction.
- c) In many countries, property records are not computerized.

2. Assessments and appeals: -

Property taxes have to be based on assessment. The assessment function seems to be essentially local in about half the cases and the central, or regional the others. The detailed assessment methodology is established by the central government even when assessment is a local function. Property identification, the problems encountered with assessment and reassessment often stem from lack of resources and expertise. Assessment suffers from a lack of technically qualified staff and assessment tools. Problem with keeping assessment up to date in many countries, a building permit is issued again the recording office should send notification to the office responsible for maintaining the property tax roll, such process do not work well. Taxpayers have an opportunity to appeal their assessment, if they think it is wrong, to correct factual errors and differences in views

of the assessed value. In some countries taxpayers can appeal the decision of the valuation review board to a specialized tax court. Appeal system is desirable and necessary in practice, in many countries; there may be an appeal system in law.

3. Tax collection and arrears:-

Tax collection is usually a local government function of the property tax. If it is not paid within a time period, then interest and a late fee are generally charred. In most countries, property transfers are not permitted unless property taxes are paid. Tax arrears for those countries for which the information is available, tax arrears, as a proportion of taxes collectible are low in most developed countries. Finally the main steps in administration are as follows:

- a) Selecting the levy
- b) Original assessment of property
- c) Review of the original assessment
- d) Central assessment or equalization
- e) Tax rates
- f) Procedure of collection
- g) Collection of delinquent taxes
- h) Appeals to some judicial

- **Selecting the levy:** The levy consists of a legislative enactment to the effect that a certain specified amount shall be raised from the property tax.
- **Original assessment of property:** Evaluate the property by the local assessor.

- **Review of original assessment:** Every taxpayer is given the right to a hearing before the tax becomes final. This hearing may be before the original assessing agency. Few states have established administrative agencies to hear protesting taxpayers and to check and double check the work of the local assessor.
- **Central assessment of equalization:-** Adjustments made by central units to facilitate the equitable distribution of overhead taxes among districts is called equalization.
- **Tax rates collection:** The town village or city clerk calculations the tax rate for the district.
- **Collection of delinquent taxes:** Real property taxes are not paid before a certain time, the county treasurer must offer the taxes for sale; it has obtained the required number of successive tax claims for any parcel of property.
- **Appeals to some judicial:** Court of first resort for the taxpayer who is dissatisfied with his assessment. The taxpayer is frequently given an additional appeal to the state tax department and a final appeal to the courts. (*Source: Unpublished Thesis of Lamsal Navaraj*)

2.3.11. Functions of Property Tax Administration

Government tax department is a very important element in efficient property tax administration. Its principal functions are as follows:

1. Supervision of local assessment
2. Central assessment of districts

3. Direct assessment and local assessment
4. An administrative “Court of appeals” for aggrieved property owners and districts.

The quality of property tax administration is corresponding quite regularly with the alertness and adequacy of the government tax department or that of some corresponding state agency. Good supervision and intelligent central assessment, it is possible to administer the general property tax with a high degree of efficiency and success, even with a locally elected assessor. (*Source: NMC and BMC*)

2.3.12. Assessments of Property Tax

Some methods of valuation of property taxes are as follows:

1. Area based assessment:-

A charge is levied per square meter of land area and per square meter of building. The assessment of property is the sum of an assessment rate per square meter multiplied by the size of the land parcel and an assessment rate per square meter multiplied by the size of the building. The assessment rates may be the same for land and buildings. With unit value assessment, the assessment rate per square foot is adjusted to reflect location and quality of the structure. Market value has an indirect influence on the assessment base. Properties in different zones will have different values.

The municipalities apply tax according to the availability of the services like garbage collection, street lighting covered road covered side walk, sanitary sewers and rain water sewers. The tax rate is set 8% to 14% according to quality of services. The value of agriculture land often seems, like other presumptive tax base.

2. Market value assessment:-

Market value is defined as the price that would be struck between a willing buyer and a willing seller in an arm's length transaction. The following methods are used to estimate market value:

- a. The comparable sales approach is used when the market is active and similar properties are being sold.
- b. The depreciated cost approach is used when the property is relatively new, there are no comparable sales and the improvements are relatively unique and industrial properties.
- c. Under the income approach, income is converted to a capital value using a capitalization rate for properties with actual rental income.

Market value assessment is used in all the OECD countries, Indonesia, Philippines, South Africa, Latvia, Argentina and Mexico.

3. Rental value assessment

Under the rental value approach, property is assets approach according to estimated rental value or net rent. There should be no difference between a tax on market value and a tax on rental value.

4. Area based vs. Market based assessment

Market value has the advantage of capturing the amenities of the neighborhood, amenities that have often being created by government expenditures and policies. Area based assessments are unlike to capture these amenities because they do not take into account of difference in neither the quality of buildings nor their location. Unit value assessment trained to be less volatile than under market value assessment. Unit value assessment is easier to understand and cheaper to administer than market

value based assessment. Unit value may be easier to administer for single family residential properties. It is difficult to use for multi residential rental condominium commercial and industrial properties etc.

5. Self Assessment

The current local tax system is based on principle of self assessment. Under this method, the responsibility lies on property holder itself. Properties are assessed at market value. Under self assessment in some countries, people have the right to buy the property at the assessed value. It do not required expert assessment staff and it is appears to be easy to implement. According to the case study in bird and slack 2002, self assessment appears to have significantly increased revenues (Richard, M Bird and Enid Slack, 2002)

(Source: Unpublished Thesis of Lamsal Navaraj)

2.3.13. Methods of Valuation of Buildings

There are some methods of valuation of buildings which are as follows:

- 1) Rental method
- 2) Direct comparison with the capitalized value
- 3) Valuation based on profit
- 4) Valuation based on cost
- 5) Development method of valuation
- 6) Depreciation method of valuation
- 7) Cost by detailed measurement.

1) Rental Method

In this method, the net income from rent is found by deducting all outgoing money from the rent. A suitable rate of interest, as prevailing in the market is assumed and the year's purchase is calculated. The net

income multiplied by the year's purchase, gives the capitalized value of the property. The method is useful in those properties which are rented and where the net rent is known. It is difficult to discover the actual net rent because the property owners seldom declare the true amount. There would be the problem of fixing a rental rate for each house (Dhugana, Pradhan and Shah, 1974).

2) Direct Comparison with the Capitalization Value

The second method is adopted when the rental value is not available from the property concerned. In such cases the capitalized value of the property is fixed by direct comparison with the capitalized value of similar property in the locality. This method can be used only in conjunction with some other method where the basis of valuation is already known. It is difficult to find two or more similar properties in the locality.

3) Valuation Based on Profit

This third method is suitable for building like hotels, cinema halls theaters etc for which the capitalized value depends on the profits.

4) Valuation Based on Cost

In the valuation based on cost method the actual cost incurred in constructing the building, is taken as the basis for determining the value of the property.

5) Development Method of Valuation

This method is used for those properties in either an undeveloped stage. It is used only in specific cases, e.g. half completed houses.

6) Depreciation Method of Valuation

This method is the depreciation method of valuation. According to this method, one needs to have information on i) Walls ii) Roofs iii) Floors iv) Doors v) Windows etc. This method is the best as far as accuracy is concerned. But general public is not having a consciousness or understanding of the implication of such taxation, so it is not applicable (Dhugana, Pradhan and Shah, 1974). (*Source: Unpublished Thesis of Lamsal Navaraj*)

2.3.13 House and Land Tax Calculation Related to NMC and BMC

In Nepal local self-government act 2055 has been applicable in calculating property tax the example of calculation are shown in appendix-I.

2.4 Review of Earlier Studies

Property tax plays a vital role in many countries. Nowadays, it is more important all over the world. The purpose of this review is to bring in light in brief the important work done on property taxation in Nepal. So some of the literature related to property tax has been reviewed in the following paragraph. Dhungana and Pradhan (1973) of an institution center for economic development and administration (CEDA) surveyed the property taxes for the first time and performed a general account on the revenue potentiality, assessment administrative mechanism of law, Administrative loopholes, problems and suggestions have made for the prospects and future score for the development and had proposed for improvement and implementation procedure of property taxation. Dhungana, Pradhan and Shah (1974) have studied various forms of

property taxes levied in Nepal. They suggest that urban property tax is one of the most negligent taxes in Nepal both from the view point of government administration and the tax payer. Property tax is problematic tax because it is based on valuation.

Poudel (1993) suggested the rate of property tax is low, so it should be increased. The weakness is that tax payer's escape from paying tax.

The weakness is that tax payer's escape from paying tax. Shah, Kayastha and Rai (1974) have analyzed the property tax of five districts in the report entitled "Evaluation of urban property".

The report points out that in the fiscal year 2027/28 and 2028/29 the total amount of tax raised from the urban property was Rs. 5.87 and 6.00 lakh.

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Shah, Kayastha and Rai (1974) have analyzed the property tax of five districts in the report entitled "Evaluation of urban property". The five districts are Biratnagar, Birgunj, Nepalgunj, Bhairawa and Janakpur.

In this report they have analyzed the revenue generation from these district they have also deal with housing trend revenue potentiality valuation procedure of land, per area rate and building categorization etc.

Bhandari (1978) has attempted to focus on those problem areas issue of policy making that are remaining on central concern. He also points out problem regarding property tax and has suggested overcoming

and uplifting its share on the revenue side along with social betterment as it being a tax on the social sector.

Thakur (1979) studied the urban property taxation in Nepal and tried to show its role in bringing about development with social justice in the economy.

Devkota (1980) has analyzed urban house and land tax entitled "Nepalma sahari ghar jagga kar eak bisleshan". He analyzed property tax legal aspect, evaluation procedure house and land, collection of house and land tax, tax base, structure of tax rate, revenue potentiality, historical aspect, and property tax in different nations along with international aspect.

In this report he finds out that the revenue from property tax has not been mobilized that much, it has low revenue productivity and contribution from this tax to total revenue is insignificant. He finds assessment ratio is also very poor. And at last he has forwarded some suggestions for the improvement of the property tax. He also suggests for the more elastic property tax.

Pyakurel (1981) shows the insignificant revenue generation from urban house and land tax and shows serious weaknesses regarding the administration method of assessment and evaluation procedure of this tax for the effective implementation and improvement of the property tax. He has forwarded some suggestions.

Poudel (1993) shows the implementation procedure of property system, rate and structure of (progressive) property tax and shows the problems of property tax system for the effective implementation and improvement of the property tax, he has forwarded some suggestions.

Local self government act 2055, local self governance regulation rule 2056 focused on fiscal power granted to the local bodies. As per

these legal provisions, municipalities can collect service charge and fee related to approval of building design. As per the regulation the main source of revenue given to municipality is the property tax like house and land tax and unified property

Adhikari (2005) has analyzed house and compound tax has been consider as the suitable source for the mobilizing internal resources. It can used as a positive instrument to boost government revenue collection, to develop the economic condition of Nepalese people and promote distributive justice and to cure resource gap problem.

Chhetri (2006) has analyzed the successful property tax must adopt good policies and administrative procedure. Countries face a number of operational difficulties in the administration of property tax. In addition he expresses about the property tax, Nepalese property taxes are based on market value, so he suggest to reform property tax.

Basnet (2007) has analyzed property tax must adopt good policies. Central level has assist to the local level to make empowerment, act and rule must be improved and consider time value of money, new valuation of house and land and tax rate.

Adhikari (2008) stated for the purpose of property tax only house and compound (land) of urban areas are considered. Urban areas mean metropolitan cities, sub-metropolitan cities and municipalities. Property tax (house and compound tax) is based on the value of house and compound under. (Local Self Governance Act 2055, Local Self Governance Rules 2056).

Bhattarai and Koirala (2010) reported about the provision of penalty for nonpayment of taxes .The municipality may write the concerned body to stop the transfer of ownership of movable and immovable property of such tax payers may seal or lock up the trade,

profession and withhold the transactions including export and import.(sec.165(2a)). The municipality may also recover the tax amount even by auctioning the person's house, land or other assets if due amount is not recovered by stopping the transfer of ownership of property of such taxpayers (sec.165(2b)). The municipality may stop the service provided by it to the property holders not paying the taxes. (sec.165 (4)).

Bhattarai and Koirala (2010) also reported about penalty for contravention of the act. If the tax payer disobeys the act, rules, by-laws or order, the municipality may punish such person with a fine up to Rs. 1000 (sec.165(5)). If the punished person repeats the same offence again and again, the municipality may punish such person with two-fold punishment each time (sec.165 (6)).

Bhattarai and Koirala (2010) further stated about the recovery of tax. The tax, fees and other amounts imposed by local bodies (Municipality or VDC or DDC) are recovered as government dues. Those amount payable to local bodies are to be recovered by District Administration offices (sec.260).

Bhattarai and Koirala (2010) further clarified about the refund of tax. A municipality is not entitled to collect any kind of tax, fees and charges in contrary to the act or the rules .If they are found to have collected, government of Nepal may order to stop such collection and to refund the amount of such taxes to the concerned persons.(sec.147).

Shrestha (2010) found from a study that most of the Nepalese people are not aware of property tax. Due to lack of tax education property holder are deprived from right of paying tax. If they are informed effectively about the property tax, local bodies can expect the increase in tax volume as well as paying house and land tax time.

Kandel (2010) stated that in Nepal two types of property tax are imagined under Local Self-governance Act, 2055. The first one is called House and Land Tax whereas the second one is named as unified Property Tax. The right of collecting house and land tax is given to both the village development committees and municipalities whereas the right of collecting unified property tax is given to municipalities only.

CHAPTER-III

RESEARCH METHODOLOGY

3.1. Introduction

All data are collected from secondary sources as well as primary sources. Secondary sources of data are collected in order to fulfill the objective of study and primary data are collected to know the situation of the organization. To achieve objectives of the studies analysis of contribution of house and land tax in NMC and BMC is done in this chapter. The methodology, which has been followed in the study of research design, nature and sources of data, method of data analysis tools used for analysis of data etc. Which are as:

3.2. Research Design:

Most of the data and information of the study were concerned with past phenomenon of the performance either they were numerical or opinions so it can be regarded as historical research design too. After the collection of past data and experiences, this study analyzed and described its own procedure. Thus, this study also followed an analytical as well as descriptive research design.

3.3. Nature and Sources of Data:

This study is based on secondary data. Which are collected from published as well as unpublished reports, circular and records of property tax, revenue collection department of Nepalgunj Municipality these data are published documents of National Planning Commission, Ministry of Finance income and expenditure budget and working paper of Nepalgunj Municipality and Birendranagar Municipality. Similarly 58

Municipalities survey program, a cooperation programmed of Ministry of local development NG and Deutche Zusammenarbeit of Federal Republic of Germany (GTZ). World Bank Report, thesis and other books from Saraswoti Multiple Campus Library, T.U. Central Library and Centre for Economic Development (CEDA).

3.4. Method of Data Analysis:

Data, valuable information and other things collected from different sources in raw form and in the initial stage is judging independently do not help for decision but proper arrangement of them is essential. Thus the collected information and facts have been properly processed, tabulated, for the purpose of analysis and analyzed using relevant financial and statistical tools to achieve the objective.

3.5. Tools Used for Analysis of Data:

In order to analyze and interpret the collective data after necessary adjustments various financial as well as statistical tools have been used. Brief explanations of such tools have been presented below:

Statistical tools:

- i. Simple percentage
- ii. Simple average
- iii. Graphs, charts, and diagrams
- iv. Regression Methods

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

Data presentation and Analysis of House and Land (property) tax of Nepalgunj Municipality City and Birendranagar Municipality City has been done in this chapter. This is the major part of the study. It aims to make clear understanding contribution of property tax in Nepalgunj Municipality City and Birendranagar Municipality City which is presented in this chapter.

4.1.1. Comparison between Revenue and Expense of NMC, BMC and Remaining 56 Municipalities:

All over Nepal, there are 58 municipalities among them Nepalgunj is one which has 35 wards. Total revenue, total expenditure capital investment, no. of employee Of 58 municipalities for fiscal year 2065/66 is shown in following table.

Below Table no. 4.1 shows that total 56 municipalities have covered 97.7% Of total revenue; 0.97% of total revenue is covered by Nepalgunj municipality and 1.33% of total revenue covered by Birendranagar municipality. NMC has covered 0.95% of total expenditure and BMC has covered 1.07% and remaining 56 municipalities are covered 97.98%. Similarly, total 56 municipalities have covered 99.05% of capital investment whereas Nepalgunj municipality city is covered 0.45% and BMC is covered 0.5%. Nepalgunj municipality has covered 0.71% of no. of employee and BMC has covered 2.26%, remaining 56 municipality are covered 97.03% no. of

employee. Capital expenditure is more than non-capital expenditure, which is the better for future.

Table 4.1
Comparison between revenue and expenditure of NMC & BMC
and others Municipalities.

Particular	Total revenue (in Rs.)	Total expenditure (in Rs.)	Capital expenditure (in Rs.)	Non-capital expenditure (in Rs.)	No. of employee
Total 58 municipalities	6394279501	5133945252	3074423584	2059521668	8259
Birendranagar municipalities city	61153918	48604308	13798181	34806127	59
Nepalgunj Municipalities city	85336034	54679324	15363611	39315713	187
% of total 56 municipalities	97.7	97.98	99.05	96.4	97.03
% of Nepalgunj Municipalities city covered	0.97	0.95	0.45	1.69	0.71
% of Birendranagar Municipalities city covered	1.33	1.07	0.5	1.91	2.26

4.1.2. Structure of Total income from Tax and Other sources of NMC

The structure of total income from tax and other sources of NMC shown in the below table no 4.2. The structure consists of all the public revenue and other income like own private income of NMC it included the income incurred by ways, Bus Park's markets etc. And this also included fine and penalties, internal and external aid and other income which are shown in following table with percent

Table 4.2
Structure of Total Income from Tax and Other Sources of NMC

Particulars	FY54/55	%	FY55/56	%	FY56/57	%	FY57/58	%	FY58/59	%	FY59/60	%
1.Octoir/Local dev.fee	19162468	70.03	17145011	59.37	20963249	60.28	22036838	73.20	23868000	73.54	22032000	61.00
2.Vehical tax	1873152	6.85	4360605	15.10	1121500	3.22	3900	0.01		0.00		0.00
3.Octoir/vehical tax	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
4.Professional tax	33414	0.12	71600	0.25	171200	0.49	825936	2.74	1095566	3.38	776128	2.15
5.House and land tax	0	0.00	17065	0.06	3990	0.01	390554	1.30	1387944	4.28	1197441	3.32
6.House rent tax	43980	0.16	29454	0.10	77783	0.22	75403	0.25	91845	0.28	213030	0.59
7.Contract tax	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
8.Local market tax	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
9.Sales tax	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
10.Unclaimed land tax	33496	0.12	40454	0.14	38818	0.11	47050	0.16	50227	0.15	43056	0.12
11.Tax arrears	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
12.Others tax	516708	1.89	383864	1.33	450728	1.30	379852	1.26		0.00		0.00
13.Service fees	0	0.00	0	0.00	291070	0.84	251868	0.84	7977	0.02	100867	0.28
14.Industrial service fees	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
15.Recommendation fees	34499	0.13	91043	0.32	248028	0.71	136188	0.45	635384	1.96	583421	1.62
16.Redio licence	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
17.Application fees	37673	0.14	11931	0.04	14656	0.04	36904	0.12		0.00		0.00
18.Appraisal fees	28732	0.11	20628	0.07	15063	0.04	6603	0.02		0.00		0.00
19.Bulding permite	151755	0.55	211693	0.73	256448	0.74	638150	2.12	922589	2.84	1205016	3.34
20.Registration fees	18119	0.07	0	0.00	0	0.00	197588	0.66	51294	0.16	48424	0.13

21. Animal house fees	49726	0.18	37620	0.13	72878	0.21	100555	0.33		0.00		0.00
22. Others fines /fees	57636	0.21	98335	0.34	14491	0.04	32932	0.11	69318	0.21	85220	0.24
23. property rental	279974	1.02	225385	0.78	359694	1.03	1319478	4.38	2145215	6.61	2092798	5.79
24. others revenue	37174	0.14	57353	0.20	663147	1.91	536069	1.78	376874	1.16	624705	1.73
25. Advance refund	62530	0.23	125970	0.44	124130	0.36	40470	0.13	34515	0.11	269711	0.75
26. cost sharing	0	0.00	0	0.00	0	0.00	181358	0.60	563953	1.74	923783	2.56
27. Others miscellaneous	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
28. GON/Administrative grant	400000	1.46	200000	0.69	600000	1.73	600000	1.99	720000	2.22	1177000	3.26
29. GON/development grant	1530500	5.59	349942	1.21	0	0.00		0.00		0.00		0.00
30. Dis. Dev Board /others	314530	1.15	1777450	6.15	1343548	3.86		0.00		0.00		0.00
31. TDF grants	840000	3.07	2178592	7.54	885717	2.55	188484	0.63		0.00		0.00
32. Loans	1656503	6.05	707506	2.45	4992695	14.36	1739837	5.78	389000	1.20	4677477	12.95
33. Balance Forward	200888	0.73	737630	2.55	2069901	5.95	340485	1.13	45719	0.14	65288	0.18
34. Total Revenue	27363457	100	28879131	100	34778734	100	30106502	100	32455420	100	36115365	100

Table 4.2 continue.....

Particulars	FY60/61	%	FY61/62	%	FY62/63	%	FY63/64	%	FY64/65	%	FY65/66	%
1. Octoir/Local dev. fee	22032000	73.93	22032000	50.14	22032000	67.33	22032000	40.15	22032000	30.93	26400000	30.94
2. Vehical tax												
3. Octoir/vehical tax												
4. Professional tax	695010	2.33	680778	1.55	564162	1.72	1348123	2.46	734617	1.03	971450	1.14
5. House and land tax	1371341	4.60	1670866	3.80	2340677	7.15	2923169	5.33	3964845	5.57	4207540	4.93
6. House rent tax	289577	0.97	290734	0.66	334848	1.02	334190	0.61	329449	0.46	354168	0.42
7. Contract tax												

8.Local market tax												
9.Sales tax												
10.Unclaimed land tax	67121	0.23	58670	0.13	48158	0.15	36716	0.07	33808	0.05	10802	0.01
11.Tax arrears												
12.Others tax												
13.Service fees	227815	0.76	371816	0.85	156035	0.48	41073	0.07	289083	0.41	133671	0.16
14.Industrial service fees												
15.Recommendation fees	633485	2.13	562868	1.28	727491	2.22	1018996	1.86	903251	1.27	944091	1.11
16.Redio licence												
17.Application fees												
18.Appraisal fees												
19.Bulding permite	765101	2.57	956529	2.18	808899	2.47	1620459	2.95	1476108	2.07	2451829	2.87
20.Registration fees	62643	0.21	273233	0.62	266018	0.81	709889	1.29	677912	0.95	1020334	1.20
21.Animal house fees												
22.Others fines /fees	116039	0.39	230127	0.52	268600	0.82	235160	0.43	321212	0.45	292206	0.34
23.property rental	1817398	6.10	1959284	4.46	1915212	5.85	1531413	2.79	2499279	3.51	1622818	1.90
24.others revenue	186326	0.63	365906	0.83	177279	0.54	180762	0.33	259450	0.36		
25.Advance refund	33925	0.11	105197	0.24	25745	0.08	35037	0.06				
26.cost sharing	94000	0.32									593518	0.70
27.Others miscellaneous									446446	0.63		
28.GON/Administrative grant	1300000	4.36	800000	1.82	533200	1.63	800000	1.46	1100000	1.54	1627000	1.90
29.GON/development grant			3628315	8.26			751086	1.37	3674900	5.16	21505090	25.20
30.Dis.Dev Board /Others			8274265	18.83	1002100	3.07	13276185	24.20	17069591	23.97	20483672	24.00
31.TDF grants					350000	1.07	600000	1.09	150652	0.21		
32.Loans												
33.Balance Forward	108077	0.36	1683376	3.83	1173499	3.59	7397221	13.48	15259756	21.43	2717845	3.18
34.Total Revenue	29799858	100	43943964	100	32723923	100	54871479	100	71222359	100	85336034	100

Above table showed the detail structure of various taxes and other income of NMC in various Fiscal Years. Total income Rs. 27363457 of NMC in fiscal year 054/055. Total income Rs. 28879131 of NMC s in fiscal year 055/056. Total income Rs. 34778734 of NMC in fiscal year 056/057. Total income Rs. 30106502 of NMC in fiscal year 057/058. Total income Rs. 32455420 of NMC in fiscal year 058/059. Total income Rs. 36115365 of NMC in fiscal year 059/060. Total income Rs. 29799858 of NMC s in fiscal year 060/061. Total income Rs. 43943964 of NMC in fiscal year 061/062. Total income Rs. 32723923 of NMC in fiscal year 062/063. . Total income Rs. 54871479 of NMC in fiscal year 063/064. Total income Rs. 71222359 of NMC in fiscal year 064/065. And at last but not the least total income of Rs. 85336034 in the fiscal year 065/066. Hence, this showed total incomes of different fiscal year fluctuating every year of NMC.

4.1.3. Structure of Total Income from Tax and Other Sources of BMC

The structure of total income from tax and other sources of BMC presented in table 4.3 from the fiscal year 054/055 to 065/066. The table shows that the public revenue in BMC is by different taxes such as service charge, fine and penalties, fees, aid and other income which are shown in following table with percentage.

Table 4.3:
Structure of Total Income from Tax and Other Sources of BMC

Particulars	FY54/55	%	FY55/56	%	FY56/57	%	FY57/58	%	FY58/59	%	FY59/60	%
1.Octoir/Local dev.fee	4072689	51.45	4030375	37.41	4481166	42.14	4653592	36.99	5070000	36.16	4680000	37.26
2.Vehical tax	153378	1.94	271822	2.52	200795	1.89	10292	0.08	10632	0.08	730	0.01
3.Octoir/vehical tax	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
4.Professional tax	14120	0.18	52893	0.49	105565	0.99	392801	3.12	515728	3.68	499108	3.97
5.House and land tax	0	0.00	0	0.00	0	0.00	1200	0.01	241667	1.72	206089	1.64
6.House rent tax	33146	0.42	28687	0.27	27799	0.26	22719	0.18	21791	0.16	12484	0.10
7.Contract tax	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
8.Local market tax	12778	0.16	22469	0.21	12408	0.12		0.00		0.00		0.00
9.Sales tax	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
10.Unclaimed land tax	0	0.00	0	0.00	0	0.00	247459	1.97	214214	1.53	235647	1.88
11.Tax arrears	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
12.Others tax	201480	2.55	166616	1.55	186467	1.75	237794	1.89		0.00		0.00
13.Service fees		0.00	0	0.00	3496	0.03	94585	0.75	251878	1.80	265370	2.11
14.Industrial service fees		0.00	0	0.00	0	0.00		0.00		0.00		0.00
15.Recommendation fees	29109	0.37	32934	0.31	53124	0.50	34736	0.28	66640	0.48	47642	0.38
16.Redio licence	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
17.Application fees	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
18.Appraisal fees	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
19.Bulding permite	98354	1.24	82090	0.76	176441	1.66	218358	1.74	365926	2.61	662376	5.27
20.Registration fees	0	0.00	0	0.00	0	0.00	6899	0.05	47487	0.34	13677	0.11
21.Animal house fees	11008	0.14	6896	0.06	57540	0.54		0.00		0.00		0.00

22.Others fines /fees	0	0.00	0	0.00	0	0.00	108079	0.86	62949	0.45	76778	0.61
23.property rental	497836	6.29	523152	4.86	0	0.00	498779	3.96	611159	4.36	806697	6.42
24.others revenue	9082	0.11	24742	0.23	60851	0.57	129772	1.03	179705	1.28	384498	3.06
25.Advance refund	0	0.00	0	0.00	0	0.00	1130	0.01	4501	0.03		0.00
26.cost sharing	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
27.Others miscellaneous	46801	0.59	0	0.00	0	0.00		0.00		0.00		0.00
28.GON/Administrative grant	400000	5.05	400000	3.71	500000	4.70	500000	3.97	2340000	16.69	2600000	20.70
29.GON/development grant	1600000	20.21	1821200	16.90	1700000	15.99	1668000	13.26	90000	0.64		0.00
30.Dis.Dev Board /Others	0	0.00	500000	4.64	0	0.00	2975268	23.65	2175600	15.52	722600	5.75
31.TDF grants	540000	6.82	1864325	17.30	1536588	14.45	128457	1.02		0.00		0.00
32.Loans	0	0.00	0	0.00	0	0.00		0.00		0.00		0.00
33.Balance Forward	196121	2.48	945404	8.78	1532560	14.41	650000	5.17	1750000	12.48	1347000	10.72
34.Total Revenue	7915902	100	10773605	100	10634800	100	12579920	100.00	14019877	100.00	12560696	100

Table 4.1 continue.....

Particulars	FY60/61	%	FY61/62	%	FY62/63	%	FY63/64	%	FY64/65	%	FY65/66	%
1.Octoir/Local dev.fee	4680000	33.19	4680000	26.78	4680000	21.94	4680000	15.96	4680000	17.45	8573000	14.02
2.Vehical tax	425	0.00	1115	0.01	14940	.07	9150	0.03	1515	0.01		
3.Octoir/vehical tax		0.00										
4.Professional tax	459995	3.26	364073	2.08	412807	1.94	378715	1.29	468578	1.75	371859	0.61
5.House and land tax	210909	1.50	219038	1.25	382599	1.79	420720	1.43	505399	1.88	549289	0.90
6.House rent tax	11699	0.08	14927	0.09	26555	0.13	56717	0.19	41612	0.16	48436	0.08
7.Contract tax		0.00										
8.Local market tax		0.00										

9.Sales tax		0.00										
10.Unclaimed land tax	373036	2.65	372398	2.13	370586	1.74	441657	1.51	468237	1.75	456434	0.75
11.Tax arrears		0.00										
12.Others tax		0.00										
13.Service fees	269554	1.91	328340	1.88	424308	1.99	55133	0.19	331746	1.24	420661	0.69
14.Industrial service fees		0.00										
15.Recommendation fees	42612	0.30	58485	0.33	87738	0.41	106213	0.36	88936	0.33	268062	0.44
16.Redio licence		0.00										
17.Application fees		0.00										
18.Appraisal fees		0.00					305343	1.04			144932	0.24
19.Bulding permite	607481	4.31	657765	3.76	803202	3.76	686061	2.34	994685	3.71	1739675	2.84
20.Registration fees	10050	0.07	7610	0.04	1152	0.01	17644	0.06	20505	0.08	62735	0.10
21.Animal house fees		0.00										
22.Others fines /fees	65628	0.47	49987	0.29	38480	0.18	58429	0.20	56319	0.21	80113	0.13
23.property rental	835235	5.92	1109434	6.35	872241	4.09	825978	2.82	773902	2.89	629790	1.03
24.others revenue	82040	0.58	167447	0.96	22644	0.11	303957	1.04	58400	0.21	260900	0.43
25.Advance refund	4205	0.03	67	0.00	20	0.00			1125	0.00		
26.cost sharing		0.00			1755000	8.23	1500000	5.11	2398000	8.94	4500000	7.36
27.Others miscellaneous		0.00			506000	2.37						
28.GON/Administrative grant	448224	3.18	447550	2.58	500000	2.34	500000	1.70	4738000	17.66	700000	1.14
29.GON/development grant	4076484	28.91	9000000	51.47	6275000	29.41	15802100	53.88	4435000	16.54	34560000	56.51
30.Dis.Dev Board /Others	638450	4.53			1685150	7.90	2617000	8.92	4954342	18.48	5749200	9.40
31.TDF grants		0.00										
32.Loans		0.00										
33.Balance Forward	1284008	9.11			2477857	11.61	565006	1.93	1800000	6.71	2038832	3.33
34.Total Revenue	14100035	100	17478236	100	21336279	100	29329823	100	26816301	100	61153918	100

Above table showed the detail structure of various taxes and other income of BMC in various Fiscal Years. Total income Rs7915902 of BMC in fiscal year 054/055. Total income Rs10773605 of BMC s in fiscal year 055/056. Total income Rs10634800 of BMC in fiscal year 056/057. Total income Rs. 12579920 of BMC in fiscal year 057/058. Total income Rs.14019877 of BMC in fiscal year 058/059. Total income Rs. 12560696 of BMC in fiscal year 059/060. Total income Rs14100035 of BMC s in fiscal year 060/061. Total income Rs 17478236 of BMC in fiscal year 061/062. Total income Rs. 21336279 of BMC in fiscal year 062/063. Total income Rs. 29329823 of BMC in fiscal year 063/064 Total income Rs. 26816301 of BMC in fiscal year 064/065. And at last but not the least total income of Rs 61153918 in the fiscal year 065/066. Hence, this showed total incomes of different fiscal year fluctuating every year of BMC.

4.1.4 Property Tax in NMC and BMC

Nepalgunj municipality city has been collecting property tax since 2055/56 and Birendranagar municipality city collecting this tax since 2057/058. It is known as house and land tax. This tax is playing major role in NMC and BMC. Most of the people who live in NMC and BMC are paying house and land tax now a days.

NMC has estimated that around 1 lakh property tax payers in municipalities' city but due the lack of filing and recording system does not show any sound data for regular tax payers. And absent of proper recording system only 50 percentage tax payer pay regularly. Among them most of the tax payers are corporate office like Nepal electricity Authority, Nepal Telecom Corporation etc. Which pay 40 to 42 lakhs

annually? Whereas least paying tax are those individuals Most of people own property less than 10 lakhs which are not in the tax brackets .They pay only house and land tax in the name of "Service Charge" Rs. 200annually. In 2019 there was provision of sending bill to the individuals for the payment of house and land tax but it could not come to practice. Since it was only limited in the provision there is not any measures taken by NMC for taking any action like fine and penalty for not paying tax.

Tax planning and tax evasion is another factor which hindrance in collection for house and land tax. People reduce their responsibilities of paying tax by splitting the whole property to small valuation property to pay tax little or none. Some people have more than one house in same name which also lead to evasion simply pay for only one house. For all this reason contribution of house and land tax seems less than in the comparison to other taxes.

As for as concerned of completion of tax payers the Government's rules and regulations on them is major focused. Nevertheless, the people of NMC and BMC could pay the whole tax when they need recommendation or permission from municipality to use of the property as collateral, bones etc. from the financial institute and other similar firms. Therefore it is clear that the tax payer pay the whole tax to clear the transaction. But this would be continued one after another until the Government prepares the rule concerning this aspect on each fiscal year.

4.1.5. Total Tax Income from Property and Other Taxes

Table 4.4 shows total tax income from property and other tax of Nepalgunj municipality city in fiscal year 059/60. Total tax income house

Table 4.5 showed total tax income from property and other tax of BMC for the last 9 fiscal years. Total tax income house and land tax, percentage of property tax and percentage of other taxes and income are shown in above table. Total tax income was Rs.12579920, which consisted 0.01% from property tax and 99.99% from other taxes and income in fiscal year 057/058. Total tax income was Rs.14019877, which consisted 1.72% from property tax and 98.28% from other taxes and income in fiscal year 058/059. Total tax income was Rs.12560696 which consisted 1.64% from property tax and 98.36% from other taxes and income in fiscal year 059/060. Total tax income was Rs.14100035, which consisted 1.50% from property tax and 98.87% from other taxes and income in fiscal year 060/061. Total tax income was Rs.174788236, which consisted 0.13% from property tax and 99.87% from other taxes and income in fiscal year 061/062. Total tax income was Rs.21336279, which consisted 1.79% from property tax and 98.21% from other taxes and income in fiscal year 062/063. Total tax income was Rs.29329823, which consisted 1.43% from property tax and 98.57% from other taxes and income in fiscal year 063/064. Total tax income was Rs.26816301, which consisted 1.88% from property tax and 98.12% from other taxes and income in fiscal year 064/065. Total income was Rs.61153918 which consisted 0.90% from property tax and 99.10% from other taxes and income in fiscal year 065/66 of BMC. Therefore, property tax increase in second year and decrease in third year, fourth year, fifth year and again increase in sixth year, decrease in seventh year, increase in eighth year again decrease in ninth year. So we can say that there is fluctuated in property tax collection.

4.1.7. Budgeted and Actual House and Land Tax of KMC

Every success any organization is depended upon the correct budgeted and its correct implementation. So here presented the table 4.6 to know the budgeted of property tax prepared by the NMC and succeeded to collect actual in different fiscal years.

Table no 4.6

Budgeted and Actual House and Land Tax of NMC

F/Y	Income Revenue		Collection Efficiency in (%)
	Budgeted	Actual	
058/059	1000000	1387944	138.79
060/061	1550000	1371341	88.47
061/062	1650000	1670866	101.26
062/063	5950000	2340677	39.34
063/064	3250000	2923169	89.94
064/065	3900000	3964845	101.66
065/066	5350000	4207540	78.65

(Source: Income and expenditure budget of NMC.)

From the above table 4.6 showed that the revenue from house and land tax was fluctuating over the last 7 years. Collection efficiency of house and land tax was around 138.79% in the first fiscal year. It had been decreased in the fiscal year 060/061. This was because of not better performance of NMC. Collection efficiency of fiscal year 061/062 increase due to better performance but collection efficiency is decrease in fiscal year 065/066. From the above data it can be said the poor calculation of budgeted and recovery of tax was not satisfied.

4.1.8. Budgeted and Actual House and Land Tax of BMC

Every success any organization is depended upon the correct budgeted and it's correct implementation. So here presented the table 4.6 to know the budgeted of property tax prepared by the BMC and succeeded to collect actual in different fiscal years.

Table 4.7

Budgeted and Actual House and Land Tax of BMC

F/Y	Income Revenue		Collection Efficiency in (%)
	Budgeted	Actual	
58/59	255000	241667	94.77
61/62	250000	219038	87.62
62/63	405000	420720	103.88
63/64	350000	382599	109.31
64/65	400000	505399	126.35
65/66	4500000	549289	122.06

(Source: Income and expenditure budget of BMC)

From the above table 4.7 showed that the revenue from house and land tax was fluctuating over the last 6 years. Collection efficiency of house and land tax was around 94.77% in the first fiscal year. It had been decrease in the fiscal year 061/062. This was not because of better performance of because of the decreased in budgeted amount. Collection efficiency of fiscal year 062/063 increase due to change in budgeted revenue. From the above data it can be said the calculation of budgeted and recovery of tax was satisfied.

4.2.1. Study about Contributions of House and Land Tax in Total Revenue of Nepalgunj municipality

Nepalgunj municipality has been collective property tax since 2055/56. It is known as house & land tax. This tax is playing vital role in Nepalgunj municipality. It contributes of house and land tax in total revenue of Nepalgunj municipality can be shown in table 4.9.

Table 4.9
Contribution of House and Land Tax of NMC

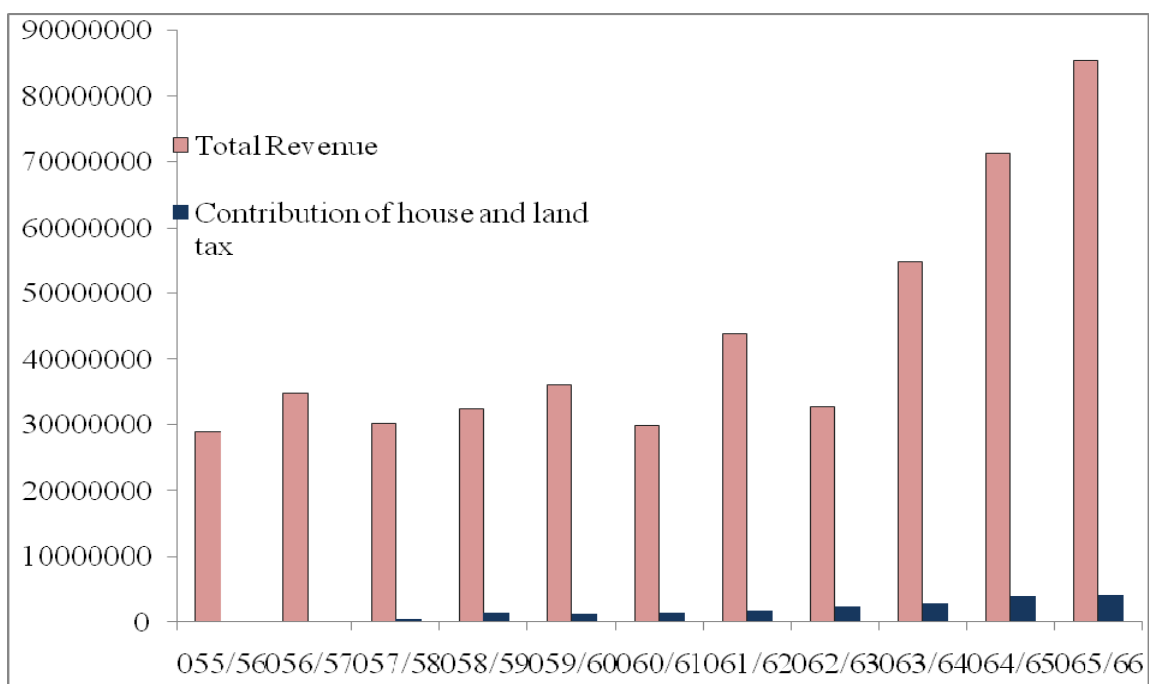
Year	Total Revenue	Contribution of house and land tax	Percent
055/56	28879131	17065	0.06
056/57	34778734	3990	0.01
057/58	30106502	390554	1.3
058/59	32455420	1387944	4.28
059/60	36115365	1197441	3.32
060/61	29799858	1371341	4.6
061/62	43943964	1670866	3.8
062/63	32723923	2340677	7.15
063/64	54871479	2923169	5.33
064/65	71222359	3964845	5.57
065/66	85336034	4207540	4.93
		Total	40.35
		Average	3.67

(Source Nepalgunj municipality, revenue department)

From the table 4.9 it is clear to see that average contribution of house and land tax on total revenue is 10.09 percent. Percentage share contribution of house and land tax on total revenue can be observed highest i.e. 7.15 percent in FY062/063 and lowest i.e. 0.06 percent in FY 055/56. This must significant indicator to examine increasing reliance on contribution of house and land tax. This table can be shown in graph as below:

Figure: 1

Contribution of House and Land Tax of NMC



4.2.2. Study about Contributions of House and Land Tax in

Total Revenue of BMC

BMC has been collective property tax since 2057/58. It is known as house & landTax. This tax is playing vital role in BMC. It contributes of house and land tax in total revenue of BMC can be shown in table 4.10.

Table 4.10
Contribution of House and Land Tax of BMC

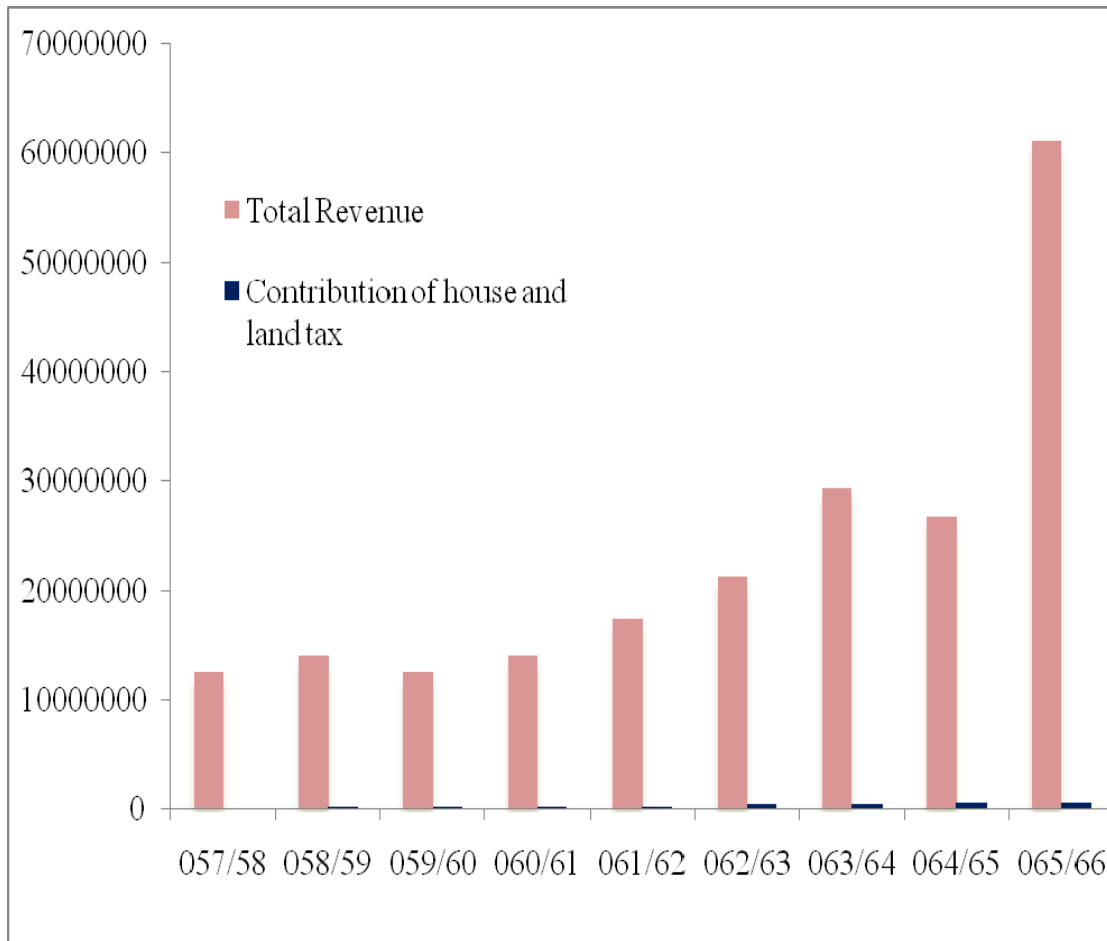
Year	Total Revenue	Contribution of house and land tax	Percent
057/58	12579920	1200	0.01
058/59	14019877	241667	1.72
059/60	12560696	206089	1.64
060/61	14100035	210909	1.5
061/62	17478236	219038	1.25
062/63	21336279	382599	1.79
063/64	29329823	420720	1.43
064/65	26816301	505399	1.88
065/66	61153918	549289	0.9
		Total	12.12
		Average	1.35

(Source: BMC, revenue department)

From the table 4.10 it cleared to see that average contribution of house and land tax on total revenue is 3.03 percent. Percentage share contribution of house and land tax on total revenue can observed highest i.e.1.88 percent in FY 064/65 and lowest i.e. 0.01 percent in FY 057/58. This can be shown in graph.

Figure :2

Contribution of House and Land Tax of BMC



4.2.3. Study about Trend of House and Land Tax of NMC

The trend of house and land tax of KMC calculated on the basis of house and land tax revenue of last 6 years. Table 4.11 shows the trend of house and land tax of NMC.

Table 4.11
Trend of House and Land Tax of NMC

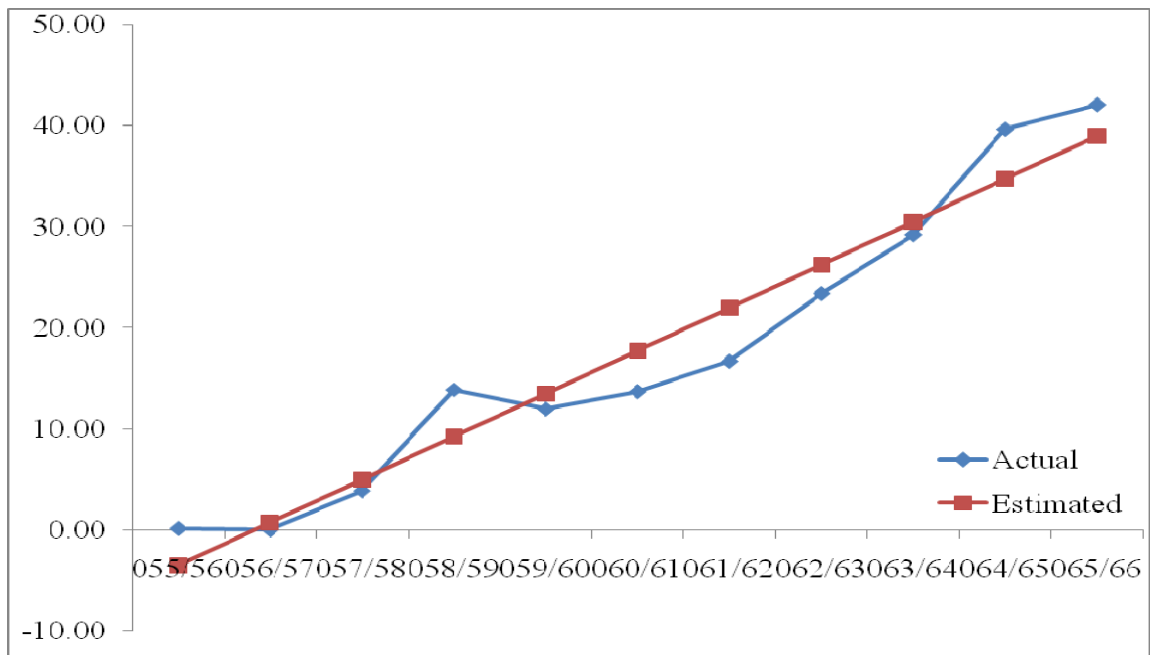
year	T	X= T-6	X ²	H & L Tax (y)	Xy	Y=a+bx
055/56	1	-5	25	0.17	-0.85	-3.56
056/57	2	-4	16	0.04	-0.16	0.70
057/58	3	-3	9	3.91	-11.72	4.95
058/59	4	-2	4	13.88	-27.76	9.20
059/60	5	-1	1	11.97	-11.97	13.45
060/61	6	0	0	13.71	0.00	17.70
061/62	7	1	1	16.71	16.71	21.96
062/63	8	2	4	23.41	46.81	26.21
063/64	9	3	9	29.23	87.70	30.46
064/65	10	4	16	39.65	158.59	34.71
065/66	11	5	25	42.08	210.38	38.97
Total		0	110	194.75	467.73	

(Calculation of a and b shown on annex ii)

From the above table 4.11 shows actual House and Land Tax is maximum in fiscal year 065/066 and low in 056/057 but estimated House and Land Tax shown in slowly increasing. Where $a=17.70$, $b=4.25$ and estimated $y=17.70+4.25X$ which clearly shown in Trend Chart below .

Figure: 3

Trend of House and Land Tax of NMC



4.2.4. Study about Trend of House and Land Tax of BMC

The trend of house and land tax of BMC calculated on the basis of house and land tax revenue of last 8 years. Table 5. Shows the trend of house and land tax of BMC.

Table 4.12

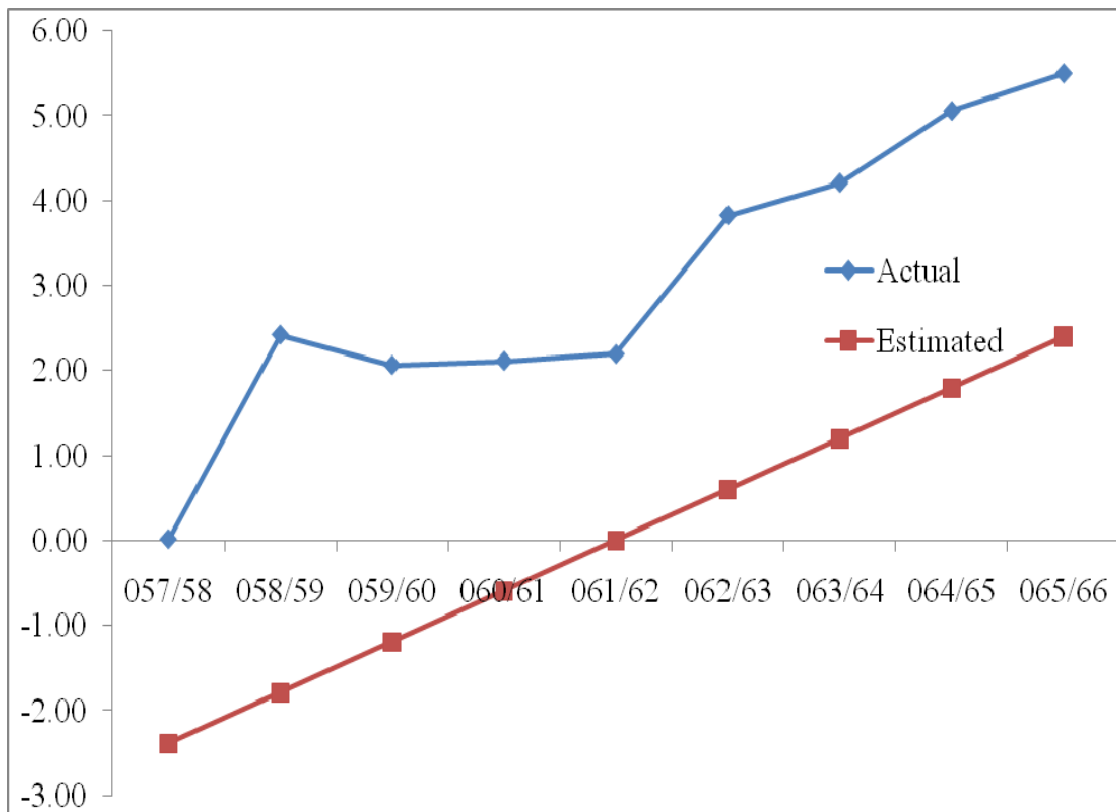
Trend of House and Land Tax of BMC

Year	T	X=T-5	X ²	H&L(y)	Xy	Y=a+bx
057/58	1	-4	16	0.01	-0.05	0.65
058/59	2	-3	9	2.42	-7.25	1.25
059/60	3	-2	4	2.06	-4.12	1.85
060/61	4	-1	1	2.11	-2.11	2.44
061/62	5	0	0	2.19	0.00	3.04
062/63	6	1	1	3.83	3.83	3.64
063/64	7	2	4	4.21	8.41	4.24
064/65	8	3	9	5.05	15.16	4.83
065/66	9	4	16	5.49	21.97	5.43
Total		0	60	27.369	35.845	

From the above table 4.12 shows actual House and Land Tax is maximum in fiscal year 065/066 and low in 057/058 but estimated House and Land Tax shown in slowly increasing. Where $a=3.04$, $b=0.60$ and estimated $y=3.04+0.60X$ which clearly shown in Trend Chart below.

Figure 4

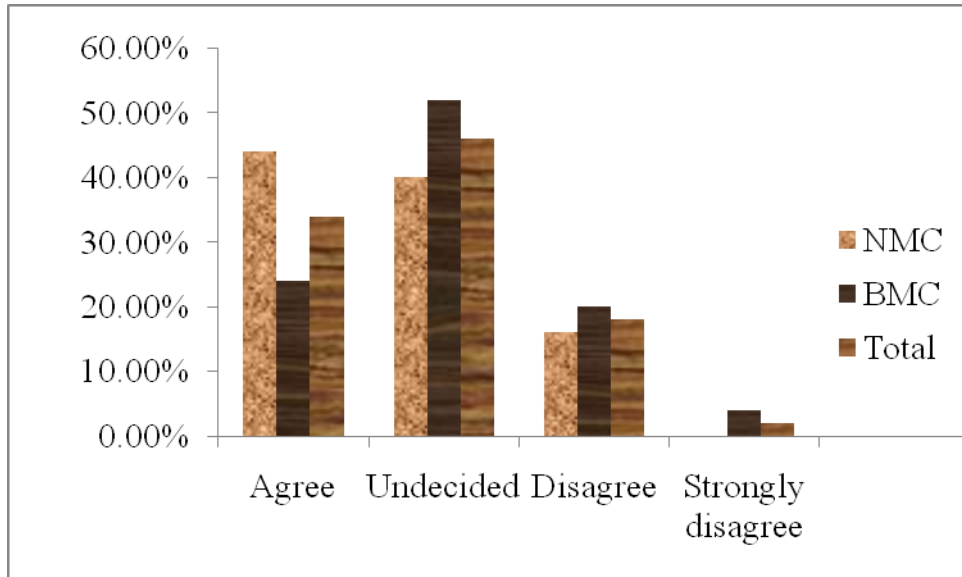
Trend of House and Land Tax of BMC



4.3 Empirical Study of House and land Tax

4.3.1. Valuation system of House, Land and others property

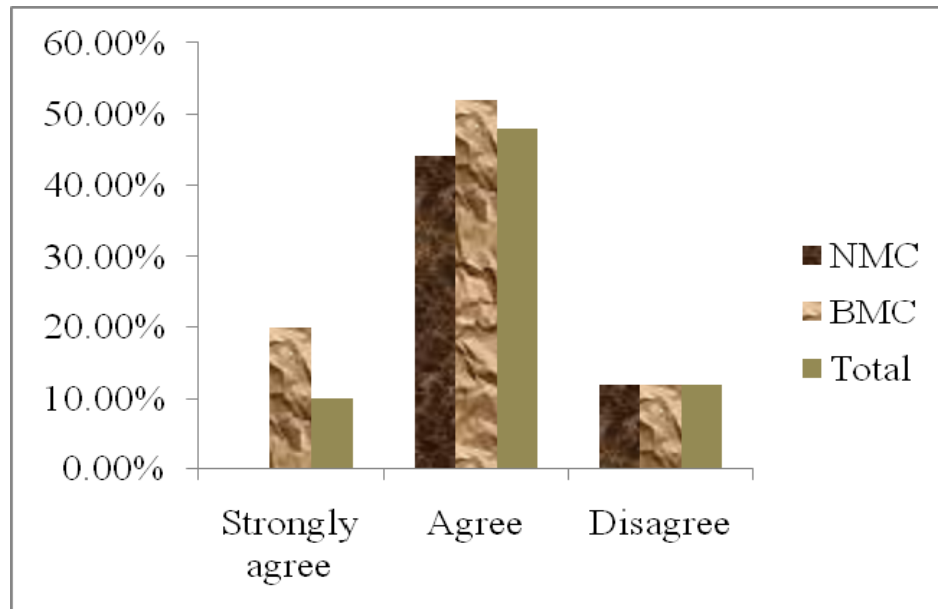
Figure: 5



This study showed that 34% respondents agreed that Valuation system of house, land and others properties tax are best enough and 46% respondents undecided on it. But 18% were disagreed and 2% were strongly disagreed on this statement. Within NMC, 44% respondents agreed, 40% undecided and 16% respondents were disagreed on this statement. In BMC, 24% agreed, 52% undecided, 20% disagreed and 4% respondents were strongly disagreed on this statement.

4.3.2. Sufficiency and exemption limit of house and land tax

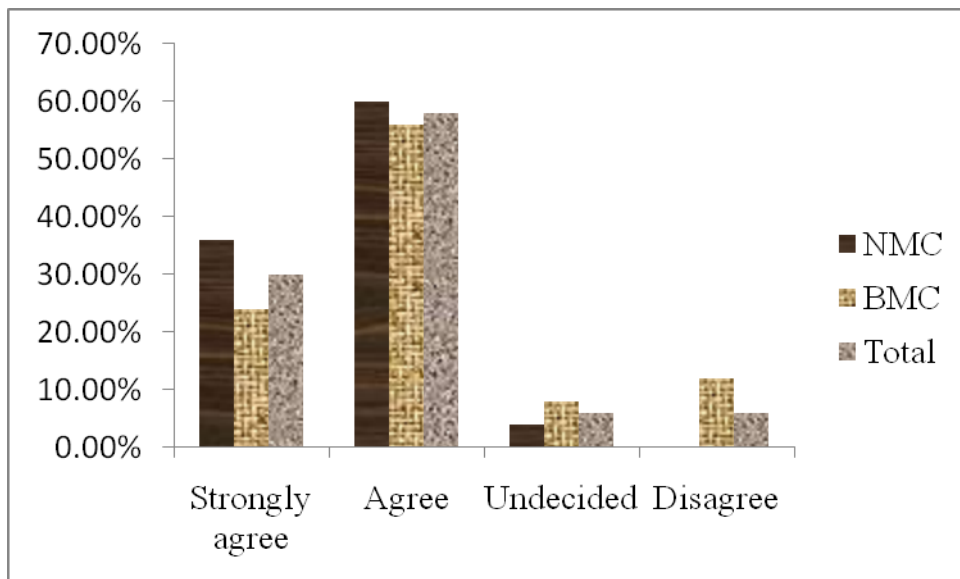
Figure: 6



This study showed that of total 10% respondents strongly agreed that present rate of house and land tax and exemption limit is suitable, and 48% respondents agreed on it. But 12% were disagreed on this statement. Within NMC, 44% respondents agreed and 12% respondents were disagreed on this statement. In BMC, 20% strongly agreed, 52% agreed and 12% disagreed on this statement.

4.3.3. House and Land Tax as a means of Domestic Resources

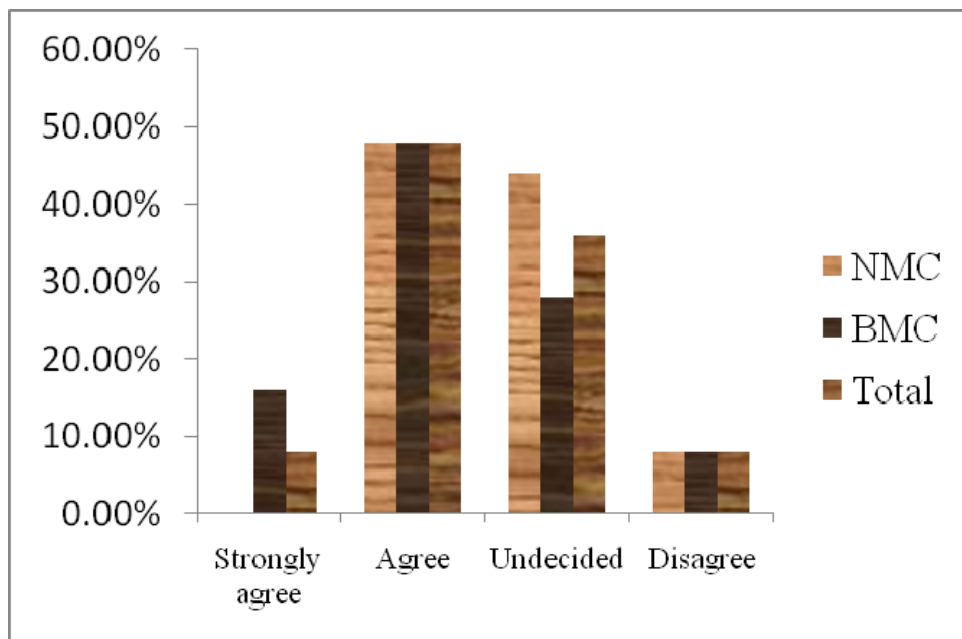
Figure: 7



This study showed that of total 30% respondents strongly agree that house and land tax is means of local resources and 58% respondents agreed on it. But 6% were undecided and 6% were disagreed on this statement. Within NMC, 36% respondents strongly agreed, 60% agree and 4% respondents were on decided on this statement. In BMC, 24% strongly agreed, 56% agreed, 8% undecided and 12% respondents were disagreed on this statement.

4.3.4. Tax evasion as a constraint for collection

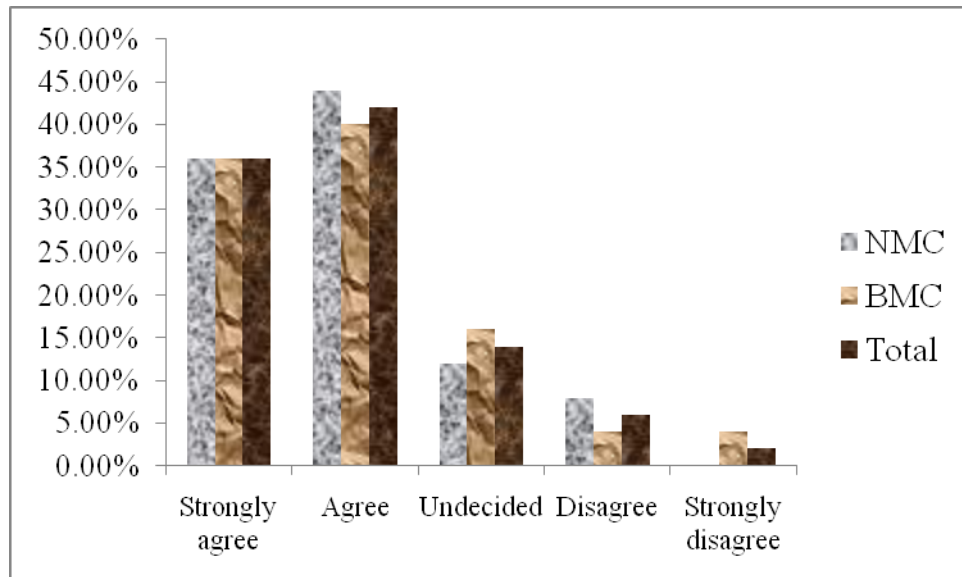
Figure: 8



This study showed that of total 8% respondents strongly agree that wide spread tax evasion as the major constriction for the tax collection through house and land tax. In both NMC and BMC, 48% respondents agreed on it. But 36% were undecided and 8% were disagreed on this statement. Within NMC, 48% respondents agreed, 44% undecided and 8% respondents were disagreed on this statement. In BMC, 16% strongly agreed, 48% agreed, 28% undecided and 8% respondents were disagreed on this statement.

4.3.5 Complication in paying House and Land tax

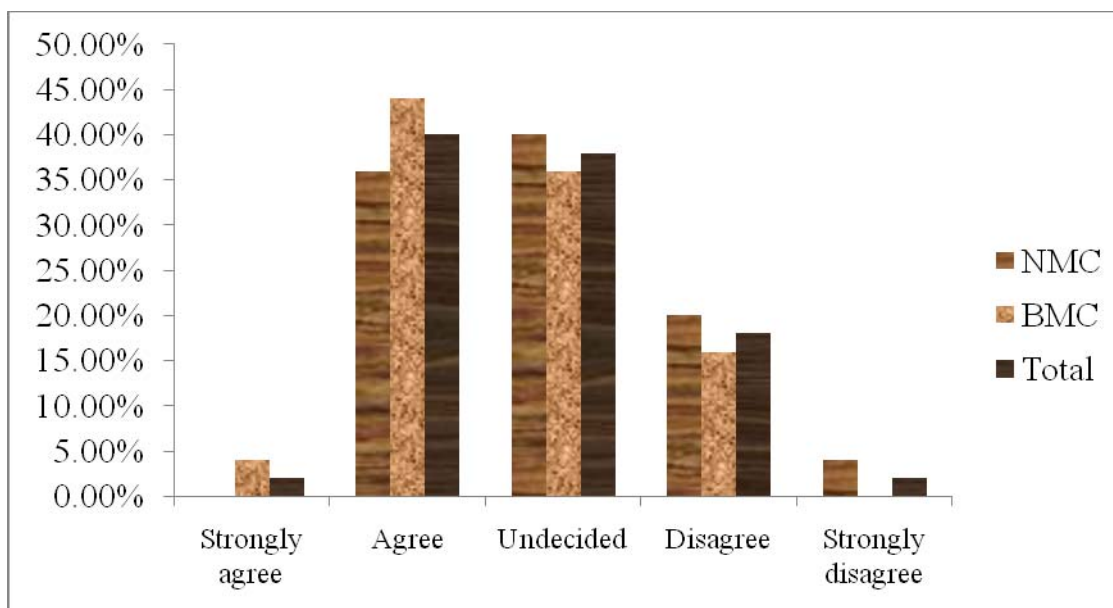
Figure: 9



This study showed that of total respondents 36% strongly agreed that there is complications in paying house and land tax in NMC/BMC and 44% respondents agreed on it. But 12% were undecided and 8% were disagreed on this statement. Within NMC, 36% strongly agreed, 44% were agreed, 12% were undecided and 8% respondents were disagreed on this statement. In BMC, 40% strongly agreed, 16% agreed, 14% undecided, 6% disagreed and 2% respondents were strongly disagreed on this statement.

4.3.6 Suitability of present rate of integrated property tax

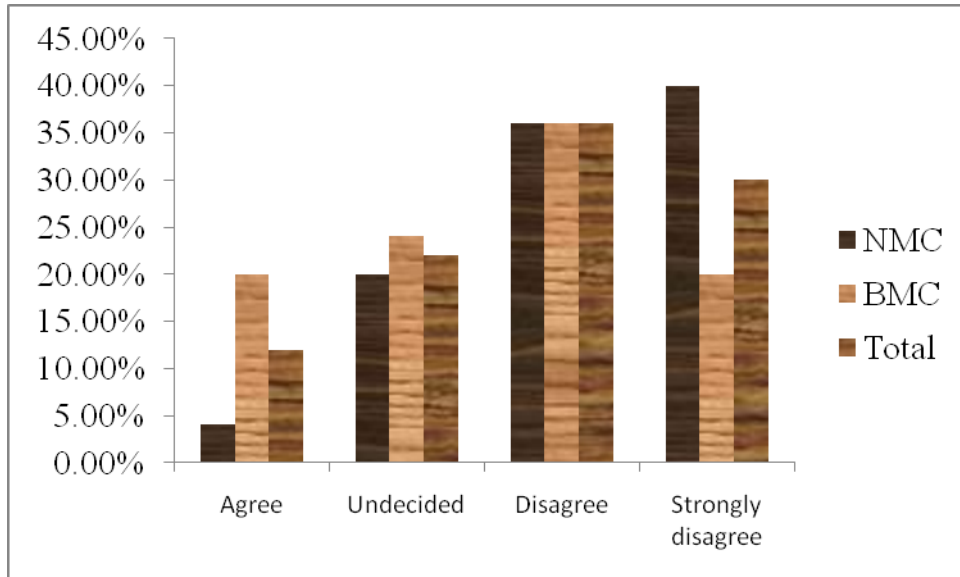
Figure: 10



This study showed that 2% respondents of total strongly agreed that the present rate of property tax is suitable for Nepalese local governments and 40% respondents agreed on it. But 38% were undecided, 18% were disagreed and 2% were strongly disagreed on this statement. Within NMC, 36% respondents agreed, 40% respondents undecided, 20% disagreed and 4% respondents strongly disagreed on this statement. In BMC, 4% strongly agreed, 44% agreed, 38% undecided, 12% disagreed and 2% respondents were strongly disagreed on this statement.

4.3.7. Failure to incorporate new tax payer

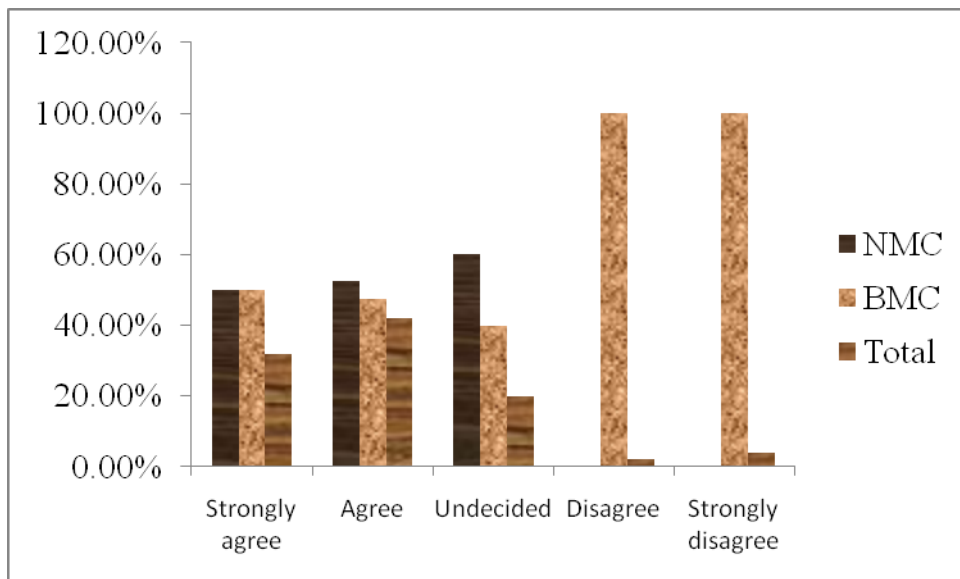
Figure: 11



This study showed that 12% respondents of total agreed that there is failure to incorporate new tax payer in NMC/BMC; however, 22% respondents undecided on it. But 36% were disagreed and 30% were strongly disagreed on this statement. Within NMC, 4% respondents agreed, 20% undecided, 36% disagreed and 40% respondents were strongly disagreed on this statement. In BMC, 20% agreed, 24% undecided, 36% disagreed and 20% respondents were strongly disagreed on this statement.

4.3.8. Delayed assessment causing irritation to tax payers

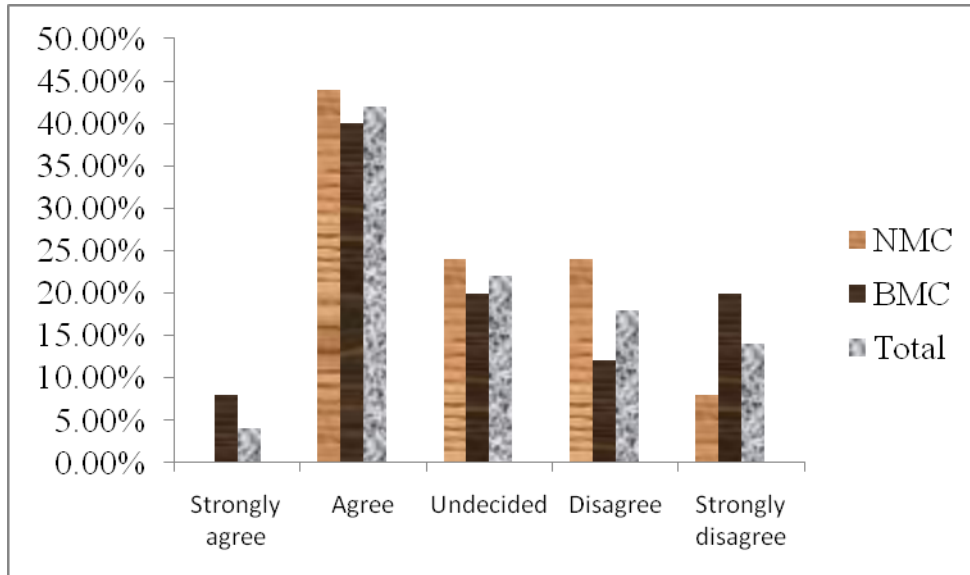
Figure: 12



This study showed that 32% respondents strongly agree that too much delay in making assessment is the irritating part for tax payers and 42% respondents agreed on it. But 20% were undecided, 2% were disagreed and 4% were strongly disagreed on this statement. Within NMC, 50% were strongly agreed, 52.4% agreed and 60% were undecided on this statement. In BMC, 50% strongly agreed, 47.6% agreed, 40% undecided, 100% disagreed and 100% respondents were strongly disagreed on this statement.

4.3.9 Awareness of citizen for paying house and land Tax

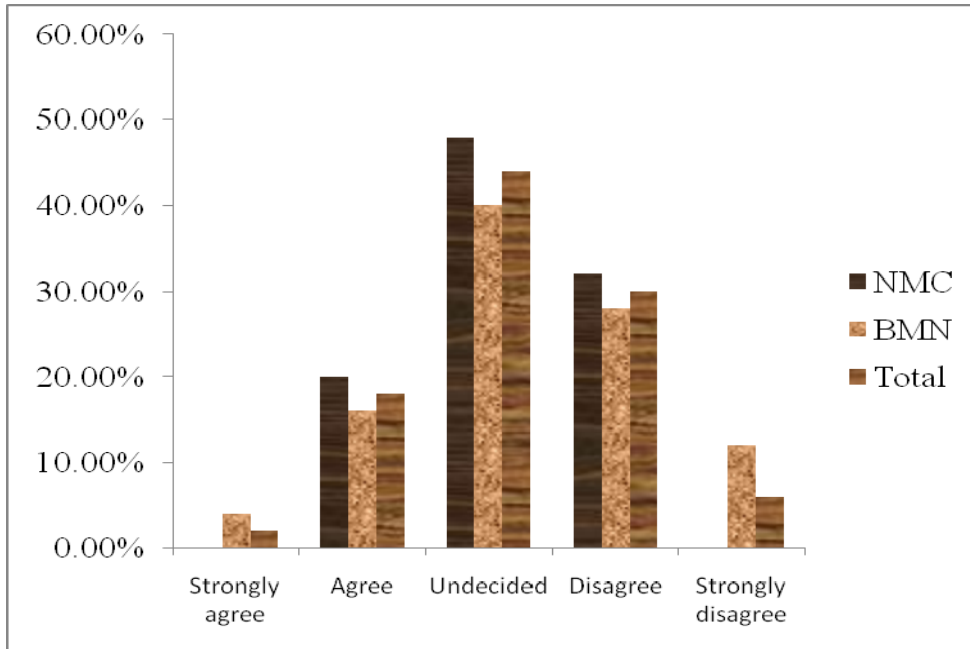
Figure: 13



This study showed that 4% respondents strongly agree that people of NMC and BMC seems aware for paying house and land tax and 42% respondents agreed on it. But 22% were undecided, 18% were disagreed and 14% were strongly disagreed on this statement. Within NMC, 44% were agreed, 24% respondents undecided, 24% disagreed and 8% respondents were strongly disagreed on this statement. In BMC, 8% strongly agreed, 40% agreed, 20% undecided, 12% disagreed and 20% respondents were strongly disagreed on this statement.

4.3.10 Effectiveness of local act 2055 for collecting tax

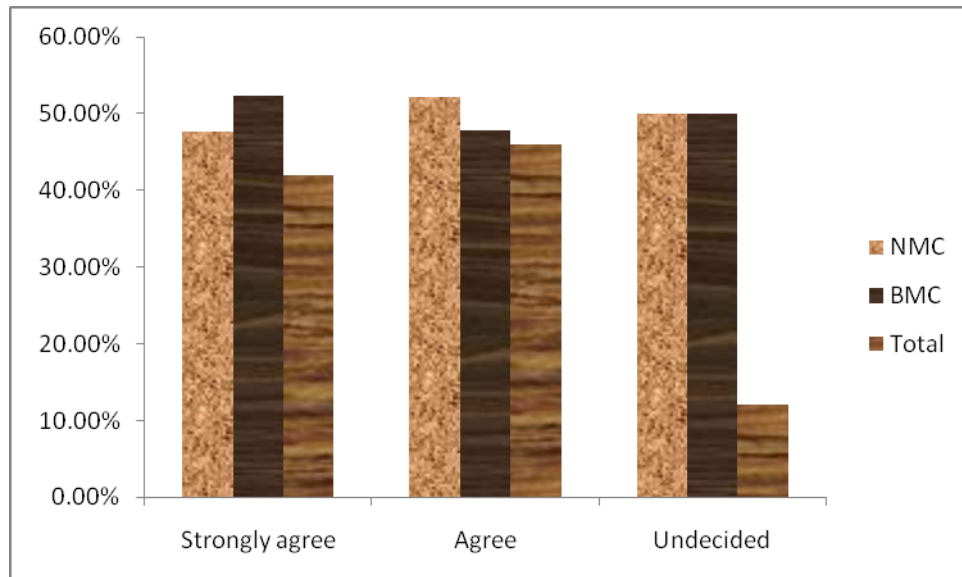
Figure: 14



This study showed that 2% respondents of total strongly agreed that the provision under “Local Self Governance Act2055” is good for collecting integrated property tax and 18% respondents agreed on it. But 44% were undecided, 30% were disagreed and 6% were strongly disagreed on this statement. Within NMC, 20% were agreed, 48% respondents undecided and 32% respondents were disagreed on this statement. In BMC, 4% strongly agreed, 16% agreed, 40% undecided, 28% disagreed and 12% respondents were strongly disagreed on this statement.

4.3.11. Tax as a measure to reduce gap between Rich and Poor People

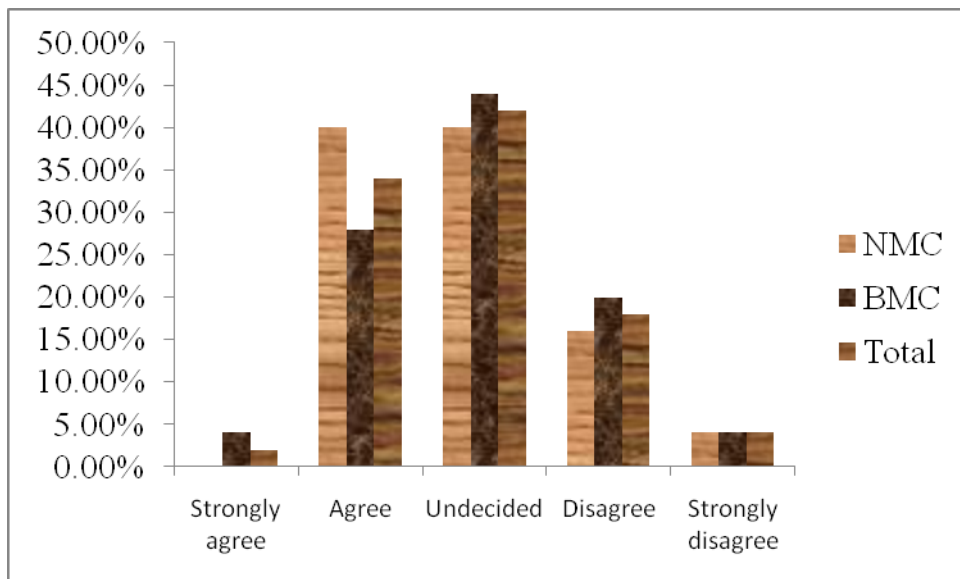
Figure: 15



This study showed that 42% respondents of total strongly agreed that house and land tax is a measure to reduce the gap between rich and poor and 46% respondents agreed on it. But 12% were undecided on this statement. Within NMC, 47.6% respondents strongly agreed, 52.2% agreed and 50% respondents were undecided on this statement. In BMC, 52.4% strongly agreed, 47.8% agreed and 50% respondents were undecided on this statement.

4.3.12 Appropriateness of property valuation method

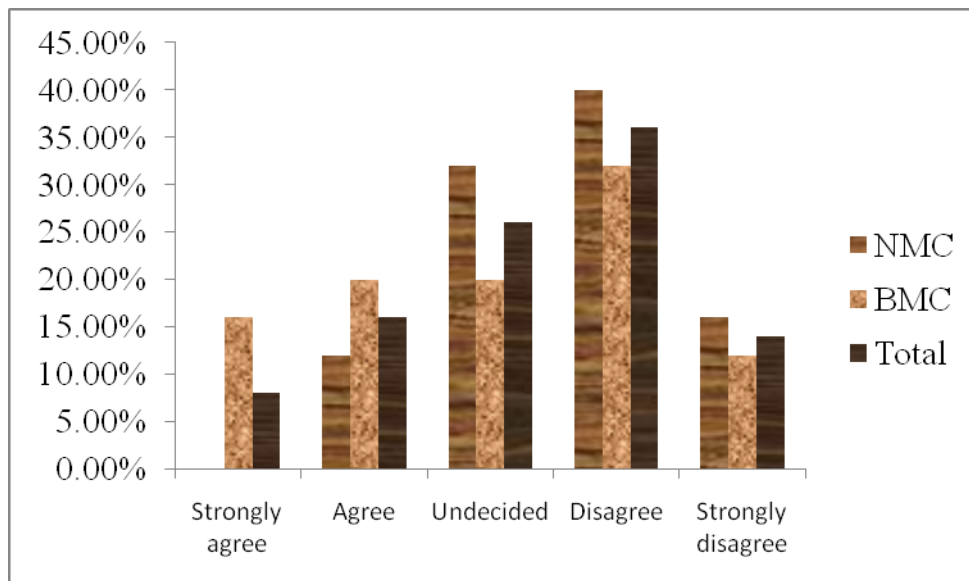
Figure: 16



This study showed that 2% respondents of total strongly agreed that valuation method of property is based on value fixed by municipalities committee is appropriate and 34% respondents agreed on it. But 42% were undecided, 18% were disagreed and 4% were strongly disagreed on this statement. Within NMC, 40% were agreed, 40% undecided, 16% were disagreed and 4% respondents were strongly disagreed on this statement. In BMC, 4% strongly agreed, 28% agreed, 44% undecided, 20% disagreed and 4% respondents were strongly disagreed on this statement.

4.3.13 Efficiency of tax administration

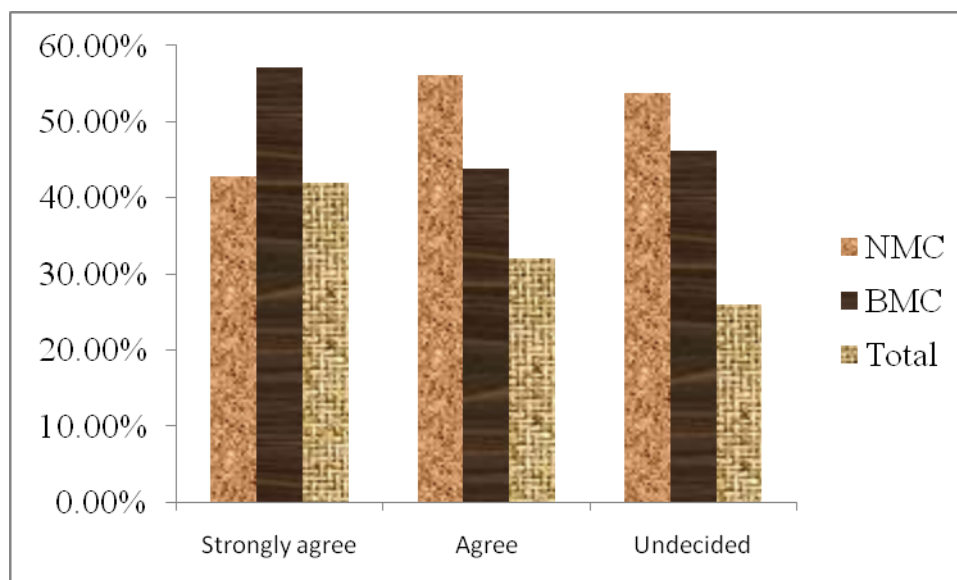
Figure: 17



This study showed that 8% respondents strongly agree that Tax administration in NMC/BMC is efficient and 16% respondents agreed on it. But 26% were undecided, 36% were disagreed and 14% were strongly disagreed on this statement. Within NMC 12% were agreed, 32% respondents undecided, 40% were disagreed and 16% respondents were strongly disagreed on this statement. In BMC 16% strongly agreed, 20% agreed, 20% undecided, 32% disagreed and 12% respondents were strongly disagreed on this statement.

4.3.14. Defectiveness of law for low tax collection

Figure: 18



This study showed that 42% respondents of total strongly agreed that defective tax laws are the main causes behind low tax collection and 32% respondents agreed on it. But 26% were undecided on this statement. Within NMC, 42.9% respondents strongly agreed, 56.2% agreed and 53.8% respondents were undecided on this statement. In BMC, 57.1% strongly agreed, 43.8% agreed and 46.2% respondents were undecided on this statement.

4.4. Major Finding of the Study

The study has focused the role of property tax revenue structure, contribution, trend and composition of house and land tax of NMC and BMC. All over Nepal there are 58 municipalities among them Nepalgunj municipality is one of them; Nepalgunj municipality city has 17 wards. The highest contribution of property tax revenue is 5.57percent in FY 064/065 and lowest contribution in FY 059/060. The trend is estimated

slowly growing .Birendranagar Municipality City has 12 wards. The highest contribution of property tax revenue is 1.88 percent in fiscal year 064/065 and lowest contribution is 0.01 percent in fiscal year 057/058. On the ground of this study as per objectives of this study is as follow;

- NMC and BMC collect property tax LSG Act 2055 and rules 2056 from Income Year 2059/060 and Income year 2057/058.
- 4.93% and 0.90% of total revenue is collected from property tax and 95.07% and 99.10% is from other taxes of Nepalgunj Municipality City and Birendranagar municipality city in fiscal year 065/66.
- Analysis of trend value of house and land (property) tax show huge fluctuation and have potential growth rate if it is consider well in implementation.
- The valuation rate of house is same in irrespective of location of house like commercial, industrial or residential.
- House and land (property) tax has been considered as suitable source for the mobilizing internal resources. It can be used as a positive instrument to boost government revenue collection, to develop the economic conditions of Nepalese people and promote distributive justice and to cure resources gap problem.
- Property tax has been considered as a suitable resource for the collection of public revenue and mobilizing internal resources.
- Being lack of regular information taxpaying habit of people is poor.
- By giving the information about property tax by effective media large volume of revenue can be collected.
- Present valuation of local tax system is good enough and present rate tax limit for paying and exemption is sufficient.

- There is complication on house and land tax paying.
- More new taxpayers are incorporated in the taxation system each year.
- Majority of tax payer believe that delayed in assessment of taxing amount causes them irritation.
- Majority of tax payer are aware about paying local tax, however; they are indifferent to “Local tax act 2055”.
- Inefficient tax administration, lack of consciousness of taxpayers, increasing habit of tax evasion etc. are the major problems of the property tax system in Nepal.
- Clear act, rules and regulations are the most important instrument for effectiveness of property tax in Nepal.
- House and land tax should be applied to reduce the gap between rich and poor people.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary

Nepal is one of the least developed Countries. It is suffering from economic disaster. To increase the government revenue Nepalese government is trying to extract money or valuable contribution from people through taxation. Urban house and land (property) tax is the important resource of government revenue.

In Nepal, property tax was introduced by finance act, 1959 A.D. It was implemented under property tax Act in 1960 A.D. Due to ineffectiveness in collecting revenue. It was replaced by urban house and property tax later. Urban house and land tax was introduced in 1962 A.D. for the purpose of collecting revenue from urban house and land property. Initially, this tax was introduced in Kathmandu, Lalitpur, Bhaktapur Biratnagar, Birgunj, Nepalgunj, Rajbiraj Janakpur and Butwal. Later in 1963/64 it was introduced to Bhadrapur and Dharan in 1964/65 and Bhairwa, pokhara, Palpa and Hetauda in 1973/74 A.D. The interim government of 2047 B.S. again introduced property tax in 1990 A.D. by the finance act in beginning and by property tax act 1990. After the introduction of local self government act in 1999, property tax is given to local bodies.

Property taxes are generally mobilized for the benefits of public in the local community. There are basically two types of property taxes given to VDC's and municipalities. House and land tax and unified property tax. Property taxes are based on market value. Different countries has a used a reformed property tax. Some property tax assets are rebated.

The study has focused the role of property tax revenue structure, contribution, trend and composition of house and land tax, view of people about tax and its affect , problem faced by government and people to collected and deposited tax of Nepalgunj Municipality and Brindranagar municipality. All over Nepal, there are 58 municipalities among them Nepalgunj Municipality city is one; Nepalgunj Municipality has 17 wards. Total population of Nepalgunj municipality city is 6-7 lakh. Fifty-seven municipalities have covered 97.7% of total revenue of which Nepalgunj has covered 0.97% and Birendranagar covered 1.33%. The highest contribution of property tax revenue is 5.57 percent in FY 064/65 and lowest contribution in FY 059/060. The trend is estimated slowly growing. Composition of house and land tax percentages sharing of collection of property tax is 5.33 and 4.93 in FY 063/064 and FY 065/066 respectively.

Birendranagar Municipality has 12 wards. Total population of this municipality is 3-4 lakh. Total tax income is Rs.26816301, which consists 1.88% from property tax and 98.12% from other taxes of Birendranagar Municipality city in fiscal year 064/065. The highest contribution of property tax revenue is 1.88 percent in FY 064/065 and lowest contribution in FY 057/058.

5.2. Conclusion

Nepal is one of the lowest taxed economies in the world. It has been suffering from social and economic problems. The government of Nepal is not being able to collect necessary government revenue to cure such problems. Due to poor performance on internal revenue collection and mobilization, the Government of Nepal has still depended on foreign grants and loans. The dependence is increasing which is not desirable for

any economy. Thus remedy should be made in due time by the country to run in the path of economic development.

Its contribution to government revenue is not regarded satisfactory in comparison to other taxes of Nepal government. Its contribution to the revenue structure of the country is negligible due to various reasons as mentioned below.

- Most of the Nepalese people are not aware of property tax. Due to lack of tax education property holders are deprived of the right of paying tax. If they are informed effectively about the property tax they can expect the increase in tax volume as well as paying house and land tax timely.
- In the administrative aspect there are a lot of weaknesses for efficient administration, and collection of this tax. There must be a high degree of honesty and morality.

This available resource in the country, which is collected through the foreign and domestic sources and large profit margins in the urban areas is diverted and invested towards real estate and luxury housing in Nepal. As stated above the investment in such sector creates a boom in the economy. Consumption of luxury goods may increase because of which the economy is pushed into high inflation. Therefore, in this respect a proportional tax on property (house and land tax) in an equitable and justifiable manner will help, discourage the investment in real estate and reduce the consumption of luxury goods as well. Such reduction of investment in an unproductive sector of the available resources will tend to diversify into the productive sector of an economy. The revenue administration in Nepal is weak because of the lack of tax policies with a

clear direction and consistency in a long run perspective lack of information and records, lack of trained staff and heavy dependence on non-technical staff, lack of proper accounting and auditing system in general for business firms. However, house and land tax laws and administration in Nepal are to be deeply scrutinized but not properly implemented. Manpower development planning within the administration is desired for the efficiency of tax personnel side by side. Tax education packages are to be made and initiated hence tax administration and tax compliance could be improved. Due to various problems related to property tax, revenue collection from property tax is relatively low in NMC and BMC. For economic development of Nepal, the problems relating to property tax system in Nepal should be solved and resources should be effectively utilized.

5.3 Recommendation

Property tax has been accepted as an important source of government revenue of Nepal. The growing need of resource for the development of Nepalese economy can be met through effective large volume of property tax. Though there are number of problems, the contribution of property tax is likely to be significant in the future. In the light of findings of the present study, the following specific suggestions have been recommended for the sound and effective property tax system.

- 1) House and land tax rate, discount rate, prize and other motivating factor should be advertised by newspaper, TV, Radio etc. to attract and motivate tax payers in NMC and BMC.
- 2) NMC and BMC should organize seminar and meeting of house and land tax for improvement and training.

- 3) Municipality should mobilize its resources properly for the welfare of the local people.
- 4) Local people of NMC and BMC, some of them are not educated and doesn't have the understanding about the house and land tax. So NMC & BMC should provide informative knowledge to the local people regarding house and land tax.
- 5) Appeal and penalty system of house and land tax should be used in practice not only in legal provision.
- 6) NMC and BMC should give detail information about current house and land tax to tax collector and tax payer.
- 7) NMC and BMC should motivate the people to house and land tax payers by offering discount, prizes etc.
- 8) In the absence of proper record keeping system of tax the government do not look and determined about the status of revenue so, it is necessary attention should be focus on proper accounting system (i.e. computerized billing system)
- 9) In local tax authorities should made the provision of tax policy as to provide incentive, reward and prize who pay tax as regularly barriers and whose contribution has highest in the composition of portfolio of taxpayers.
- 10) Local property tax should be guided as per market based as well as the use basis by taxpayer.
- 11) Local people are not satisfied with the administration, so they should provide door service.
- 12) There should be the record and inquire of suspected house and land tax payers
- 13) Field visit should be done to collect actual information of house and land tax.

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APPENDIX – I

Questionnaire on An Analytical study on House and Land (property) Tax

1. Name of the Respondents
2. Position
3. Office/ Department
4. Tenure of Services
5. Sex Male Female

Please tick the answer which ever in your view is most appropriate where i. to v. represents as under):

- i. Strongly agree ii. Agree iii. Undecided iv. Disagree
v. Strongly disagree

1. Valuation system of land, house and other properties are best enough.

- i. ii. iii. iv. v.

2. The present rate of House and land tax exemption limit is suitable.

- i. ii. iii. iv. v.

3. House and land tax is a suitable means of raising domestics resources in Nepalgunj/ Birendranagar Municipalities.

- i. ii. iii. iv. v.

4. Wide spread evasion as the major constriction for the tax collection through house and land tax in Nepalgunj/ Birendranagar Municipalities.

- i.
- ii.
- iii.
- iv.
- v.

5. There is a complication in paying House and Land tax in Nepalgunj/ Birendranagar Municipalities

- i.
- ii.
- iii.
- iv.
- v.

6. Present rate of integrated property tax is suitable for Nepalese local government.

- i.
- ii.
- iii.
- iv.
- v.

7. Nepalgunj/ Birendranagar Municipalities is failed to incorporate new tax payers..

- i.
- ii.
- iii.
- iv.
- v.

8. To much delay in making assessment is the irritating part for tax payers

- i.
- ii.
- iii.
- iv.
- v.

9. The person of Nepalgunj/ Birendranagar Municipalities seems aware for paying house and land tax

- i.
- ii.
- iii.
- iv.
- v.

10. The provision under “local Self Governance Act 2055” is good for collecting integrated property tax.

- i.
- ii.
- iii.
- iv.
- v.

11. House and Land tax is a measure to reduce the gap between rich and poor society

- i.
- ii.
- iii.
- iv.
- v.

12. . Valuation method of property according to base of value fixed by municipalities committee is appropriate.

- i.
- ii.
- iii.
- iv.
- v.

13. Tax administration in Nepalgunj/ Birendranagar Municipalities is efficient

- i.
- ii.
- iii.
- iv.
- v.

14. Defective tax laws are the main causes behind the low tax collection.

- i.
- ii.
- iii.
- iv.
- v.

APPENDIX II

Calculation of a and b from Table 4.11

$$a = \frac{\sum y}{N} = \frac{194.75}{11} = 17.70$$

$$b = \frac{n\sum xy - (\sum x)(\sum y)}{n\sum x^2 - (\sum x)^2}$$

$$b = \frac{11 \times 467.73 - 0 \times 194.75}{11 \times 110 - (0)^2}$$

$$= \frac{5145.03}{1210}$$

$$= 4.25$$

$$Y = a + bx$$

$$= 17.70 + 4.25X (-5)$$