

**A STUDY ON CONTRIBUTION OF PROPERTY TAX TO FINANCIAL  
RESOURCE OF BHARATPUR MUNICIPALITY**

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## **RECOMMENDATION**

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**A Study on Contribution of Property Tax to Financial Resource of  
Bharatpur Municipality**

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And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be

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## **DECLARATION**

I hereby declare that the work reported in this thesis entitled: **A Study On Contribution of Property Tax to Financial Resource of Bharatpur Municipality**. Submitted to office of the Dean, Faculty of Management, Tribhavan University, is my Original work done in the Master's Degree of Business studies (M.B.S) under the Supervision of **Dr. Gopi Nath Regmi** of Central Department of management, Tribhavan, University.

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# TABLE OF CONTENTS

**Page No.**

*Recommendation*

*Viva-Voce Sheet*

*Declaration*

*Acknowledgements*

*Table of Contents*

*List of Tables*

*List of Figures*

*Abbreviations*

## **CHAPTER-I**

### **INTRODUCTION**

1.1 Background of the Study	1
1.2 Statement of the Study	6
1.3 Objective of the Study	8
1.4 Significance of the Study	8
1.5 Limitations of the Study	9
1.6 Organization of the Study	10

## **CHAPTER-II**

### **CONCEPTUAL FRAM WORK AND REVIEW OF LITERATURE**

2.1 Conceptual framework	12
2.1.1 Meaning of property	13
2.1.2 General property	14
2.1.3 Property tax	15
2.1.4 Historical Background of property	16
2.1.5 Origin of Property tax in Nepal	19

2.1.6	The Role of Property tax	20
2.1.7	Characteristics of Property tax	21
2.1.8	Limitations of Property tax	23
2.2	Collection, Realization and Refund of tax	25
2.2.1	Penalties, Actions and Appeals	26
2.2.2	Property not included in valuation for tax purpose	29
2.2.3	Kinds of Property tax Exemption	31
2.2.4	Rebates from Property tax	32
2.2.5	Problems from Efficient Tax administration	32
2.2.6	Current provisions of Property tax in Bharatpur Municipality	33
2.2.7	Process of tax Assessment	34
2.2.8	Things to be considered in Process of Tax Assessment	34
2.3	Mistake Correlation in the Process of Assessment	35
2.3.1	Rebate for tax payers in Bharatpur municipality	35
2.3.2	Penalty System of Property Tax	35
2.3.3	Exemptions of Property Tax	35
2.3.4	Documents Required Property Valuation in Bharatpur municipality	36
2.3.5	Classification of Property Tax	36
2.3.6	Method of valuation of Property in Bharatpur Municipality	36
2.3.7	Rate of Property tax in Bharatpur Municipality	37
2.3.8	Property tax Administration	38
2.4	Functions of Property tax Administration	38
2.4.1	Steps in Property tax Administration	39
2.4.2	Method of valuation of Buildings	42
2.4.3	Method of Assessing Property tax	43
2.4.4	Rights and Duties of Property holders	45
2.4.5	Rights and Duties of local government Relating to Property tax	46
2.5	Review of Earlier Studies	47
2.5.1	Review of Related Books	47
2.5.2	Review of Research Reports	49

2.5.3 Review of Thesis	51
2.6 Research Gap	53

### **CHAPTER-III**

#### **RESEARCH METHODOLOGY**

3.1 Introduction	54
3.2 Research Design	54
3.3 Population and Sample of Study	54
3.4 Period Covered	55
3.5 Nature and Source of Data	55
3.6 Data Collection Procedure	57
3.7 Tools and Techniques of Data	57

### **CHAPTER-IV**

#### **PRESENTATION AND ANALYSIS OF DATA**

4.1 Property tax in Bharatpur Municipality	63
4.2 Tax structure of Nepal	64
4.3 Contribution of Direct Tax in Nepal	66
4.4 Structure of total tax revenue of Bharatpur Municipality	67
4.5 Total Property income and other taxes in Bharatpur Municipality	69
4.6 A study about Contribution of Property tax to financial resource of Bharatpur municipality	71
4.7 A study about Contribution of Property tax on Local tax revenue of Bharatpur Municipality	73
4.8 Estimated and Actual Property tax of Bharatpur Municipality	76
4.9 Statistical Analysis	77
4.9.1 Studies about parabolic Trend Analysis for Property tax of Bharatpur Municipality	78
4.9.2 Test of Hypothesis	82
4.9.2.1 Test of Hypothesis on Property tax and total local tax revenue	83

4.10	An Empirical Analysis	84
4.11	Major Findings of the Study	97
4.11.1	Major Findings from the Secondary Data	97
4.11.2	Major Findings from the Primary Data	98

## **CHAPTER-IV**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1	Summary	100
5.2	Conclusion	101
5.3	Recommendations	103

### **BIBLIOGRAPHY**

### **APPENDICES**

## LIST OF TABLES

Table No.		Page No.
2.1	General Property tax	14
2.2	Valuation of house of Bharatpur Municipality	37
2.3	Rate of Property tax in Bharatpur Municipality	38
3.1	Total Number of Municipality in Nepal of different development region	55
3.2	Groups of respondents and size of sample for different groups	57
4.1	Tax structure of Nepal	64
4.2	Contribution of Direct Tax in Nepal	66
4.3	Structure of Total Tax revenue of Bharatpur Municipality	67
4.4	Total property income and other taxes in Bharatpur Municipality	69
4.5	A study about contribution of property tax to financial resource of Bharatpur Municipality	71
4.6	A study about contribution of property tax on local tax revenue of Bharatpur Municipality	73
4.7	Estimated and Actual property tax of Bharatpur Municipality	76
4.8	Studies about parabolic trend analysis for property tax of Bharatpur Municipality	78
4.9	Past Trend line of property tax of Bharatpur Municipality	80
4.10	Future Trend line of Property tax of Bharatpur Municipality	81
4.11	Test of Hypothesis of Property tax and total local tax revenue	83

## **LIST OF FIGURES**

<b>Figures No.</b>		<b>Page No.</b>
4.1	Contribution of tax revenue and non tax revenue in Nepal	65
4.2	Contribution of Direct tax in Nepal	67
4.3	Contribution of property tax to financial resource of Bharatpur Municipality	73
4.4	Contribution of property tax on local tax revenue of Bharatpur Municipality	75
4.5	Estimated and actual property tax of Bharatpur municipality	77
4.6	Past trend line of Property tax of Bharatpur Municipality	81
4.7	Future Trend line of Property tax of Bharatpur municipality	82

## **ABBREVIATIONS**

AD	:	Anno Domini
BS	:	Bikram Sambat
BM	:	Bharatpur municipality
DT	:	Direct Tax
FY	:	Fiscal year
GDP	:	Gross Domestic Product
i.e	:	That is
MBS	:	Master's of Business Studies
No.	:	Number
RS	:	Rupees
SLG	:	Self Local Government
SN	:	Serial Number
VDC	:	Village Development Committee
TU	:	Tribhuvan University

# **CHAPTER-I**

## **INTRODUCTION**

### **1.1 Background of the Study**

In general, tax can be define as a levy or other type of financial charge or fee imposed by state or central government an legal entities or individuals. It is a compulsory levy from individuals, households and firms to central or fees government. It is a kind of every citizen of the country to pay honestly. It may be levied on incomes, property and even at the time of purchasing a commodity. Tax is computed and paid as prescribed in the law. A taxpayer is not entitled to compel the government, while paying taxes, to give something to him in return of the amount he has paid. Taxation can be considered as a convenient method of raising welfare of the person directly or indirectly.

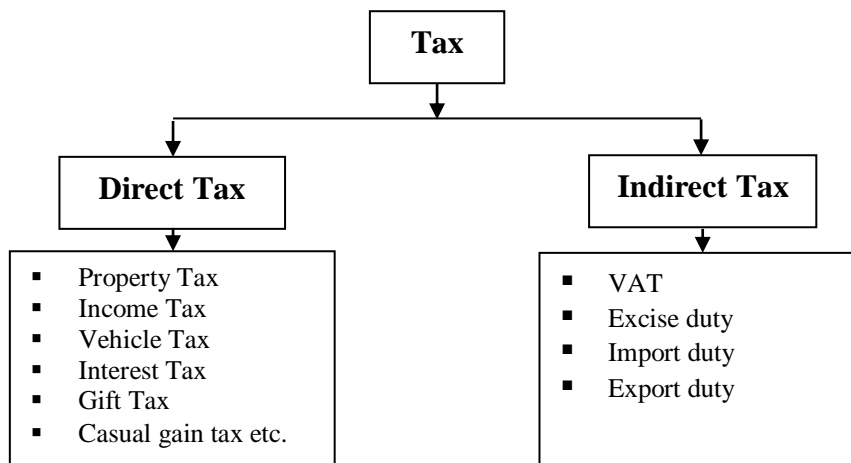
The government of a company requires sufficient revenue to carry out development plans, handle day-to-day administration, maintain peace and security and lunch other public welfare program. The government collects revenue from various sources such as internal and external sources. The revenues on the other hand, come basically from two sources: tax and non- tax. Non tax sources include different revenues such as registration fees, fines and penalties. Tax sources include customs duty, excise duty, VAT, income tax.

Tax is a permanent of collecting revenues for the government. It is a major source of revenue in the developed countries and is appearing as an important source of revenue in developing countries as well. It has become an instrument of social and economic policy for the government. The major objectives of taxation are as given below;

- Raising more revenue
- Regulating of economy

- Preventing concentration of wealth in a few hands
- Redistributing wealth for the common goods
- Boosting up the economy
- Reducing un-employment problems and removing regional disparities.

There are two major types of taxes that are:



**[A] Direct Tax:-** A direct tax is a form of tax paid by a person on whom it is legally imposed. It is collected directly by the government from the person who bears the burden. Taxpayers need to file tax returns directly to the government. Therefore, direct tax cannot be shifted. The impact or the money burden and the incidence are on the one and the same persons pays and bears the tax burden. It is the tax on income and property. Examples include income tax, property tax, vehicle tax, interest tax, expenditure tax, death tax, gift tax etc.

**[B] Indirect Tax:-** An indirect tax is a form of tax imposed on one person but partly or wholly paid by another. It is collected by mediators who transfer the taxes to the government and also perform functions associated with filing tax returns. Hence, indirect tax can be shifted. Indirect tax, the impact and incidence of tax are on different persons. In other words, the person paying and bearing the tax is different persons. It is the tax on consumption or

expenditures. Examples, include VAT, excise duty, import duty and export duty etc. (Source Bhattarai and Koirala Books)

Nepal is a multicultural, multilingual and multiracial south Asian country which is renowned having the highest summit in the world, Mt. Everest. It is rich in the beauty of flora and fauna which attracts thousands of tourists internally and externally. It has significantly supported the economy of the country. Nepal lies between two giants economically progressed countries of the world, India and China. Hence, the economic development of the country largely depends upon them. Along with this, the territories of Nepal and India have linked with open border. Thus, Nepal has more relations of economy towards India. So the development strategy of Nepal is 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 required sufficient revenue to carry out development plans to operate daily administration, to maintaining peace and security and to lunch other public welfare program, government collects revenue form various source as internal and external revenue from various source like public enterprise, special assessment fees, fines, grants assistance etc. Among them tax is the major source of the government. The financial resource which is collected by the government can be classified into two classes: one is revenue from taxation which is nearly 85% and another is revenue from non-taxation which is nearly 15%.

Bharatpur is a city in the central-south part of Nepal situated in the magnificent Chitwan valley, Bharatpur is headquarter of the Chitwan district and located between the latitudes  $27^{\circ} 37' 33''$  and  $27^{\circ} 45' 35''$  North and longitudes  $84^{\circ} 21' 31''$  and  $84^{\circ} 29' 0.5''$  East. It is a separate municipality authority, and is the seventh largest city of Nepal. Chitwan is the sub capital city of Nepal. It has

two municipality; Bharatpur and Ratnanagar. The area of Bharatpur municipality is 7788.1 hector and temperature during the summer may be counted between 40 and 7 centigrade in the winter. Bharatpur municipality is medium size of municipality, lies on the bank of the Narayani River. It is headquarter as well as a commercial central of Chitwan, district. It is located at the center of east-west highway and Kathmandu-Birgunj (North-South) road corridor. The proximity of the city from Butwal (114Km), Birgunj (128Km), Hetauda (78Km) and Gorkha (67Km) has augmented the importance of its advantageous geographical location. In condition to good road access, Bharatpur has regular daily air services for Kathmandu, the capital of the country. This place is located over the different natural area, rivers, forest and productivity agriculture land that surrounded. It has forwarded for medical, education, peaceful environment and different community has higher population density with the population of 89,323 (Census 2001), the estimated population for 2005 was 117,162 and now about 4 lakhs. It is facing a great problem managing waste product, road lamps, electricity and maintenance of etc.

Most of the shopping area lies in the district of Narayangharh, while government offices, big hospitals and colleges are situated in other part the city, including Nepal's premier cancer Hospital, B.P. Koirala memorial Hospital.

The economy of Bharatpur was traditionally based on agriculture. The agriculture land is gradually converted into the residential and industrial areas. Main industries of Bharatpur are small scale processing industries have developed in the municipality. It is believed that it covers more than 60% of total poultry industries demand of the country. Moreover, this municipality has a substantial volume of poultry products for export trade. Other meager productions of the city are honey. Mushrooms, floriculture and service industry

(Education and Health). Chitwan is regarded as food surplus district, which is processed in Bharatpur and sold to major cities including Kathmandu and Pokhara. Besides, multinational companies like (coca-cola, san Miguel and Lay D Bois are also situated within the city. A large number of business and trading houses are based in the city. The major companies across the country have opened their branches in the city. Its central position a large with the cross roads of Bharatpur has enabled it to increase its whole scale and retails trading function.

According to oxford advanced learner dictionary, property refers to “a things that are owned by somebody, in other words any kind of assets such as building, land, vehicle, silver, gold, jewelry, furniture, plant and machinery equipments 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 the property as the right of profession enjoyment and disposition of all things themselves which are the subject of ownership. The tax which is levied on some person 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 types personal property and real property

In Nepal property tax was performed in fiscal act 2017(B.S.).At that time government had authority for collection of property tax. There were different rules for tax rate. But the property tax act revised in 2019(B.S).Since the period of property tax system has been implemented in urban house and property. Property tax has become the most important single resource of Revenues for nation and local government. In Nepal government has started to implement of wealth tax in 16 urban areas of the kingdom from this fiscal year act 2047. According to the tax office a list is being prepared for tax payers in the urban areas.

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, property 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.

Property tax is one of the important internal sources of revenue collection. In Bharatpur municipality has a large number of property are growth day by day. Every year it has a more than 50% growth of property tax is major source of financial Resource of Bharatpur municipality. It helps a great amount to fulfill its responsibility. The major source of collecting revenue of local bodies like municipality is only property tax. Property tax has great potentialities of resource mobilizing on the developing countries. It has become the most important internal single resource of revenue to local government and nation.

## **1.2 Statement of the problem**

Property tax is one of the important internal sources of revenue collection of the nation so as of Bharatpur municipality too. It is very difficult to find the tax liability to the government that how much tax can be collected form the certain topic. So it is really being problem for overall nation. Nepal is a developing country. It has been facing the most serious economic problem from the beginning of her development phase to present times. The challenges to Nepal's economic development are formidable. These include limited resource, difficult topography, poor infrastructure, landlocked location, weak human capital, poor public management and long history of the political inference in the economy. It needs huge amount of capital for economic development of Nepal. Despite the various measures adopted by the government to boost revenue collection there still 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 source, small part of total incomes under the preview of property tax. Before local self government act-2055 all tax were collected by the central government and only octopi duty was allowed to collect to local body. At present control duty is abolished and central government collects 1.5% of custom duty for local development fees but this is not stable in future tax rate, in this condition only property tax increased to developed local level.

Nepal is un-development countries. It has been facing more than more problems for the implementation of property taxation. Firstly the government inefficient of its dependent on the political activities is far from expectation, lack of information or computerized system, lack of trained and skillful personnel is poor tax paying habits, of tax payers, inequality of minimum valuation of property (House and Land) for different purpose, corruption and unfair duties and other facilities. In that condition specific statement of problems are as:-

1. What is the contribution of property tax on financial resource of Bharatpur municipality?
2. What is the trend of property tax on Bharatpur municipality?
3. Whether it can able to collect the revenue of property tax effectively or not?
4. Whether it identify the real property holder or not?
5. Whether it can satisfy its people utilizing the collected revenue or not?
6. It is difficult to find out the rate of charged for the property as its collect according to land and rate classification?

### **1.3 Objectives of the Study**

Objectives are the destination point of the every plan and work. Every task was start with the particular objectives. So as we also have certain objectives of this study. As, we are student of taxation. We must have the knowledge about tax and its objectives to collect and its utilization too. If we prepare a thesis about the "A study on contribution of property tax to financial resource of Bharatpur municipality". Every people who are concerned to this topic can be benefited as they can gain knowledge about classification of tax, rate of tax, tax rebates, tax exemption, procedure of tax, payment and source of tax etc, The main objectives of the study is a study of contribution of property tax to financial resource of Bharatpur municipality.

The specified objectives of the study are as follows:-

1. To analyze the structure of total tax revenue of Bharatpur municipality.
2. To analyze the contribution of property tax to financial resource of Bharatpur municipality.
3. To analyze the contribution of property tax on local tax revenue of Bharatpur municipality
4. To analyze the estimated and actual property tax of Bhaaratpur municipality.
5. To analyze the trend of property tax of Bharatpur municipality.

### **1.4 Significance of the Study**

This study could be proving guidelines for government, Bharatpur municipality office, and research and tax payers. This study is depending with contribution of property tax to financial resource of Bharatpur municipality. Taxation is one of the means to mobilize the domestic resource for the economic development of a country. Taxation is not only the means for raising resource but it may be bring about remarkable charge 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 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, increase the rate of saving and regulates the price of commodity. 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 tax were collected by central government and only octri duty was allowed to collect to local bodies. At present octri duty is abolished and central government collect 1.5% of custom duty for local development fees but this will be not stable influence because the country has been entering into globalization and which deduct tax rate, in this condition only the main source of to increase revenue to make empowerment local bodies.

In this condition this study can helps to suggest, improvement on contribution of property tax to financial resource of Bharatpur municipality as well as other large number of municipalities. Too helps to increase financial collection and mobilizing from property tax.

### **1.5 Limitation of the Study**

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

1. The study covers only last ten fiscal years data from 2001 to 2011.
2. The study is based on the data provided from various resources. Hence this study is based on primary and secondary data.
3. Limited statically tools techniques have been used.

4. There are time and resource constraints.
5. There is not better economics and political situation in the country. It is major problem of collecting data with in special time.

## **1.6 Organization of the Study**

The entire study will be designed into five chapters. They are given as below:

### **Chapter-I Introduction**

It is an initial phase of the thesis that includes background of the study, statement of the problems, objectives of the study, significance of the study, limitations of the study and organizational of the study.

### **Chapter-II Review of Literature**

This chapter deals with literature covering with tax revenue collection from direct and indirect tax and its contribution to financial resource and present studies with the research gap.

### **Chapter-III Research Methodology**

The third chapter is research methodology, which included introduction of the research methodology, research design, nature and source of data, period covered, methods of data collection and tools use for analyze of data.

### **Chapter-IV Data Presentation and Analysis**

This chapter made presentation and analysis of data collected from various sources by using various. Financial statistical tools. It also includes the major finding of the resource. This is the major part of the study which includes overall data, charts, tables and diagrams.

## Chapter-V **Summary, Conclusion and Recommendation**

The fifth chapter consists of brief summary, conclusion and recommendation of the study. It also gives important suggestion to the concerned organization for the better improvement. Lastly, essential appendix and bibliography have been presented at the study.

## **CHAPTER-II**

# **CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE**

In this chapter is mainly classified in to the conceptual part and other is the review of the earlier studies, review of legislation, review of the journal and articles, research gap which are describes as follows:

### **2.1 Conceptual Framework**

We must have the knowledge about the meaning and tax as whole. Tax is a kind or money of which it is the legal duty of every citizen of the country to pay honestly. Tax is the amount collected by the government to its people, institutions or the company is revenue which is utilized for the welfare of the people. It may be levied own income, property and even at the time purchasing a commodity.

Tax is a classification different kinds according to the form, nature, essential, methods and volumes.

- **On the basic of form**
  - i) Direct Tax
  - ii) Indirect Tax
- **On the basic of nature**
  - i) Income tax
  - ii) Property tax
  - iii) Tax on production
  - iv) Tax on Capital goods
  - v) Tax on consumption goods
  - vi) Tax on Consumption

- **On the basic of essential**
  - i) Specify Tax
  - ii) Advertorial Tax
- **On the basic of methods**
  - i) Progressive Tax
  - ii) Proportional Tax
  - iii) Depressive Tax
- **On the basic of volume**
  - i) Single Tax
  - ii) Multiple Tax

### **2.1.1 Meaning and 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 eg.; machinery, raw materials and finished products are property- real property including land and things permanently attached to it, such as building etc. and harvested crops. It is much transferred orally, when a man die he heirs usually in a real property. But personal property generally passes into the hands of the state administrator who sells it and divides the process among of kin, unless one makes other provisions for dispending it. In brief, real property consists of immovable and personal property of movables.

#### **• Real property:-**

Real property consists mainly of land and building (or what are called improvement on the land). Land and improvements are very important in taxation. Land values and building values are subject to different conditions. Land may increase in value while the buildings on it are decreasing in values. Different methods are used in evaluating the two kinds of property for instance, depreciation must be considered in the case of buildings and but not for valuating land.(Source: Lal, BB,1997:758)

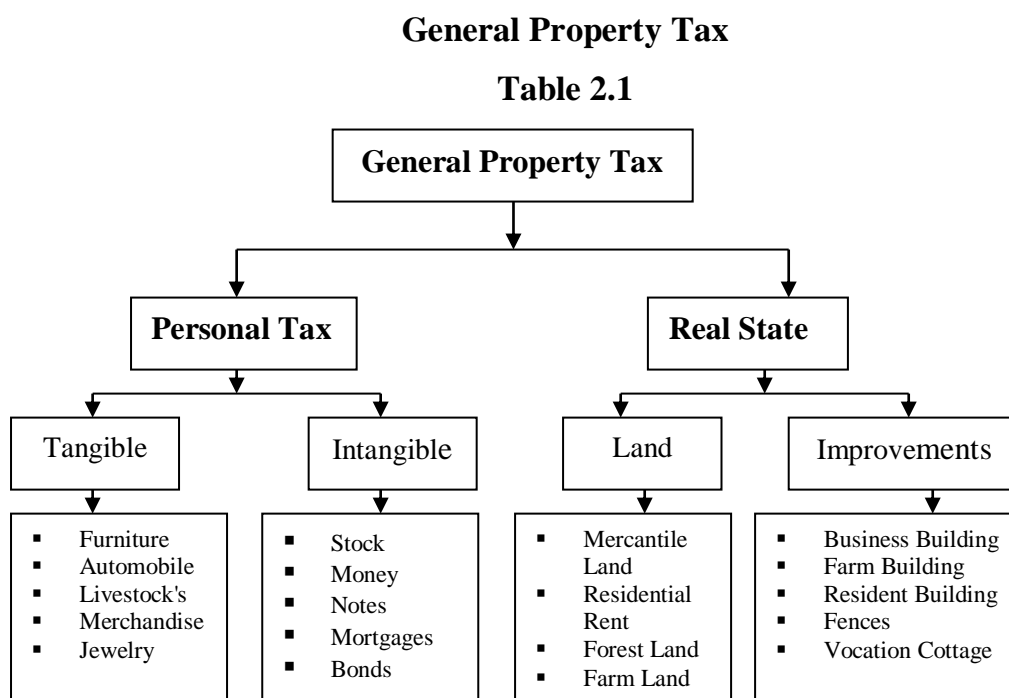
• **Personal Property:-**

Personal property is classified into tangible and intangible. Tangible personal property includes a great variety of goods: merchants and manufactures stocks (inventories), business furniture, fixture and machinery, tools and patent, rolling stock of railway; from machinery, harvested crops, household furniture, clothing, jewelry and other personal effects.

The second categories of personal property are intangible property. This class consists; stocks, mortgages, deposits, money and book credit, copyright and patent 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 to them as a substitute for the general property tax. (Source: Lal, BB, 1991:758)

**2.1.2 General Property Tax**

Generally property tax is a tax on all wealth tangible and intangible which possesses exchange value. The table is given bellow



### **2.1.3 Property Tax:-**

The property taxation is compulsory payment of the public authority and a tax which is levied on some personal possession is known as a tax on property or a property tax. Government on owners of property levy property tax. This property includes real state, such as homes, buildings and vacant land. It also includes personal property such as homes, furnishings, stock and bonds and automobiles.

In the theory of taxation, a tax has been defines as a compulsory payment to the public authority and a tax which is levied on some personal possession is known as a tax on property or a property tax. Property taxation has a great potentialities or resource countries. In these countries the process of economic development funds to be accompanied by a boom in real state and investment in housing in urban areas.

An effective and efficient system of property taxation has got a very crucial development dimension in under developed countries. Because in these countries property taxation at the local level is admirable suited to supplement the tax effort at national level in putting a curb on consumption in order to mobilize a large volume of the fact that property tax is paid out of the current income rather than out of the total income.

The property tax is based on capital value of the property. In law the courts defines "possession, enjoyment and disposition of all things subject to ownership". In the Canada and United State only provincial state and local government laid property taxes. The federal government of the two countries does not use these types of tax. Since the early 1930's states have received less and less property taxes, but the tax continues to be an important source of revenue for local government.

The property tax rate varies depending on the tax revenue, needs of the government. 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 taxes at its full market value.

It has come to notice that some person have been trying to avoid personal wealth tax, liability by forming closed held companies, to which they transfer many items of their wealth, billion of real state and particularly jewelry etc.

As companies are not chargeable to wealth tax and valuation of the shows of such companies. It does not reflect the earl work of the assets of the companies, those who hold such on productive are able to successfully reduce their wealth tax liability to a substance extent. Tax may be levied on flows, such as wealth. Wealth taxes may be imposed on the holding wealth or on transfer of assets and transfer by gift.

Wealth taxes occupy a dominant position in the structure of local bodies. They are justified two grounds benefits and ability to pay since property receives certain especial benefits form government. It should be taxed for these benefits. Wealth taxes based on benefit consideration are in rate type in property taxes while ability to pay consideration point to a personal tax on net wealth.

The property taxation is based on the capital value of the property. Property taxation has a great potentiality of resource mobilization in the developing countries.

#### **2.1.4 Historical Background of Property Tax**

Property tax has its origin in early American history. Initially it was assessed in selected items of property such as land and cattle with different relate imposed

in various categories. Thus classified property tax was the main source of revenue to the colonies. During the 18<sup>th</sup> and 19<sup>th</sup> centuries a greater variety of property emerged 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 general measure 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 so. 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 fifty percent at the beginning of the century to around ten at present property tax revenue at one percent of privately held wealth or as one percent in GNP has not changed greatly over the last century. It is estimated that the revenue wealth ratio remained at about one percent. The share was lower however for municipalities 61% which are increasing, 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 increasing urbanization in 1990. By narrowing the tax base to those property, which could be easily discovered imploring assessment providing better staff many countries, adopted, property tax in moderate form. At least in sub-urban area it is a fairly adequate surrogate for a local income tax since a high relationship has been found between property value and income level.

Property taxation has been the major fiscal resource of American local government since 17<sup>th</sup> century. In 1960 the selected Asian Nations like: Republic Korea, Laos, Thailand and Indonesia. 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 government, levy earns in tax which applies to urban and rural land and important 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 in 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 in selected 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 internal part of both land and fiscal reforms. The tax on land levied on both public and private lands with few exemptions, was intended to simulate 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 revenue without increasing tax rates.

In the Czech Republic's fiscal reform property tax revenues re assigned to local governments. Land and buildings are assessed separately and taxed on the basis of land area or building floor space. It has an area based system based on

information, market pricing for location and types of uses. Its strong real state market, stable economy and administrative experience given 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 in land and property. Real state tax is based on the market value is used to replace the taxes on land, on property owned by individuals (building), 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 American 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 the expenditures on municipal services. Local governments frequently look to the property tax as a property tax as a promising sources of additional revenue.

### **2.1.5 Origin of 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 and foreign

investment were taxed at the same rate 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) property tax rules 2020 was then enacted which repeated the existing property tax act-2017. Earlier central government of local self-government act-2055 local bodies (for examples VDC's 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 governance act and rules.

### **2.1.6 The Role of Property Tax**

The property tax is a major 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 factors". In most countries, taxes on land property are among the oldest from 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 tax 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. Separate taxes on land and building; separate taxes in residential and non-residential property etc. are imposed in real life. Property tax has been different roles, they are; As a source of Revenue and As a local Tax

[A] As a source of Revenue: - The roles of the property tax as a revenue source are as follows;

- a. Property taxes are much more important in rich countries than in developing countries.
- b. Property taxes are important source of sub national revenue in many countries and more so in developing than in developed or transition countries.
- c. Taxes on land and property are at the best minor revenue source in all countries.

[B] As a local Tax: - Property tax has major part of local government revenue source in many countries. The roles of property tax as local revenue source are as follows:

- a. Taxes are residential real property as essentially taxes on having services that property. Taxes are in heavenly regressive since as a rule, housing constitutes a relatively larger share of consumption for poorer people.
- b. Property taxes are essentially a tax in capital that such taxes are in heavenly progressive, since as a rule, income from capital constitutes a relatively higher share of income for richer people.
- c. The portion of the tax that falls in land as beings paid out of economic rent often consider it to be in heavenly equitable to tax such "unearned increments" often from public action.

### **2.1.7 Characteristics of Property Tax**

Property tax is source of revenue collection of local government. It 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 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.

The property taxes are visibility and inelasticity. The property tax is the very visible tax. It is paid directly by tax payer 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, transits and roads etc. The major characteristics of property tax are:

- a. **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 marks the property tax a much more strictly local concern and accounts in part for the generous grant of discretion to municipalities in selecting base improvement partly dated or fully taxed.
- b. **Gross Property collection base:** - The property tax is based on gross wealth. Tax payers can't as a rule offset debts against the value of his property.
- c. **Value Measurement:** - There are many kinds of value but the property tax is concerned with economics exchange value.
- d. **Universality:** - Property tax has to include all wealth excluding only a few items that could qualify for specific exemption.
- e. **Informality:** - 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.
- f. **Impersonality:** - It is impersonally levied upon things, business and transaction. A person's property shows his ability to pay.

### **2.1.8 Limitations of Property Tax**

Limitations of property taxes fall into two classes; theory/conception and practical/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 taxes are as follows:

[A] Theoretical limitations: - The theoretical limitations are given below:

- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. Inconvenience of property tax: - Property may go for long period with brings the owner an income. Property that retains value and prospects of future income may go for several years without any net return.

Government must continue even through some property tax payers have no ready cash. Income tax waits upon the tax payer's convenience.

[B] Practical limitations of property tax: - The practical limitations of property taxes are given below:

- a. Fractionalized assessments: - Limitations of the property tax are 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 country to all taxable property. This practice is country to statute.
- b. Competitive under valuation: - Frequency distribution 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 other.
- c. Inequalities: - Taxes to be paid by each village, town and city with its boarders, great unfairness can arise from inequalities in district assessments.
- d. Avoidance by migration: - Tangible property is less migratory than other tax base and can't leave high tax districts for those with lower rates. Intangible property tax on bank deposits are difficult, to in base and real state can be moved any with great difficult.
- e. Property tax is tolerated: - According to professor Seligman: "practically, the general property tax as actually administrated is beyond all doubt of the worst taxes known in the civilized world".
- f. Evaluation: - The property tax universally have large amount of evasion. Intangible property, tangibles furniture and automobile etc. avoid list.

## **2.2 Collection, Realization and Refund of Tax**

Since the integrated property tax and vehicle tax are not exclusively practiced in some municipalities, tax collection and realization with respect to (house and land tax) property tax and revenue or land tax are discussed here under. Local self-government act-2055 has made the provision for collection, realization and refund of tax separately to the municipalities and VDCs.

**[A] Collection of Tax:** - Local self- governance act-2055 has empowered VDC, municipality and DDC to levy taxes. The VDC and municipality in the form of land revenue, property tax (land and building), integrated property tax and vehicle tax levy the property taxes.

1. In the case of Village Development Committee (VDC): - According to section 55 of local self-government act-2055, 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.
  - a. Property (house and building) Tax: - On the basis of size, type, design and structure of the house within the area of VDC, it may imposed annual (house and land tax) property tax on each house and compound.
  - b. Land revenue or land tax (Malpot): - The VDC may levy land revenue or land tax on the land within its area. However 25% of revenue collection from land revenue or land tax has to be handed over to the district development committee (VDC).
  
2. In the case of Municipality: -
  - a. Property (land and building) 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.

- b. Land revenue or Land tax: - The municipality may impose land revenue and land tax as prescribe on the land within the municipal area.
- c. Integrated Property tax: - The municipality may levy an integrated property tax within its jurisdiction at the prescribed rate. (MLD,SLG-2055, Sec-55)

According to rule 140 of self local governance regulation-2056 the maximum and minimum limits of the rate of land revenue and of property tax (land and house) 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:** - The fine and penalties imposed by municipality or VDC are recovered as government dues or arrears. Those amounts are payable to local bodies. 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. (MLD, SLG-2055, section-71 and 166)

**[C] Refund of Tax:** - The municipality is not entitled to collect and 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. (MLD,SLG-2055, Sectionn-147)

### **2.2.1 Penalties, Actions and Appeals**

Penalties, actions and appeals with respect to the property tax (house and land) and revenue or land tax are discussed here under.

**[A] Penalties and Actions:** - The provisions for fine 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 penalties the persons. (MLD, SLG-2055, Section 70 and 165)

1. In the case of VDC: - 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 Rs. 500 and may stop the service made available by the village development committee in regard to such person. (MLD, SLG-2055, Section 70(2))

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, and if punishment is not so prescribed the village development committee may punish such person with a fine up to Rs. 500. (MLD, SLG-2055, Section 70(3))

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. (MLD, SLG-2055, Section 70(4))

2. In the case of municipality: - If any one does not pay imposed by the municipality, it may take the following actions. (MLD, SLG-2055, Section-165 (2))
  - a. If not pays 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 transaction including export and import.

- b. If anyone 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.
- c. 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.
- d. If any one commits any action in contravention of the act or the rule bye laws or orders made under the act, such person in punished with punishment, if any prescribed else where in the act, and if punishment is not so prescribed the municipality may punish such a person with affine of up to Rs. 1000. (Section-165(5))
- e. As per section 165 (5) 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 each instance.

**[B] Appeals:** - In case, any property holder is not satisfied with a punishment with a punishment imposed by VDC or municipality the local self-government act-2055 has made provisions of appeals against such punishment.

As per section 70 (5), 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: Bhattarai Ishwor and Koirala Girija Prasad 2004)

### **2.2.2 Property not included in valuation for tax purpose**

Some of the properties, which can not be used for valuation, are mentioned in local self-government act. The following properties are not included in valuation for tax purpose.(Source: Revenue Department of Bharatpur Municipality)

1. 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 assessee in any policy of insurance in any policy.
2. Animals: - Any domestic animals such as Buffaloes, Cows, Oxen and others but the act does not clear the types of animals.
  - i. Any agricultural animals such as Bullocks, Cows, and Buffaloes.
  - ii. Any performing animals in circus such as Chimpanzees, Bears, Lions, and Tigers.
  - iii. Any drought or transport animals as males or Horses.
3. Growing Crops: - Grass or standing tree in agricultural band, the growing crops grass or standing trees are excluded from the purview of the term of assets.
4. Patent of Copyright: - The patent or copyright is exempt from property tax. The patent or copyright is acquired by an assessee under a contract from the original author or the inventor of it is acquired by way or inheritance or otherwise no exemption is allowed in such cases.
5. Books and equipments for study.
6. Furniture and equipments (excepts T.V., VCD, Deck, refrigerator, washing machines, cameras etc.) they are exempted for developed countries like India. In the poor society, it is assumed highly luxury goods.
7. Wearing apparel provisions and other clothes for personal or household use of the assessee.
8. Tools, machinery and equipments used for professional works.

9. Equipments related to arts and photographs.
10. Transportation equipments as cycle, Rickshaw and other simple media.
11. Weapons and tools used for personal safety.
12. Equipments and tools for first aid which are kept in house.
13. Equipments for physical education.
14. Singing and Dance equipments for daily used.
15. Simple equipments of decoration of house (Except valuable metal equipments)
16. Pots and equipments except valuable metals.

According to local self governance act-2055/056, the assets exempt from taxes are:-

- i. Gold 10 total with jewelries.
- ii. Silver 200 totals with jewelries.
- iii. Stock in trade.
- iv. Industrial mills, machinery tools and equipments building and ware houses of real areas.
- v. Area for house of assessed 300 Sq.ft. and ropani of land.
- vi. Loan issued by NG is declared exemption from these act.
- vii. Invested shares and debentures.

Similarly, according to local self government act-2055/056 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 non-profit organization.
- e. Land and building for hospital.
- f. The local related to Nepal government.

- g. Pounds, electricity house, airport, Bus Park etc.
- h. Educational institutions.
- i. Foreign agencies organization.
- j. Land related to non-profit making organization.

### **2.2.3 Kinds 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, and some for fiscal or administrative reasons such as household furniture, some to avoid double taxation such as credits. The tax exempted intangibles and certain kinds of tangible property as follows.

(Source Revenue department of Bharatpur municipality)

1. Homesteads exemption: - Homesteads includes any dwelling occupied by the owners 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.
2. 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.
3. Exemption to encourage economic activities: - Exemption encourage economic activities are cash bonus, loans, donations of site and building or their provision at nominal rentals guarantees of favorable conditions and soon.

4. Municipal exemption policies: - Municipality also provides exemption to individuals to attract the economic activity within the municipality. No land revenue, land tax, and property tax (land and house) are levied on the property tax has been levied under this rule.

#### **2.2.4 Rebates from the Property Tax**

Property taxes are mentioned in self government act. From the property tax, the following incomes are rebates:

- a. Amount received from late insurance.
- b. Amount received from provident fund.
- c. Loan and debenture taken from registered institutions.
- d. Price received from social work.
- e. Amount received from citizen investment.
- f. Amount received from personal annuity.
- g. Amount received from foreign government.
- h. Amount of debenture received from NG/N.
- i. Profit or dividend received from kingdom's commercial institutions.

(Source: Revenue Department of Bharatpur Municipality)

#### **2.2.5 Problems for efficient tax administration**

There exists problem because of the poor tax payer and lack of tax education. So the local government would make sure them by teaching tax education. There are other factor 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 significant progress in the area of improving the elasticity and efficiency of tax system, still the major source of revenue collection is land based. (Source: Revenue Department of Bharatpur Municipality)

### **2.2.6 Current provisions of Property (house and land) tax in Bharatpur Municipality**

The current provisions of property (house and land) tax in Bharatpur municipality are as follows

Necessary documents and duties for submitting required document; following documents are required to submit property (house and land) tax return in Bharatpur Municipality:

- a. If any person has various land and house in the Bharatpur municipality area, statement should be
- b. If any couple has separate land and house ownership, statement should be submitted jointly.
- c. If there is more than one owner 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 the bank account of within 35 days.
- g. 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.
- h. The necessary documents are:
  - Copy of land ownership certificate-1
  - Copy of approval of house map-1
  - Copy of approval of new flat ma[ if any-1
  - Field inspection report by technician for house constructed without approval before provision of municipal tan system-1

- Copy of tax receipt if any submitted to tax officer-1  
(Source: Revenue Department of Bharatpur Municipality)

### **2.2.7 Process of Tax Assessment**

To make the tax payer easier Bharatpur municipality has provided the certain process for the tax assessment. Process of tax assessment covers the process as follows:

- Necessary documents should be registered in house and land tax book.
- House valuation is done on the basis of size of house, area of land and depreciation rate.
- Different kinds of house should be evaluated in different ways.
- Tax assessment is done on the basis of house and land valuation.
- After paying (house and land) property tax, tax clearance certificate should be issued and keep the records.
- If owners are multiple persons, tax assessment should be done in the name of multiple owners like flat owners.

### **2.2.8 Things to be considered in process of tax assessment**

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

- Finding out actual valuation by total area of house.
- Find taxable value on the basis of depreciation, type of house, total valuation, year and rate.
- If approval is not taken during house construction, she/ he should be deposit Rs. 10 per Sq. ft.
- Name and types of road should be defined in the map.
- Finding out the area of land in ropani or hector or Bigha.
- Actual valuations are done on the basis of types of road.

(Source: Ministry of Local Department)

### **2.3 Mistake corrections in the process of assessment**

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) property tax if necessary.

#### **2.3.1 Rebate for tax payers in Bharatpur Municipality**

Rebate for tax payers in Bharatpur municipality are as given bellows:

- a. 10% discount for paying tax before last of shrawan.
- b. No penalty for paying tax till ashwin last.

#### **2.3.2 Penalty system of property (house and land) tax**

Penalties provisions are as follows:

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

#### **2.3.3 Exemptions of Property (house and land) tax**

Exemptions of property tax in Bharatpur municipality are as follows:

- a. House and related to public enterprises.
- b. House and land owned by NG/Nepal.
- c. House and land owned by municipalities and district development committee.
- d. House and land related to non profit making educational institute.

- e. House and land related to embassies diplomatic mission etc.
- f. Land related to air port, stadium, garden, park etc.

#### **2.3.4 Documents required property valuation in Bharatpur municipality**

Documents required for property valuation in Bharatpur municipality are as follows:

- a. Application form-1
- b. Copy of property (house and land) tax clearance certificate-1
- c. Bill of land tax clearance-1
- d. Field inspection report of ward office-1

(Source: Finance Department of Bharatpur Municipality)

#### **2.3.5 Classification of Property (house and land) tax**

Local self government act-2055 has empowered village development committee and municipality to levy property (house and land) tax within their jurisdiction. Property tax means house and land occupied by the house with its compound. House can be also be classified on the basis of their size, types, design and structure. On the basis of structure, house is classified as follows:

- a. Green bricks with mud mortar and house made of timber.
- b. Kiln brick with mud mortar of stone house with mud mortar.
- c. Kiln brick with cement mortar.
- d. R.C.C. frame structure.

#### **2.3.6 Methods of Valuation of House and land in Bharatpur municipality**

In given below shows the methods of valuation of house and land in Bharatpur municipality:

**Table 2.2**

**Valuation of houses in Bharatpur Municipality**

S.N.	Classification of Mode of construction	Average cost of Sq. ft.(Rs)	Valuation of House Depreciation Rate	
			Per Year (%)	Life Years
1.	Green brick with mud mortar or made of timber	450	3	25
2.	Kiln brick with mud mortar	525	2	30
3.	Kiln brick with cement mortar	575	1	70
4.	R.C.C. frame structure	635	0.75	100

(Source: Finance Department of Bharatpur Municipality )

- a. The main auditorium of cinema hall is valued at 75% of the rate otherwise applicable.
- b. House and land of green raw bricks with mud mortar and thatched roof or house made of bamboo or wood with thatched roof is not valued for the purpose of house and land tax.
- c. Classifications of house are green (Raw) brick with mud mortar kiln brick (stones) with mud mortar kiln brick (stones) with cement mortar, RCC frame structure.
- d. Kiln brick with mud mortar is valued at the average cost per Sq. ft. Rs. 525.
- e. Kiln with cement mortar is valued Rs. 575 as per Sq. ft.
- f. R.C.C. frame structure is valued of Rs. 635 as per Sq. ft.

**2.3.7 Rate of Property (house and land) tax in Bharatpur municipality**

In the given below shows the rate of property (house and land) tax in Bharatpur municipality is as follows:

**Table 2.3**

**Rate of Property Tax in Bharatpur Municipality**

<b>Valuation of House and Land</b>	<b>Tax Rate (%)</b>	<b>Amounts (Rs)</b>
First up to 10 Lakhs	Nil	Nil
Next up to 10 Lakhs	Rs. 300 (Lump Sum)	300
Next up to 30 Lakhs	0.05	1500
Next up to 50 Lakhs	0.25	12500
Next up to 1 Corer	0.50	50000
Remaining Amount	1.50	-

(Source: Working paper of Bharatpur Municipality)

Above table 3 the valuation of house and land is shown on the left side and rate of tax percentage and amount are shown in right side. If the value of house and land is first up to 10 lakhs, he/she should not have to pay tax. If the value of house and land is up to next 10 lakhs, he/she should have to pay Rs. 300. Similarly, who has value of house and land next up to 30 lakhs, he/she to pay Rs. 0.05% or Rs. 1500. Similarly, if increased next up to 50 lakhs, he/she has to pay 0.25% or Rs. 12500, if it increased up to 1 corer, he/she has to pay 0.5% or Rs. 50000 and lastly he/she has to pay 1.5% in remaining amount.

**2.3.8 Property Tax Administration**

In this part function of property tax administration, steps in property tax administration, methods of valuation of building and amendment of property tax included.

**2.4 Function of Property Tax Administration**

Central taxation department is a very major element in efficient property tax administration. Its have many principle functions which are as follows:

- a. Central assessment of districts.
- b. Supervision of local assessment.
- c. Direct assessment and local assessment.
- d. An administrative "court of appeal's" 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. Intelligent central assessment and good supervision, it is possible to administer the general property success, even with a locally elected assessment.

#### **2.4.1 Steps in Property Tax Administration**

In property tax administration discovery, valuable, billing and collection lies with municipal officials. Properties are recorded on tax maps for purpose of permanent identification. Values are calculated on the basis of objectives physical characteristic and standard unit cost factors of complete and up to date set of all the documents required to administer the property tax. Some important points are as given bellows:

- a. An updated municipal taxation code.
- b. An updated taxation 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.

(Source: 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 rate are low, and enforcement is almost not extent. Property tax administrations have following features which are described such as:

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 includes: assessment roll number of the property, the address the owner of the area is square meter and the age of the unit.

The process of property identification is more difficulty developing countries due to:

- a. Revenue base information is neither up to date nor complete.
  - 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 re not computerized.
- 
2. Assessments and Appeals: - Property taxes have to be used on assessment. The assessment function seems to be essentially local in about half the case and the central or regional the others. The detailed assessment methodology is established by the central government even when assessment is 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. Data in many countries, a building permit is issued

again the recording office should send not notification to the office responsible for maintaining the property tax roll, such process do not work well. Tax payer has and 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 tax payers 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 fees are generally charged. In most countries, property transfers are not permitted unless property taxes are paid. Tax arrears for those countries for which the information is avoidable, tax arrears, as a proportion of taxes collectible are low in most developed countries.

Similarly the main steps in administration are as follows:

- 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 the original assessment: - Every tax payer 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 districts.
- Collection of delinquent tax: - Real property taxes are not paid before a certain time, the county treasurer must offer the taxes for sales; 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 tax payer 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.

#### **2.4.2 Methods of valuation of Building**

There are some methods of valuation of building which are as followings:

- a. 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 years 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 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)
- b. Valuation based on profit: - This second method is suitable for building like hotels, cinema halls, theaters etc for which the capitalized value depends on the profits.
- c. Direct comparison with the capitalized value: - The third method is adopted when the rental value is not avoidable 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.

- d. 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.
- e. Depreciation methods of valuation: - This method is the depreciation method of valuation. According to this method, one needs to have information i) Walls ii) Roofs iii) floor 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. (Dhungana, Pradhan and Shah: 1974)
- f. 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.

### **2.4.3 Method of Assessing Property Tax**

There are some methods of assessing property tax which are as follows:

1. Market value assessment: - Market value is defined as the price that would be struck between a willing buyer and a willing to 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 depreciation 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 such as counties,

Indonesia, Philippines, South Africa, Latvia, Argentina and Mexico etc.

2. Rental depreciated cost approach: - 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.
3. Self assessment: - The current local tax system is based on principal of self assessment, under this method, the responsibility lies on property holders 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, self assessment appears to have significantly increased revenue.
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 building nor their location. Unit value assessment is easier to understand and cheaper to administer than market value based assessment.
5. 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 and parcel and 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 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 side walk, sanitary sewers and rain water sewers. The value of agriculture land often seems like other presumptive tax base.

#### **2.4.4 Rights and Duties of Property Holders**

Local self government act-2055 and local self governance rules-2056 have the following provision regarding the rights and duties of property holders.

##### **[A] Rights of Property Holders**

1. Right to Appeal: - A property holder aggrieved by the punishment imposed by the municipality or VDC may appeal to the concerned district court within 35 days from the date of knowledge of the punishment decision.
2. Right to get Information: - The property holder has the right to get information of valuation and tax rate fixed by municipal council with respect to the integrated property.
3. Right to Remission: - The property holder has the right to get full or partial remission as per the conditions or the types of the physical structure of house and land property as specified in local self government act and rules.
4. Right to Appeal for Review: - The property holder who is not satisfied with the decision of valuation of integrated property may submit an application for review within 35 days from the date of publication of valuation notice to the mayor for revaluation.

##### **[B] Duties of Property Holders**

1. To pay tax: - The property holder has the duty to pay the property tax within the stipulated time. The municipality sends bill for the payment of the tax on integrated property along with the valuation of taxable

integrated property within magsir and the tax payer has to pay tax within the same fiscal year.

2. To compel with Law: - If the property holders does not comply with the rules and regulations established by the act and rule, the municipality may punish such a person with a fine up to Rs. 1000 or the VDC may punish him with a fine up to Rs. 500 within its territory.

#### **2.4.5 Rights and Duties of Local Government Relating to Property Tax**

The act and rules have specified some rights and duties of the municipality with respect to integrated property.

##### **[A] Rights of Local Government Relating to Property Tax**

1. Right to Impose Tax: - As per the act and rules, the municipality or VDC have to impose the tax on taxable properties within their jurisdiction.
2. To Grant Remission: - The municipality may exempt 10% from the tax amount to tax payer who pays tax amount within 30 days from the date of receipt of the bill sent to him by the municipality.
3. To impose fine and penalty: - If the property holders does not pay the tax imposed by municipality or a VDC and any other amount due and payable to it, the municipality or VDC may impose fine and penalty. Also, fine and penalty is imposed on property holder who does not comply with the act and rules.

##### **[B] Duties of Local Government Relating to Property Tax**

1. To assess the rate of valuation: - The municipality has to assess the rate of valuation of integrated property within the amount of shrawan as per the recommendation for valuation of integrated property has been made by municipal valuation committee.

2. To publish the value and tax rate for integrated property: - Municipality has to publish the value assessed and the tax rate fixed by the municipal council in a prescribed format.
3. To send the bill: - Municipality has to send a bill within the month of mangsir for the valuation of taxable property and for the payment of property tax.
4. To finalize the revaluation within the time: - The process of revaluation should be finalized by municipality within one month of application submitted by the property holder.

## **2.5 Review of Earlier Studies**

Property tax has great potentialities of resource mobilization in the developing countries. Now a day, it is more important all over the world. There are various studies carried out by different institutions and individuals. The purpose of this review is to bring in light in brief the important work done on property taxation in Nepal. Therefore some of the literature related to property tax has been reviewed in the following line according in to the different date time.

### **2.5.1 Review of Related Books**

Property tax plays a important role in different countries. In present time, it is more useful all over the nation. The main objectives of this review are to bring the useful work done on property taxation in Nepal.

There are many literature related line which are follows:

**Devkota Bharat (1980)** has presented a book named "*Nepalma Sahari Gharjagga kar eqk bisleshan*" he has analyzed urban house and land tax. Legal aspects, evaluation procedure house and land, collection of house and land tax, tax base, structure of tax rate, revenue potentiality, historical aspects

and property tax is different nations always with international aspects. This book is very important in getting knowledge about analytical and comparison of different sectors.

**Dhakal (2001)** has presented extended enlarged and modified edition of this book named *"income tax and house and compound tax"* law and practice. In this book, he has described the provision made under income tax act; the methods of income tax assessment have been described with practical example. His book is informative rather than analytical. His book is more useful to know about general information's provisions made under income tax act 1974.

**Dhakal (2002)** presented his revised edition of his book *"Ayakar Tatha Gharjagga Kar Sambandhi Kanoon Ra Lekha"* this book is based on income tax act 2031 (1974). This book is very useful in getting knowledge about history of taxation and the practice under the previous act.

**Adhikari, C.M. (2003)** wrote a book and entitled *"modern taxation in Nepal: theory and practices"* this books has been written according to the syllabus requirement of different faculties. Especially BBS 3<sup>rd</sup> years syllabus of Tribhuwan University, has been taken into consideration income tax act-2058 and amended by finance ordinance, 2003 has also been as practical aspect have been included. In this books theoretical as well as practical aspect have been explained.

**Mallik, Bidhyadhar (2003)** published a book named *"nepal ko adhunik ayakar pranali"* this book is very much useful to anyone who is interested in the subject of taxation. In this book mallik has explained act-2058 with example wherever necessary. He has presented the complex act in simple manner so that it will be easy to understand the act. He has shared his express in his book. His book is descriptive and analytical. The entire provision acts

have been clarified in simple languages. In some cases, he has also compared the provision of the old act and new act.

**Kandel, P.R. (2006)** wrote books on taxation one entitled "*tax laws and tax planning*" and other "*Nepal ko Bartaman kar byawastha*" in this book he has presented practical as well as theoretical aspects on taxation in those books. Also described presented tax planning and information of taxation system of Nepal.

**Bhattarai and Koirala (2010)** wrote a book and entitled "*Tax laws and tax planning*" in this books, they have mentioned about the concession rebates and allowance to tax payers, which can reducing tax liabilities, in this books also important to known legal provisions to plan for tax payers beneficial tax planning is to take full advantage of those facilities.

### **2.5.2 Review of Research Reports**

In this part some related research reports has been studies which are following:

**Dhungana, Kayastha and Rai (1967):-** In this research reports published as the title of " the analysis of tax structure of Nepal . " the reports shows the contribution trends of revenue and percentage of GDP from property taxation to the total revenue between the period 1962/63 to 1966/67. It also shows the different urban areas of Nepal and their contribution to the total collection.

**Dhangana and Pradhan (1973)** of an institution center for economic development and administration 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 development and had propose for improvement and implementation procedure of property tax. The report published as the title

of "evaluation of urban property tax" the report consists of various aspects of urban property tax in Nepal.

**Bhandari Kanak** (1978) has attempted to focus those problem areas issue of policy making that are remaining and central concern. He also points out problem regarding property tax and has suggested overcoming and uplifting it share on the revenue side along social betterment as it being a tax on the social sector.

**Devkota Bharat** (1980) has analyzed urban house and land (property) tax entitled "Nepalma shari ghar jagga kar eak bisleshan" he analyzed property tax legal aspect , evaluation procedure of property tax, tax base, structure of tax rate, revenue potentiality, historical aspect, and property tax is 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 find assessment ratio is also very poor. And at last he has forwarded some suggestion from the improvement the property tax he also suggests for the more elastic property tax.

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

**Poudel Bishwanath** (1993) shows the implemented procedure of property system, rate and structure of property tax and shows that problem of property tax system. For the effective implementation and improvement of the property tax he has forwarded some suggestions.

**Chhetri** (2006) has analysis 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.

**Ghimire** (2006), has done research entitled "study for the measure of tax compliance habits and leakage control" this reports has dweld upon the existing legal provision to check tax leakages and its implementation status. A critical appraisal of tax reacted earlier Nepal instrument has also been carried out. The important of tax education, accounting knowledge, motivation for revenue staff and tax payers are also reviewed.

This report has identified some legal, revenue policies and monitoring activities. Prevailing tax related laws have made minimize the non-compliance and to maximize the tax collection. There are special provisions for anti-leakage activities in corruption control act. But these provisions are not property handled and implemented.

### **2.5.3 Review of Thesis**

In this section, many related to thesis has been study. Which some of them are as follows:

**Dhakal Ramesh** (2003) has analyzed in this thesis entitled “property tax in Kathmandu” has mentioned about important of property tax in Nepal. He has also justified the contribution of enterprise to the municipality. The major problems existing in Nepalese tax system identified by him are poor revenue collection procedure etc. he has suggested some improvement regarding municipal tax for the collection of tax in Nepal.

**Poudel Krishna** (2005) has analyzed in this thesis entitled “ taxation in Nepal:- special reference to land revenue” has mentioned about important of land tax in Nepal. He has also cleared explained about land tax development from ancient to modernize land tax system in Nepal. The major existing in Nepal land tax system identified by him are the inefficient land revenue administration, lack of modern cadastral survey, up to date records inequality of minimum valuation of land for different purpose land classification. Not mode on the basis of its productivity etc. he has suggested some improvement regarding land tax and administration for the collection of tax in Nepal.

**Thapa Sunita** (2007) has analyzed in this thesis entitled “A study an contribution of property tax to Illam municipality”. In her thesis mentioned about collection of property tax under LSG act 2055 is good measure and suitable means for mobilizing internal resource. She states that there are two types of property tax first one is called house and land tax and other is called unified property tax. The collection of property tax is collect by the municipalities and VDC and later one was only collected by municipalities. She also finds out that in Illam municipality. There was wide spread tax evasion. So she stressed tat government should formulate a policy to cheeked the tax evasion. She recommended that tax administration must be enough efficient for the improvement of tax administration to simplification of tax laws and policy.

**Raj Kumari Shrestha** (2010):- has analyzed in this thesis entitled “ A case study on contribution of property tax to total revenue of lalitpur metropolitan city”. In her thesis about property tax system is the best method of collecting tax revenue which helps the economic development of the nation. Poor mobilization of internal resource as tax is the main cause of funds in sufficient. So the government should mobilize the tax for the economic development and

she has also recommend that some improvements regarding house and land tax and information knowledge to the local people regarding house and land tax.

## **2.6 Research Gap**

As tax revenue is the most important source of public finance, everybody is being really serious about property tax collection and its effective utilization. Since earlier so all the research works mentioned above are concerned with study of laws, provision, administrative aspects and structure of tax. So people are trying to get more ideas through the research works so that they can find the new areas of collecting tax revenue and contribute more in the public finance so the researcher chooses the same topic for the study. Here we are talking about property tax. It is not only the important internal source of government revenue but also regular source which has covered about 19.21% contribution on total revenue of BM in fiscal year 2010/11. So it can be said only property tax has covered so much percentage. If we take whole tax then, it will have huge contribution so we should take different measures to strengthen the tax policy and decrease between gap between actual and budgeted property tax. For this government should have more detail and effective research on the same topic to find out advantages and disadvantages of the property tax as a whole.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Research is the scientific investigation of the certain topic which helps to find out certain fact and conclusion about the investigated topic. Research methodology various steps in the report writing like review of literature, research design, data collection, analysis and tools and techniques of data.

This study is carried out to analysis examine and interpret the contribution on property tax to financial resource of Bharatpur municipality which help of the research design nature and source of data, method of data analysis tools used for analysis of data etc.

#### **3.2 Research Design**

Most of the information data and of the study are concern with past phenomena of the performance. So it can be regarded as historical design. To achieve the state objectives of the study, the study of property tax act. Finance act and self government act-2055/056 and other related act.

Rules and regulation are made for making the study descriptive. For an empirical conducted. The option survey has been conducted. The options of the various 60 respondents associated with property tax, lay tax administrators, tax experts and tax payers are collected through structured questionnaire with reference to property tax system of Nepal. Thus, this study also followed an analytical as well as descriptive research design.

#### **3.3 Population and sample of Study**

The large group about which the generalization is made is called the population under study, or the universe and small portion of on which the study is made is

called the sample of the study. Nepal has 99 municipalities: among them Bharatpur municipality is our population and sample of the study.

There are 99 municipalities in Nepal which are given as follows:

**Table 3.1**

**Total number of municipality in Nepal of Different development Region**

S.N.	Development Region	Total no of municipalities	Headquarters	Area(.sq km)
1.	Eastern Development Region	25	Dhankuta	28456
2.	Central Development Region	33	Kathmandu	27410
3.	Western Development Region	21	Pokhara	29398
4.	Mid-western Development Region	11	Surkhet	42378
5.	Far-western Development Region	9	Dipayal	19539
	<b>Total</b>	<b>99</b>		<b>1,47,181</b>

**3.4 Period Covered**

The present study covered ten fiscal years from 2001 to 2011.

**3.5 Nature and source of Data**

Information is main things of research. The significance of research deepens on the nature availability and accuracy of information. Data collection is the major task of the research work. In this study both primary as well as secondary data have been used, but most of the data and information used in the study are based on secondary sources.

[A] **Primary sources of Data:** - In this study primary data have been collected various sectors of Bharatpur city. Primary information was based on questionnaire, informal interview as well as unstructured dialogues and discussion with the officials of Bharatpur municipality. For this purpose, structures questionnaire was distributed to the selected respondents along with the field visit. The questionnaire had included the question relation to specific objectives of property tax in Nepal; major problems of property tax system, to minimize tax evasion existed in Bharatpur Municipality tax administration and effectiveness of property tax in Bharatpur Municipality.

[B] **Secondary source of data:** - The secondary data were received from books, journals, newspaper, reports financial statement, official record and dissertation etc.

The secondary data were collected from the following sources:

- Government of Nepal. Property tax act-2047
- Government of Nepal, self governance act-2055 ministry of local department 2055
- Government of Nepal, house and land tax act-2019 ministry of finance.
- Ministry of local self government (LSG)-2048, municipality act-2048, Nepal government.
- Ministry of local self government (LSG)-2049, Nepal government.
- House and land tax rule-2020, ministry of local self government act-2020, Nepal government.
- National newspaper, journal and news magazines, municipality media, internet, media etc.
- Financial statement of last 5 years related published and unpublished reports, journal and articles.
- Official record and similar other dissertation
- Other relevant data available in this subject area.

### 3.6 Data Collection Procedure

Data collection procedure method is very important part of this study. It depends of the researcher. In this study total 60 sets of questionnaire were developed and distributed to the selected respondents. Distribution was done personally through field visits to get accurate and actual information in time. The questionnaire was administered in personals meeting with respondents and other additional information was also collected form interview with the respondents.

Local tax administrators, general public's and business holder to tax field are the total population sampling methods have been used to select the sample. Persons included in the sample are carefully selected by consultation with the tax experts, professors and lectures of T.U. and judgment of the researcher. Under the table shows the different natures of respondents which are given as follows:

**Table 3.2**

**Groups of respondents and size of sample for different groups**

S.N	Groups of Respondents	Sample size	Code used
1.	Local tax administrators	20	A
2.	General publics	25	B
3.	Business holders	15	C
	Total	60	

### 3.7 Tools and Techniques of Data

Data analysis is very important task to the researcher must be very careful uses analyze the data. It can show the clear picture of the data and its findings. To make easier, the collected data from primary and secondary sources are firstly tabulated into separate format in systematic manner for the purpose of analysis, generally simple statistical tool used which are as follows:

1. Simple average
2. Simple percentage
3. Graphs charts and diagrams
4. Other statistical tools

### 1. Parabolic Trend Analysis

One of the Main objective of the Analysis of the time series is to forecast future with the help of past obtained by fitting a property be shown by straight line trend. So in case we fit second degree (parabolic) trend.

Whose equation is  $y_c = a + b+cx^2 \dots\dots\dots(i)$

Where,

X =Independent variable

$y_c$  =Dependent variable

a = y- Intercept of the line

b =slope of the regression line (i.e. it measures the change in 'y' per unit change in 'x')

Now the value of a, b and c can be found by solving the flowing normal equations .The equation are constructed by the multiplying the equation (i) by  $\sum$ ,  $\sum x$  and  $\sum x^2$  for the equation (ii), (iii) and (iv) respectively.

$$\sum y = Na + b\sum x + c\sum x^2 \dots\dots\dots (ii)$$

$$\sum xy = a\sum x + b\sum x^2 + c\sum x^3 \dots\dots\dots (iii)$$

$$\sum x^2y = a\sum x^2 + b\sum x^3 + c\sum x^4 \dots\dots\dots (iv)$$

By solving these equation, we can find out the value of a, b and c then put on the values in equation (i) and the trend equation is found when the equation of trend line is constructed then we should verify the values of independent variables for finding out the future amount of the value. After then the values

should be dropped on the diagram for the visual map. The presentation is called diagram presentation.

## **2. Test of Hypothesis**

Hypothesis is a statement about the relation between two or more variables, which needs to be investigated for its truth. The thesis paper, hence is an investigation of a hypothesis. If the relation between two variables acts as hypothesis predicts then the hypothesis supported and a new theory has been suggested. By the help of t- test.

Hypothesis generation and testing required and understanding of the deductive and inductive reasoning. Reduction is the process of arriving at conclusion by interpreting the meaning of result of the data analysis. In this form of reasoning one goes from general knowledge to specific knowledge.

Test of significant for different between two independent means. In order to test whether two independent samples have been drawn from two normal populations having the same means, the population variances being equal. T-test for difference of means is used. The steps used in testing the significance of difference between two means for small samples. ( $n \leq 30$ ) are as follows:

**Step:1** set up the Null Hypothesis and Alternative Hypothesis as follows:

Null Hypothesis  $H_0: \mu_1 = \mu_2$  that is the sample have been drawn from the normal populations with the same means. In other words, there is no significant difference between two sample means  $\bar{X}_1$  and  $\bar{X}_2$ . It is usually set for the express purpose of being rejected to fix the idea about why a researcher initially set the Hypothesis.

Alternative Hypothesis  $H_1: \mu_1 \neq \mu_2$ , the researcher also has to specify a Hypothesis that will be accepted, if Null Hypothesis is rejected. Such Hypothesis is called Alternative Hypothesis. It is denoted by  $H_1$ . It should be noted that Alternative hypothesis is mutually exclusive and complementary statement of Null Hypothesis. Generally this Alternative Hypothesis is the operational statement of researcher interest. The general procedure of setting the Alternative Hypothesis on testing the specified value of the population mean is one of the following three alternatives.

- i)  $H_1: \mu_1 \neq \mu_2$  (two tailed test), the samples have not been drawn from the normal population with the same means. In other words, there is significance different between two sample means  $\bar{X}_1$  and  $\bar{X}_2$ .
- ii)  $H_1: \mu_1 > \mu_2$  (right tailed test), that's means of first population is higher than the mean of the second population.
- iii)  $H_1: \mu_1 < \mu_2$  (left tailed test), that's mean of first population is lower than mean of second population.

## **Step:2** Choice of Appropriate Statistical Tools

In statistical testing of Hypothesis, lots of statistical tests have been developed. However, for rational decision about the hypothesis should be used. When different alternative statistical test are available for given hypothesis problem it is necessary to adopt some rational reason for choosing the best statistical test. Some important points considerable in the select of appropriate test statistical are as follows:

- i) The Nature of population from which the sample was drawn.
- ii) The Nature of measurement of scaling, which was used in the operational definitions of the variables.
- iii) The Nature of sampling distribution.

Compute the test statistic

The population variances are equal but unknown, the test statistic under

$H_0$  : is

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{S^2 \left( \frac{1}{n_1} + \frac{1}{n_2} \right)}} \sim n_1 + n_2 - 2$$

That is the test statistic 't' follows t-distribution with  $n_1 + n_2 - 2$  degree of freedom.

Where,

$$\bar{X}_1 = \frac{\sum x_1}{n_1}$$

$$\bar{X}_2 = \frac{\sum x_2}{n_2}$$

$S^2$  = An unbiased estimated of the common population variance based on both the sample.

The value of  $S^2$  can be computed in one of the following way:

- i) Actual Mean Method: When deviations are taken from their respective means, then,

$$S^2 = \frac{1}{n_1 + n_2 - 2} [\sum (x_1 - \bar{x}_1)^2 + \sum (x_2 - \bar{x}_2)^2]$$

This method is suitable only when the values of means become in whole number.

- ii) Direct Method: when actual data are used then,

$$S^2 = \frac{1}{n_1 + n_2 - 2} \left[ \sum x_1^2 - \frac{(\sum x_1)^2}{n_1} + \sum x_2^2 - \frac{(\sum x_2)^2}{n_2} \right]$$

This method is suitable only when the actual data are not very large.

- iii) Short-cut Method or Assumed Mean Method:

When the values of means become in decimal in that case deviation's are taken from assumed mean then the value of  $S^2$  is compared as follows:

$$S^2 = \frac{1}{n_1+n_2-2} \left[ \sum d_1^2 - \frac{(\sum d_1)^2}{n_1} + \sum d_2^2 - \frac{(\sum d_2)^2}{n_2} \right]$$

Where,

$$d_1 = X_1 - A_1,$$

$$d_2 = X_2 - A_2$$

$$A_1 = \text{Assumed mean taken from } X_1$$

$$A_2 = \text{Assumed mean taken from } X_2$$

- iv) When sample standard deviations (biased estimated) are given, then the value of  $S^2$  is computed as follows:

$$S^2 = \frac{n_1 S_1^2 + n_2 S_2^2}{n_1 + n_2 - 2}$$

Where,

$$n_1 S_1^2 = \sum (X_1 - \bar{X}_1)^2$$

$$n_2 S_2^2 = \sum (X_2 - \bar{X}_2)^2$$

### Step : 3

Obtain the tabulated value of 't' from  $n_1 + n_2 - 2$  degree of freedom at the level of significance according as whether alternative hypothesis is one tailed test or two tailed test.

### Step : 4

Decision: Make a decision by comparing the calculated value of 't' with the tabulated value of 't'.

If calculate  $t <$  tabulated 't' it is not significant and  $H_0$  accepted otherwise, it is rejected.

## **CHAPTER- IV**

### **PRESENTATION AND ANALYSIS OF DATA**

This chapter focuses on the presentation and analysis of primary and secondary data. Primary data of this study are obtained by distributing the questionnaire to the officer of the offices, officers from regulating bodies and to experts. Secondary data are obtained from websites, annual reports and the previous studies.

Here, we are showing the data presentation and analysis of property tax of Bharatpur Municipality. This is the main part of the study which is most important in the thesis writing. Its main objectives are to make clear understanding about contribution of property tax to financial resource of Bharatapur Municipality.

#### **4.1 Property Tax in Bharatpur Municipality**

Most of the people who live in BM are paying property tax. BM has been collecting property tax since 2055/056 and it is playing a vital role in Bharatpur Municipality. BM has currently around 28030 tax payers and about 33619 house and land. It has been facing major problems such as the lack of recording and filling system. It does not show any sound data for regular tax payers and absented of proper recording system. Only 60% tax payers regularly. Most of the people own property less than 10 lakhs which is not in the tax brackets. They pay only property tax in the name of “service charge” Rs 200 annually and less than 10 lakhs upto 10 lakhs of “service charge” Rs 250.

In 2019, there was provision of sending bill to the individuals for the payment of property tax but is did not come to the practice. Since it was only limited in the provision, there is not any measures taken by BM for taking any action like fine and penalty for not paying tax.

Tax planning and evasion is another factor which hinders in collection for property tax people reduce their responsibilities of paying tax by splitting the whole property tax to small valuation property tax then they pay little tax. Some people have more than one house in the same name which also leads to evasion, simply pay for only one house. For all these reasons, contribution of property tax seems less than in the comparison to other taxes.

As for as the completion of tax payers is concerned the governments rules and regulation on them is major focused. Nevertheless, the people of BM did not pay the whole tax when they need recommendation or permission from municipality to use of the property as collateral, bonds etc. From the financial institute and other similar firms. Therefore, it is clear that the tax payers pay the whole tax to clear the transaction. But this would be continued one after another unit the governments prepares the rule concerning this aspect on each fiscal year.

#### **4.2 Tax Structure of Nepal**

The income of the government through all sources like taxes fees, fine and penalties are collected public revenue. Public revenue may be divided into two main parts:- Tax Revenue and Non Tax Revenue. Contribution of tax revenue and non tax revenue in Nepal are as follows.

**Table 4.1**  
**Tax Structure of Nepal**

(Rs Million)

<b>Fiscal Year</b>	<b>Tax Revenue</b>	<b>Non Tax Revenue</b>
2000/01	38865	10028.8
2001/02	39330.6	11116
2002/03	40896	13642.9
2003/04	48173	14158
2004/05	54104.7	16018

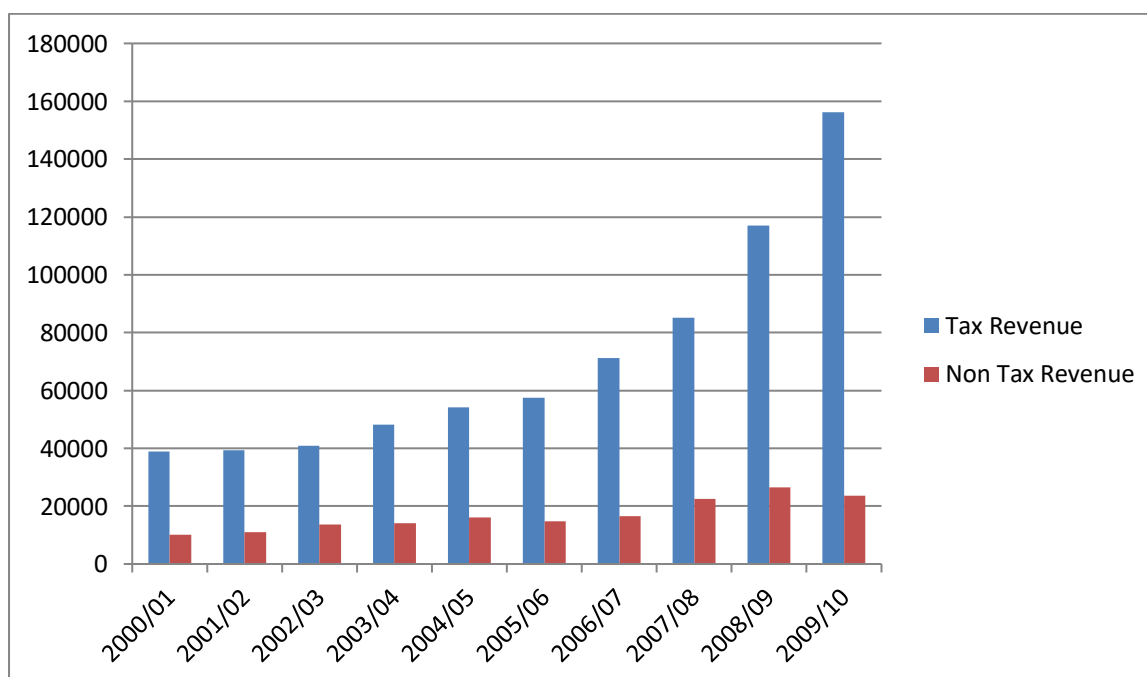
2005/06	57430.4	14851.6
2006/07	71126.7	16585.5
2007/08	85155.5	22467
2008/09	117051.9	26422.6
2009/10	156294.9	23650.9

(Source: Economic Survey Government of Nepal Ministry of Finance)

The above table 4.1 has presented the detail Tax structure of contribution of tax revenue and non tax revenue in Nepal interim of Rupees. In the above Table tax revenue is increasing trend in every year. But non tax revenue is fluctuating trend. The non tax revenue is increased from the fiscal year 2000/01 to 2004/05 and it was decreased in 2005/06 from Rs 16018 million to Rs 14851.6 million. And after 2005/06, the collection of non tax revenue is in increasing trend up to fiscal year 2008/09 and again decrease in fiscal year 2009/10. This table presented in graphs which are as follows:

**Figure 4.1**

**Contribution of Tax Revenue and Non Tax Revenue in Nepal**



### 4.3 Contribution of Direct Tax in Nepal

A direct tax is a form of tax paid by a person on whom it is legally imposed. It is collected directly by the government from the person who bears the tax burden. Tax payers need to file tax returns directly to the government. Therefore, direct tax cannot be shifted. The impact or the money burden and the incidence are one the one and the same person. In other words, the same person pays and bears the tax burden. It is the tax on income and property. Direct tax includes income tax, property tax, vehicle tax, interest tax, gift tax, casual gain tax etc. Contribution of direct tax is as follows:

**Table 4.2**  
**Contribution of Direct tax in Nepal**

<b>Fiscal Year</b>	<b>Direct Tax (DT)</b>	<b>DT as % of Total Revenue</b>
2000/01	10159.5	26.14
2001/02	10597.5	26.94
2002/03	10105.8	23.72
2003/04	11912.88	24.72
2004/05	13071.8	24.16
2005/06	13968.1	24.32
2006/07	18980.3	26.69
2007/08	23087.7	27.11
2008/09	34320.7	29.32
2009/10	36790	23.53

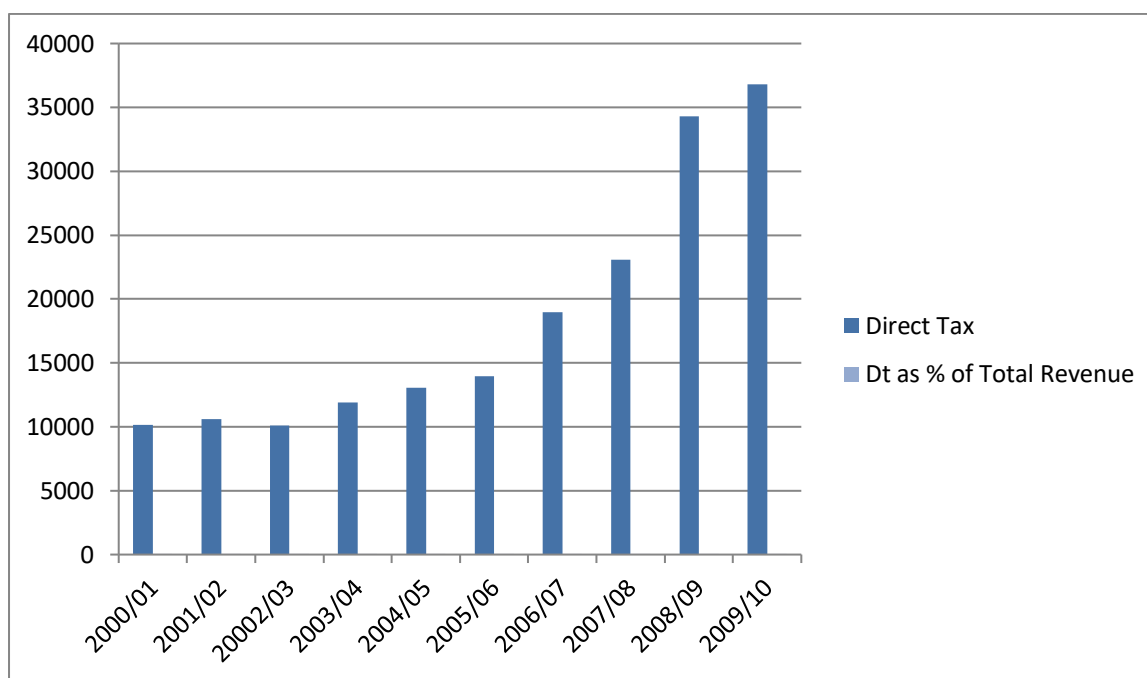
*(Source: Economic Survey Government of Nepal Ministry of Finance)*

The above table 4.2 has presented the detail contribution of direct tax in Nepal various fiscal years 2000/01 to 2009/10 from last ten years. In the above table, the direct tax is in growing tendency. Direct tax as a percentage of total tax is presented in fluctuating form. The contribution of highest direct tax as percentage of total tax revenue at 29.32% in fiscal year 2008/09 and lowest at

23.72% in fiscal year 2002/03. The percentage of direct tax of total revenue is fluctuating every fiscal year.

This table presented in graphs which are as follows:

**Figure 4.2**  
**Contribution of Direct Tax in Nepal**



### **4.3 Structure of Total Tax Revenue of Bharatpur Municipality**

The structure of total tax revenue of Bharatpur Municipality is shown in the following table. This table includes all the public and other revenue such as internal resource and external resource and also includes fine and penalties and other types of revenue.

**Table 4.3**  
**Structure of Total Tax Revenue of Bharatpur Municipality**

In Thousands

Fiscal Year	Local Tax	Property Tax	Service Fees	Rental Incomes	Fine & Penalties	Other Income	Total Revenue
2001/02	64721	45790	32564	62325	23038	212332	440770
2002/03	62317	47632	39575	88194	42320	222262	502300
2003/04	94560	60650	48673	90965	48640	127462	540770
2004/05	102470	63370	35695	101770	58053	254004	615362
2005/06	156953	88793	73261	106690	42325	213250	681272
2006/07	152762	97952	69755	125001	44730	233500	723700
2007/08	178397	105371	93443	140497	50370	277454	845532
2008/09	243211	128949	10226	138838	66033	309343	896600
2009/10	273566	157746	126256	122286	71058	166320	917232
2010/11	279537	180662	143271	151160	83953	101792	940375

*(Source: Income and Expenditure Budget of Bharatpur Municipality)*

Above the table 4.3 showed the detail structure of various taxes and other income of BM in various fiscal years from 2001/02 to 2010/11 and all figure are shown in thousands. Total tax revenue Rs 440770 of BM in fiscal year 2001/02. Similarly total tax revenue Rs 502300 of BM in fiscal year 2002/03. Total tax revenue Rs 540770 of BM in fiscal year 2003/04. Total tax revenue Rs 615362 of BM in fiscal year 2004/05. Total revenue Rs 681272 of BM in fiscal year 2005/06. Total tax revenue Rs 723700 of BM in fiscal year 2006/07. Total revenue Rs 845532 of BM in fiscal year 2007/08. Total tax revenue Rs 896600 of BM in fiscal year 2008/09. Total tax revenue Rs 917232 of BM in fiscal year 2009/10. And last total tax revenue Rs 940375 of BM in fiscal year 2010/11. Hence this showed total tax revenue different fiscal year is increasing every year of BM.

#### 4.5 Total property income and other taxes in Bharatpur Municipality

The below table shows the total property income and other taxes in BM.

Here, percentage of property tax is drawn on the total tax revenue of BM which in the following table

**Table 4.4**

#### **Total Property Income and other Taxes in Bharatpur Municipality**

<b>Fiscal year</b>	<b>Total tax revenue Rs</b>	<b>Property Tax (Rs)</b>	<b>% of Property Tax</b>	<b>Other Taxes &amp; Incomes (Rs)</b>	<b>% of Other Taxes</b>
2001/02	440770	45790	10.38	394980	89.62
2002/03	502300	47632	9.48	454668	90.52
2003/04	540770	60650	11.21	480120	88.79
2004/05	615362	63370	10.30	551992	89.70
2005/06	681272	88793	13.03	592479	86.97
2006/07	723700	97952	13.53	625748	86.47
2007/08	845532	105371	12.46	740161	87.54
2008/09	896600	128949	14.38	767651	85.62
2009/10	917232	157746	17.20	759486	82.80
2010/11	940375	180662	19.21	759713	80.79

*(Source: Income and expenditure budget of Bharatpur Municipality)*

The above table 4.4 shows total tax revenue from property income and other taxes and total tax income of BM for the last ten fiscal years 2001/02 to 2010/11. And all figures are shown in thousands. It also shows total tax revenue, property tax revenue, and percentage of property tax, other taxes and income and percentage of other taxes.

In the figure, total tax revenue was Rs 440770 in fiscal year 2001/02 in which property tax was Rs 45790 and property tax consisted 10.38% and other taxes

and income was Rs 394980 which other taxes and income was 89.62%. Similarly in fiscal year 2002/03, total tax revenue was Rs 502300 which property tax was Rs 47632 and property tax consisted 9.48% and other taxes and income was Rs 454668 in which other taxes and income was 90.52%. In fiscal year 2003/04 total tax revenue was Rs 540770 which property tax revenue was Rs 60650 and property tax consisted 11.21% and other taxes and income was Rs 480120 in which other taxes and income was 88.79%. In fiscal year 2004/05, total tax revenue was Rs 615362 in which property tax revenue was Rs 63370 and property tax consisted 10.30% and other taxes and income was Rs 551992 in which other taxes and income was 89.70%. Again similarly, in fiscal year 2005/06 total tax revenue was Rs 681272 in which property tax revenue was Rs 88793 and property tax consisted 13.03% and other taxes and income was Rs 592479 in which other taxes and income was 86.97%. In fiscal Year 2006/07 total tax revenue was Rs 723700 in which property tax revenue was Rs 97952 and property tax consisted 13.53% and other taxes and incomes was Rs 625748 in which other taxes and incomes was 86.47%. In fiscal year 2007/08 total tax revenue was Rs 845532 in which property tax revenue was Rs 105371 and property tax consisted 12.46% and other taxes and incomes was Rs 740161 in which other taxes and income was 87.54%. In fiscal year 2008/09 total tax revenue was Rs 896600 in which property tax revenue was Rs 128949 and property tax consisted 14.38% and other taxes and incomes was Rs 767651 in which other taxes and income was 85.62%. Similarly in fiscal year 2009/10 total tax revenue was Rs 917232 in which property tax revenue was Rs 157746 and property tax consisted 17.20% and other taxes and income was Rs 759486 in which other taxes and income was 82.80%. In the last fiscal year 2010/11, total tax revenue was Rs 940375 in which property tax revenue was Rs 180662 and property consisted 19.21% and other taxes and incomes was Rs 759713 in which other taxes and incomes was 80.79%

#### **4.5 A study about contribution of property tax to financial resource of Bharatpur Municipality**

Property tax is an important factor which plays vital role in BM. BM has internal and external source of collecting financial resource. Among of them, the most important internal source is property tax. It has also regular source to collect internal revenue. In this study “The contribution property tax to financial resource of BM has been presented in the following table.

**Table 4.5**  
**Contribution of property tax to financial resource of Bharatpur Municipality**

In Thousands

<b>Fiscal Year</b>	<b>Total Tax Revenue (Rs)</b>	<b>Contribution of Property Tax (Rs)</b>	<b>Percentage of Property Tax (%)</b>
2001/02	440770	45790	10.38
2002/03	502300	47632	9.48
2003/04	540770	60650	11.21
2004/05	615362	63370	10.30
2005/06	681272	88793	13.03
2006/07	723700	97952	13.53
2007/08	845532	105371	12.46
2008/09	896600	128949	14.38
2009/10	917232	157746	17.20
2010/11	940375	180662	19.21

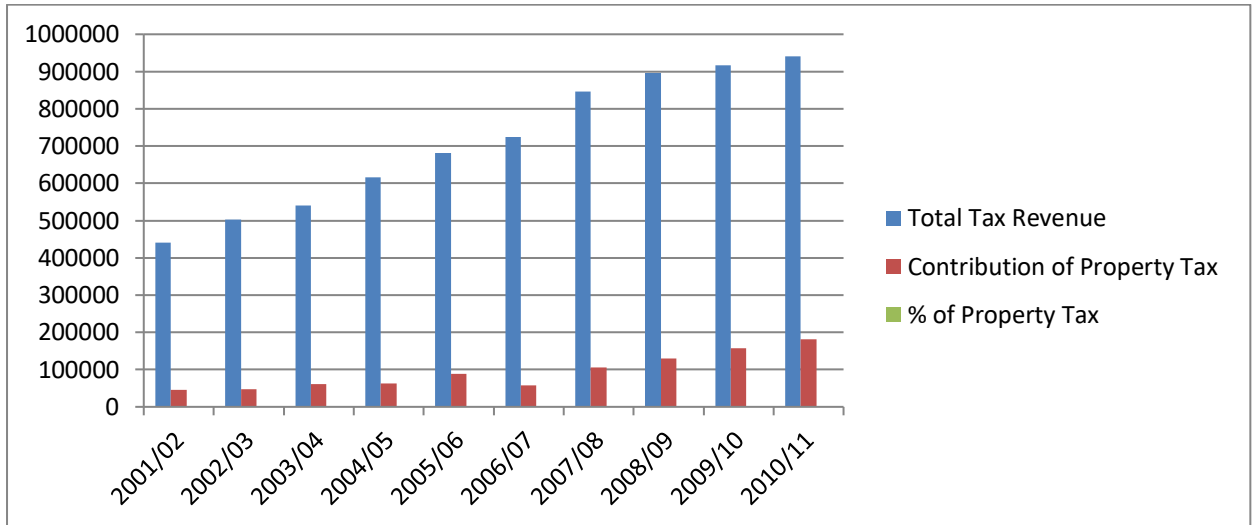
*(Source: Income and Expenditure of Bharatpur Municipality)*

The above table 4.5 shows that in fiscal year 2001/02 and figures are shown in thousand. Total tax revenue was Rs 440770 and contribution of property tax was Rs 45790 in which property tax consists 10.38%. Similarly in fiscal year 2002/03 total tax revenue was Rs 502300 and contribution and contribution of property tax was Rs 47632 in which property tax consisted 9.48%.In fiscal year

in fiscal year 2003/04 total tax revenue was Rs 540770 and contribution of property tax was Rs 60650 in which property tax consisted 11.21%. In fiscal year 2004/05 total tax revenue was Rs 615362 and contribution of property tax was Rs 63370 in which property tax consisted 10.30%. In fiscal year 2005/06 total tax revenue was Rs 681272 and contribution of property tax was Rs 88793 in which property tax consisted 13.03%. Similarly in fiscal year 2006/07 total tax revenue was Rs 723700 and contribution of property tax was Rs 97952 in which property tax consisted 13.53%. In fiscal year 2007/08 total tax revenue was Rs 845532 and contribution of property tax was Rs 105371 in which property tax consisted 12.46%. In fiscal year 2008/09 total tax revenue was Rs 896600 and contribution of property tax was Rs 128949 in which property tax consisted 14.38%. In fiscal year 2009/10 total tax revenue was 917232 and contribution of property tax was Rs 157746 in which property tax consisted 17.20%. And in last fiscal year 2010/11 total tax revenue was Rs 940375 and contribution of property tax was Rs 180662 in which property tax consisted 19.21%.

In conclusion, the above table 4.5 is clear to present total contribution property tax in fiscal year 2001/02 to 2010/11 was 131.18%. The total tax revenue and average property tax was 13.11% on total tax revenue. The highest percentage on contribution of property tax was 19.21% in fiscal year 2010/11 and the lowest percentage on contribution of property tax was 9.48% in fiscal year 2002/03. This table can be presented in the graph as well.

**Figure 4.3**  
**Contribution of Property Tax to Financial Resource of Bharatpur Municipality**



From the figure or bar diagram presented above shows total revenue as well as contribution of property tax is increasing order from in fiscal year 2001/02 to 2010/11. Here we concluded that the collection of property tax is in satisfactory level in every fiscal year.

#### **4.7 A Study about Contribution of Property Tax on Local Tax revenue of Bharatpur Municipality**

Bharatpur Municipality has many source of collecting revenue. Here property tax is a part of local tax revenue. It has major role on total revenue collection. The following table and figure presents the contribution of property tax on total local tax revenue of BM.

**Table 4.6**  
**Contribution of Property Tax on Local Tax Revenue of Bharatpur**  
**Municipality**

In Thousands

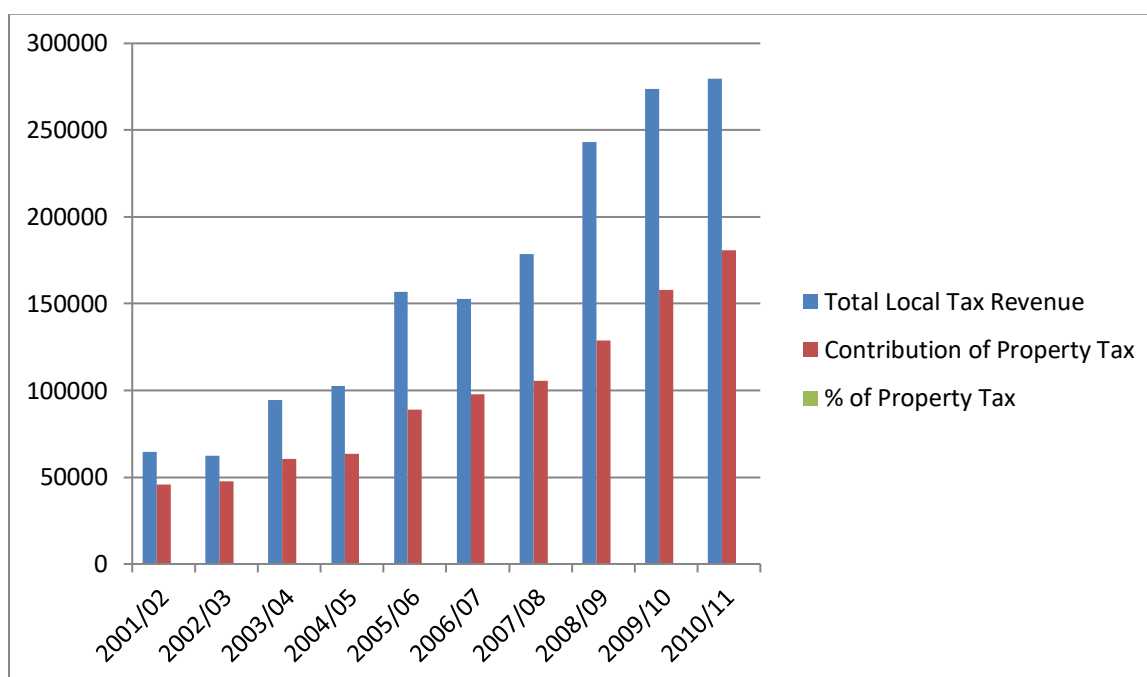
<b>Fiscal Year</b>	<b>Total Local Tax Revenue (Rs)</b>	<b>Contribution of Property Tax (Rs)</b>	<b>Percentage of Property Tax (%)</b>
2001/02	64721	45790	70.74
2002/03	62317	47632	76.43
2003/04	94560	60650	64.13
2004/05	102470	63370	61.84
2005/06	156953	88793	56.57
2006/07	152762	97952	63.12
2007/08	178397	105371	59.06
2008/09	243211	128949	53.01
2009/10	273566	157746	57.67
2010/11	279537	180662	64.62

*(Source: Budget sheet of Bharatpur Municipality)*

In the above table 4.6, its presented that in the fiscal year 2001/02 total local tax revenue was Rs 64721 and contribution of property tax was Rs 45790 in which property tax consisted 70.74%. Similarly in fiscal year 2002/03 total local tax revenue was Rs 62317 and contribution of property tax was Rs 47632 in which property tax consisted 76.43%. In fiscal year 2003/04 total local tax was Rs 94560 and contribution of property tax was Rs 60650 in which property tax consisted 64.13%. In fiscal year 2004/05 total local tax revenue was Rs 102470 and contribution of property tax was Rs 63730 in which property tax consisted 61.84%. In fiscal year 2005/06 total local tax revenue was Rs 156953 and contribution of property tax was Rs 88793in which property tax consisted 56.57%. In fiscal year 2006/07 total local tax revenue was Rs 152762 and contribution of property tax was Rs 97552 in which property tax consisted

63.12%. In fiscal year 2007/08 total local tax revenue was Rs 178397 and contribution of property tax was Rs 105371 in which property tax consisted 59.06%. In fiscal year 2008/09 total local tax revenue was Rs 243211 and contribution of property tax was Rs 128949 in which property tax consisted 53.01%. In fiscal year 2009/10 total local tax revenue was Rs 273566 and contribution of property tax was Rs 157746 in which property tax consisted 57.67%. And last fiscal year 2010/11 total local tax revenue was Rs 279537 and contribution of property tax was Rs 180662 in which property tax consisted 64.62% . This table can also present in graph.

**Figure4.4**  
**Contribution of Property Tax on Local Tax Revenue of Bharatpur Municipality**



The above figure presents various contribution of property tax own total local tax revenue. In fiscal year 2001/02, its contribution of property tax is 70.74% on total local tax revenue. In fiscal year 2002/03, its contribution of property tax is 76.43%. Similarly in fiscal year 2003/04, its contribution is 64.13%. In fiscal year 2004/05, its contribution is 61.84%. In fiscal year

2005/06, its contribution is 56.57%. In Fiscal year 2006/07, its contribution is 63.12%. In fiscal year 2007/08, its contribution is 59.06%. In fiscal year 2008/09, its contribution is 53.01%. In fiscal year 2009/10, its contribution is 57.67% and last in fiscal year 2010/11, its contribution is 64.62%.

In this way we conclude that in fiscal year 2002/03 is higher contribution and in fiscal year 2008/09 is lower contribution on local tax revenue in these ten fiscal year.

#### **4.8 Estimated and Actual Property tax of Bharatpur Municipality**

An effective budgeting system is vital to the success and survival of every organization. Organization is depended upon the effective budgeting and its effective implementation. Good budgeting capacity helps to the development of our nation. Here, it presents how much amount is estimated and how much actual amount is collected for every fiscal year.

**Table 4.7**

#### **Estimated and Actual Property Tax of Bharatpur Municipality**

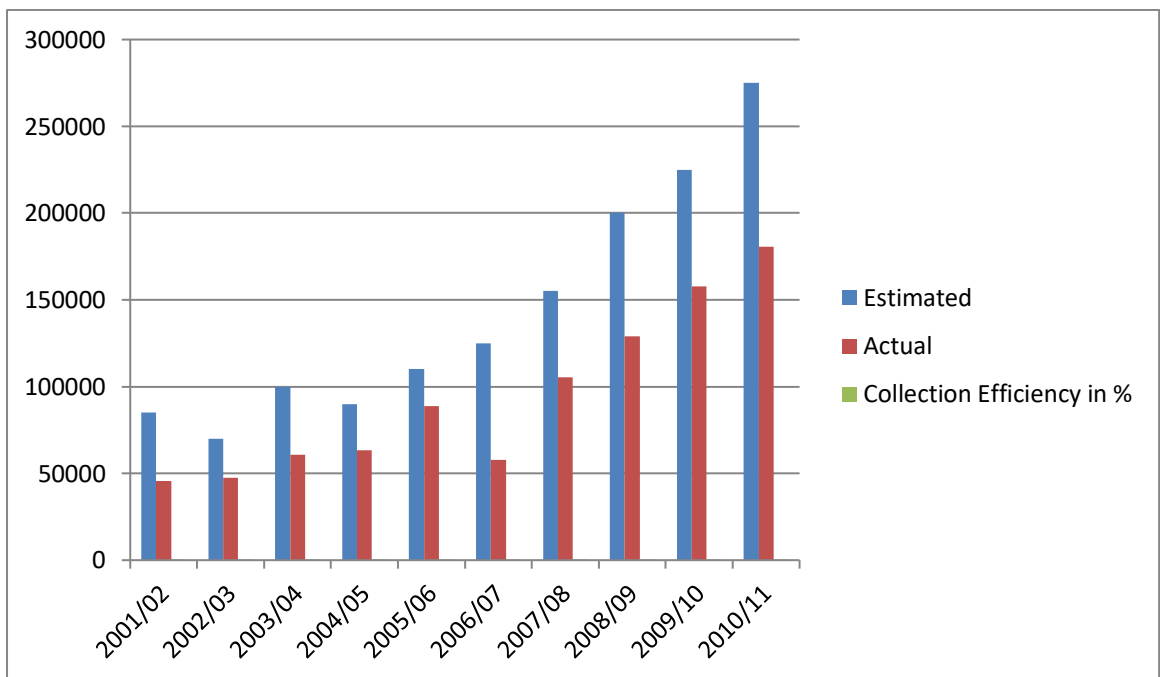
In Thousands

Fiscal Year	Income Revenue		Collection Efficiency in (%)
	Estimated (Rs)	Actual (Rs)	
2001/02	85000	45790	53.87
2002/03	70000	47632	68.04
2003/04	100000	60650	60.62
2004/05	90000	63370	70.41
2005/06	110000	88793	80.72
2006/07	125000	57952	78.36
2007/08	155000	105371	67.98
2008/09	200000	128949	64.47
2009/10	225000	157746	70.10
2010/11	275000	180662	65.69

*(Source: Budget sheet of Bharatpur Municipality)*

The above table 4.7 presents the revenue from property tax was fluctuating over the last ten years 2001/02 to 2010/11. The collection efficiency was also fluctuating over the every fiscal year. In fiscal year 2005/06 the highest collection efficiency is 80.72%. And the lowest collection efficiency is 53.87% in fiscal year 2001/02. Hence, we can conclude that this is not better performance of BM because of the decrease in budgeted amount. So from the taxable calculating of budget and tax recovery is not satisfactory. So studies are necessary to before projection of property tax. This table can also be presented in graph.

**Figure 4.5**  
**Estimated and Actual Property Tax of Bharatpur Municipality**



#### 4.9 Statistical Analysis

Under this topic, there are two tools for the analysis and interpretation of data which are as follows:

1. Parabolic Trend Analysis
2. Testing of Hypothesis

#### 4.9.1 Studies about parabolic trend analysis for property tax of Bharatpur Municipality

The parabolic trend analysis is a reliable source from analysis the future trend of the available data from which the trend is calculated through the information of past performance. The parabolic trend analysis helps to forecast future amount of property tax of BM. The curves and table of parabolic trend analysis is presented below:

**Table 4.8**

**Parabolic Trend Analysis for Property Tax of Bharatpur Municipality**

Fiscal Year	Property Tax (Y)	X=(Year-2007)	XY	X <sup>2</sup>	X <sup>3</sup>	X <sup>4</sup>	X <sup>2</sup> Y
2002/03	47632	-4	-190528	16	-64	256	762112
2003/04	60650	-3	-181950	9	-27	81	545850
2004/05	63370	-2	-126740	4	-8	16	253480
2005/06	88793	-1	-88793	1	-1	1	88793
2006/07	97952	0	0	0	0	0	0
2007/08	105371	1	105371	1	1	1	105371
2008/09	128949	2	257898	4	8	16	515796
2009/10	157746	3	473238	9	27	81	1419714
2010/11	180662	4	722648	16	64	256	2890592
Total	∑Y= 931125	∑X= 0	∑XY= 971144	∑X <sup>2</sup> =60	∑X <sup>3</sup> =0	∑X <sup>4</sup> =708	∑X <sup>2</sup> Y =6581708

Now, fitting the parabolic (Second degree) Trend

Which equation is:

$$Y_c = a + bx + cx^2 \dots\dots\dots i$$

For any given value of independent variable 'X' the estimated value of 'y' denoted by  $Y_c$  given by above equation:-

$$Y_c = a + bx + cx^2 \dots\dots\dots ii$$

Now, the value of a, b and c can be found by solving the following normal equation. The equations are constructed by multiplying to the equation (i) by  $\sum$ ,  $\sum x$  and  $\sum x^2$

for equation (iii) (iv) and (v) respectively.

$$\sum y = Na + b \sum x + c \sum x^2 \dots\dots\dots \text{iii}$$

$$\sum xy = a \sum x + b \sum x^2 + c \sum x^3 \dots\dots\dots \text{iv}$$

$$\sum x^2 y = a \sum x^2 + b \sum x^3 + c \sum x^4 \dots\dots\dots \text{v}$$

Where,

$$\sum y = 931125, \quad \sum x = 0, \quad \sum xy = 971144, \quad \sum x^2 = 60, \quad \sum x^3 = 0, \quad \sum x^4 = 708, \\ \sum x^2 y = 6581708, \quad N = 9$$

Now, substituting the values

$$931125 = 9a + 0 + 60c \dots\dots\dots \text{vi}$$

$$971144 = 0 + 60b + 0 \dots\dots\dots \text{vii}$$

$$6581708 = 60a + 0 + 708c \dots\dots\dots \text{viii}$$

Calculating value of a, b, c, from the above equation.

$$a = 95358$$

$$b = 16186$$

$$c = 1215$$

Now, The forecasted of Total Property Tax of Bharatpur Municipality.

The equation under parabolic trend analysis is:-

$$Y_c = a + bx + cx^2$$

$$Y = 95358 + 16186x + 1215x^2$$

The above equation is used to forecast the value of total property tax of Bharatpur Municipality for the years 2012, 2013, 2014, 2015 and 2016. Here the property tax has been estimated below by using parabolic trend analysis.

Now forecasting the future property tax for the Bharatpur Municipality.

The forecasted property tax for 2012 = 190244

The forecasted property tax for 2013 =212455

The forecasted property tax for 2014 = 235633

The forecasted property tax for 2015 =265466

The forecasted property tax for 2016 =282000

The estimated property tax for the year 2012, 2013,2014,2015,2016 are Rs 190244, Rs 212455, Rs 235633, Rs 282000 respectively. It shows that the total forecasted property tax will have been increasing every year on the basis of past data. The past value of property tax and future value of property tax can fitted in the table 4.9

**Table 4.9**  
**Past trend line of property tax of Bharatpur Municipality**

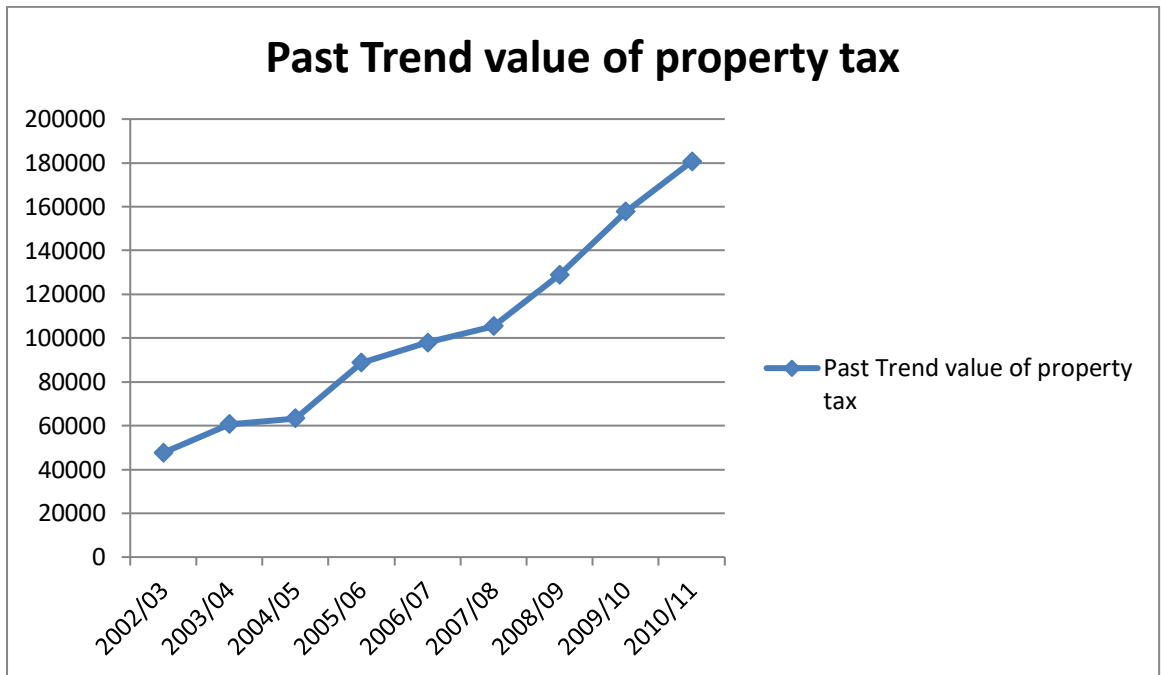
In Thousands

<b>Fiscal Year</b>	<b>Property tax (Rs)</b>
2002/03	47632
2003/04	60650
2004/05	63370
2005/06	88793
2006/07	97952
2007/08	105371
2008/09	128949
2009/10	157746
2010/11	180662

(Source: Revenue department of Bharatpur Municipality)

**Figure 4.6**

**Past trend line of property tax of Bharatpur Municipality**



**Table 4.10**

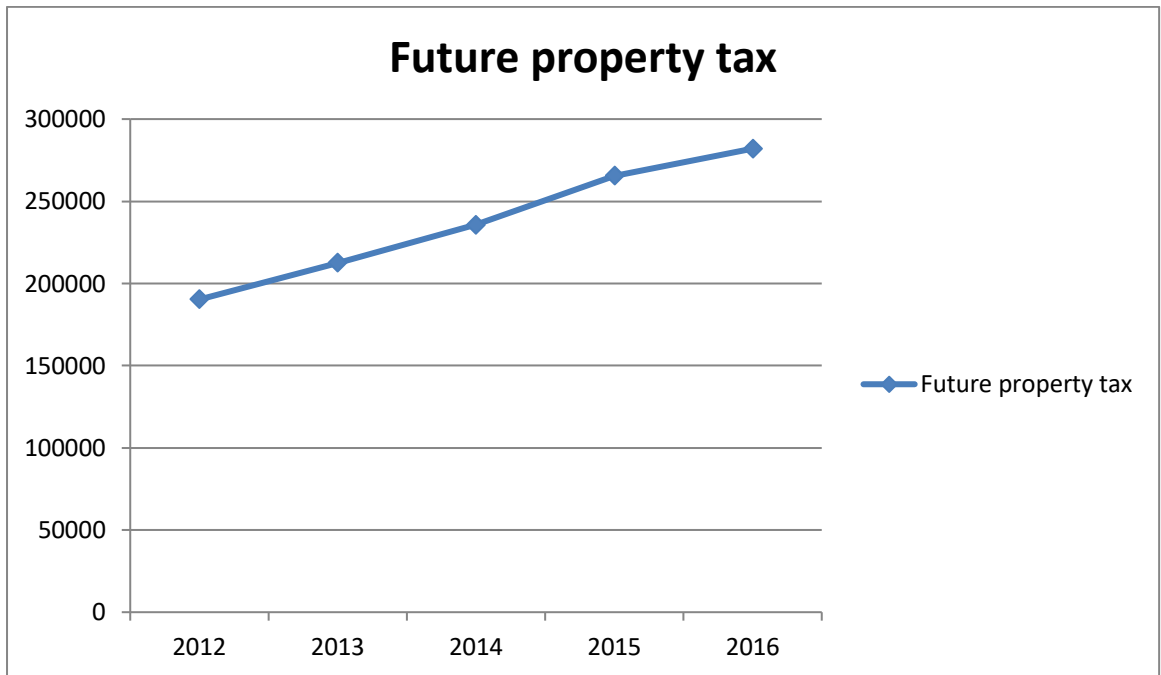
**Future trend line of property tax of Bharatpur Municipality**

In Thousands

Years	Future property tax (Rs)
2012	190244
2013	212455
2014	305633
2015	265466
2016	282000

**Figure 4.7**

**Future trend line of property tax of Bharatpur Municipality**



From the above table and figure, it is clear that the value of property tax is positive trend. Which is increasing future trend of every year?

#### **4.9.2 Test of Hypothesis**

Under this analysis, the effort has been made to test the significance level regarding the parameter of the populations on the basic of sample drawn from the population. The following steps have been followed for the test of hypothesis:-

- 1 Formulating Hypothesis (Null Hypothesis and Alternative Hypothesis)
- 2 Computing the test static
- 3 Fixing the level of significance
- 4 Making Decision

In the following line, some of the main Hypothesis tests are calculate and decisions are made.

#### 4.9.2.1 Test of Hypothesis on property tax and total local tax revenue.

Property tax and total local tax revenue are 'X' and 'Y' respectively.

**Table 4.11**

**Calculation of X, X<sub>1</sub>, X<sub>1</sub><sup>2</sup>, Y<sub>1</sub>, Y<sub>1</sub><sup>2</sup> and S<sup>2</sup> Let, X=x- $\bar{x}$  and Y=y- $\bar{y}$  (in thousand)**

Year	Revenue Collection for Property Tax			Revenue Collection from Local Tax		
	X	X <sub>1</sub> =x- $\bar{x}$	X <sub>1</sub> <sup>2</sup>	Y	Y=y- $\bar{y}$	Y <sub>1</sub> <sup>2</sup>
2007	97.952	-36.184	1309.28	152.762	-72.74	5291.10
2008	105.371	-28.765	827.42	178.397	-47.103	2218.70
2009	128.949	-5.187	26.90	243.211	17.711	313.70
2010	157.746	-23.61	557.43	273.566	48.066	2310.34
2011	180.662	46.526	2164.67	279.537	54.037	2920
Total	$\sum x =$ 670.680	$\sum x_1 =$ 0.005	$\sum X_1^2 =$ 4885.7	$\sum Y =$ 1127.473	$\sum y_1 =$ 0.03	$\sum Y_1^2 =$ 13053.81

$$\bar{x} = \frac{\sum x}{N} = \frac{670.680}{5} = 134.36$$

$$\bar{y} = \frac{\sum y}{N} = \frac{1127.473}{5} = 225.50$$

Now, An unbiased estimate of the population variance.

$$S^2 = \frac{1}{n_1+n_2-2} \left[ \sum x_1^2 - \frac{(\sum x_1)^2}{n_1} + \sum y_1^2 - \frac{(\sum y)^2}{n_2} \right]$$

$$S^2 = \frac{1}{5+5-2} \left[ 4885.7 - \frac{(0.005)^2}{5} + 13053.81 - \frac{(-0.03)^2}{5} \right]$$

$$S^2 = 2242.43$$

Again, H<sub>0</sub>:  $\mu_x = \mu_y$  i.e. there is not significant between X and Y.

H<sub>1</sub>:  $\mu_x \neq \mu_y$  (Two tailed) i.e. there is significant difference between X and Y.

Under the test statistic is:

$$t = \frac{\bar{X} - \bar{Y}}{\sqrt{S^2 \left( \frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

$$t = \frac{134.136 - 225.50}{\sqrt{2242.43 \left( \frac{1}{5} + \frac{1}{5} \right)}}$$

$$t = -3.051$$

*i. e.*  $|t| = 3.051$

Tabulated value of  $t$  at 5% level of significance of  $n_1+n_2 - 2$  i.e. 12 d.f. is 3.179  
 Decision: Since the value of  $t$  is 3.051 which is more than tabulated value i.e. 2.179  $H_1$  is accepted. So, there is significance difference between X and Y.

#### **4.10 An Empirical Analysis**

An empirical analysis conducted in order to find out various aspects of property tax from the experience of real life situation. The major tool used for this proposes was an opinion questionnaire, which was dispatched to 60 persons representing local tax administrators, general public's and business holders.

The questionnaire were either asked for a yes/no response or asked from alternative where most one was important. For this purpose, structured questionnaire was distributed for the selected respondents along with the field visit. The samples of questionnaire are shown in appendix (3).

##### **4.10.1 Property tax as a suitable means of raising international resource**

In order to know the respondent's option on the suitable of property tax is raising internal resource, a question was asked "Is property tax as a suitable means of raising revenue of local resource, do you agree? The local resource means own internal resource which helps Bharatpur is raising suitable means of revenue. A question was asked for each of the groups. Group 'A' which was consist of local tax administrators ( Municipal officers), Group 'B' was consist

of general public and Group ‘C’ was consist of business holders. The respondents are as presented in the following table.

**Table 4.12**  
**Property tax is suitable means of raising internal resources**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	20	100	–	–	20	100
B	25	100	--	–	25	100
C	9	60	6	40	15	100
Total	54	90	6	10	60	100

*(Source: Field Survey Questionnaire No. 1)*

\From the above table 4.12 showed that 80% of the respondents supported the property tax is as a suitable means of raising revenue of internal resource and only 10% of respondents did not supported the property tax is as a suitable means of raising revenue of internal resources.

Hence, property tax as suitable means of raising internal resources.

#### **4.10.2 Property tax contributions significantly to development of Municipalities.**

Property tax is a major source of development for BM. To know the view of respondents about contribution of property tax significantly to the development of the municipalities. A question was asked “Do you think property taxes contribute to the development of municipalities? The responses were presented in the following table.

**Table 4.13**

**Property tax contributions significantly to development of Municipalities**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	12	60	8	40	20	100
B	15	60	10	40	25	100
C	12	80	3	20	15	100
Total	39	65	21	35	60	100

*(Source: Field Survey Questionnaire No 2)*

From the above table 4.13 shows that 65% of respondents approved that property tax contributed significantly to the development of municipalities and 35% of respondents showed that property tax does not significantly contributed for the development of municipalities.

**4.10.3 Wide spread Evasion as the major constraint for the tax collection through property tax.**

To know respondents view about the current exemption limit a question was asked “Wide spread evasion as the major constraint for the tax collection through property tax” Do you agree with this statement? The response a respondents is tabulated as below.

**Table 4.14 (A)**

**Wide spread Evasion as the major constraint for the tax collection through property tax**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	14	70	6	30	20	100
B	16	64	9	36	25	100
C	12	80	3	20	15	100
Total	42	84	18	36	60	100

*(Source: Field Survey Questionnaire No 3)*

From the above table shows that 84% of respondents supported tax evasion as a major problem of tax collection system of BM and only 36% were against to the above view. In order to know the main reasons for tax evasion, the respondents were provided five reasons and requested to rank them. The responses received are tabulated as below.

**Table 4.14 (B)**

**Wide spread Evasion as the major constraint for the tax collection through property tax**

S.N	Reason for tax evasion	Group A	Group B	Group C	Total points	%	Rank
1	In appropriate tax rate	5	3	1	9	15	5
2	Limited no of tax payers	2	4	4	10	16.67	4
3	Poor enforcement of fine & penalties	7	5	2	14	23.34	2
4	Corruption in tax authority	4	5	2	11	18.34	3
5	Defective tax laws	2	8	6	16	26.67	1
	Total	20	25	15	60	100	

*(Source: Field Survey Questionnaire No. 4)*

The above table 4.8 'B' there was good response from the respondents 26.67% of the respondents through that defective tax laws is main reason of tax evasion of Nepal. 23.34% of the respondents through that it is due to poor enforcement of fine and penalties system of Nepal. 18.34% of respondents said it is due to corruption in tax authority. 16.67% respondents said that tax evasion of Nepal is due to limited no of tax payers and 15% respondents said that it is due to inappropriate tax rate.

From the above result, the reason for tax evasion can be ranked like this:

- i. Defective tax laws
- ii. Poor enforcement fine and penalties system
- iii. Corruption in tax authority limited no of tax payers
- iv. Inappropriate tax rate.

#### **4.10.3 Property tax paying to Bharatpur Municipality in specified time**

To know the tax payers of BM pay property tax in specified time to the BM, a question was asked “In your opinion do business man and other tax payers pay their property tax own specified time?” The respondents received from the respondents are tabulated as follows:

**Table 4.15**

#### **Property tax paying to Bharatpur Municipality in specified time**

Respondents	Yes		No		Total	
	No	%	No	%	No	%
A	10	50	10	50	20	100
B	15	60	10	40	25	100
C	9	60	6	40	15	100
Total	34	56.67	26	43.33	60	100

*(Source: Field survey Questionnaire No. 3)*

eFrom the above table 56.67% of respondents paid property tax in the specific time and remaining 43.33% of respondents did not paid property tax in specific time show the taxpaying habit of tax payer in Bharatpur Municipality is Positive.

#### **4.10.4 Motivation for tax payers to paying the property tax**

To know the opinion of respondents about the motivation factor for paying tax timely, a question was asked. “Do you think Bharatpur Municipaluity should

be apply Motivation factors to paying time to tax payers? Respondents response are tabulated are as follows.

**Table 4.16**  
**Motivation for tax payers to paying the property tax**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	14	70	6	30	20	100
B	20	80	5	20	25	100
C	12	80	3	20	15	100
Total	46	76.67	14	23.33	60	100

*(Source: Field survey Questionnaire No. 6)*

From the above table 4.16 all respondents view is positive forwards the motivation factor that 76.67% of respondents approved that BM should apply some motivations factors like discount, fine penalties and punishment should be imposed to pay property tax. However 23.33% of the respondents approved that BM need not to apply motivation factors. They believed that tax payers should have knowledge to pay tax in time.

#### **4.10.5 Information for tax payers about property tax**

To know the respondents view taxpaying information about property tax by BM a question has asked “Do you think tax payer have been informed regularly to pay property tax? “ The response received from the respondents is as follows:

**Table 4.17**  
**Tax payers have been informed regularly**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	50	25	15	75	20	100
B	8	32	17	68	25	100
C	3	20	12	80	15	100
Total	16	26.67	44	60	73.33	100

*(Source: Field survey Questionnaire No. 7)*

From the above table 4.17 it was clear that only 26.67% of respondents approved that taxpayer have been informed regularly to pay tax. However 73.33% of the respondents approved that there was no information for the tax payers to pay property tax regularly.

#### 4.10.6 Best way to inform tax payers about property tax to pay in time

To know the respondents view about the best way inform about property tax to the taxpayers which includes them to pay in right time, a question was asked along with four alternatives and responses were asked to selected best or most appropriated alternatives. The response was as follows:

**Table 4.18**

**Best way to inform taxpayer about property tax to pay in time**

S.N	Response	Respondents					
		A		B		C	
		No.	%	No.	%	No.	%
1	Giving advertisement in media	12	60	15	60	9	60
2	Sending acknowledgment letter to the tax payers	6	30	6	24	6	40
3	Information through telephone call	2	10	–	–	–	–
4	Establishing public relation individually	–	–	4	16	–	–
	Total	20	100	25	100	15	100

(Source: Field survey Questionnaire No. 8)

From the above table shows that respondents ‘A’ consist of local tax administrators responded 60% that the best way to inform tax payers about property tax in time is “ Giving advertisement in media” and rest of responded in same group i.e. 30% responded to use the method of sending acknowledgement letter to the tax payers to pay tax. While 10% believed that

establishing public relation individually is that best way. Likewise respondents ‘B’ consist a general public’s, 60% believed that giving advertisement in media is the best way and 24% approved that sending acknowledgments letter to tax payer in the best method. While 16% believe that establishing public relation individually is that best way. Similarly respondents ‘C’ consists of business holders 60% select the giving advertisement in media is best and 40% approved that sending acknowledgement letter to the tax payers is the best method. It is clear that most of the respondents responded giving advertisement in media is the best way to inform about property tax to the taxpayers for the payment of tax in time.

#### **4.10.7 Complication in paying property tax**

When tax payer comes to pay tax in BM they may have problem and complicated and most of taxpayers are confused what documents should be presented at time of paying property tax. Therefore, in order to know opinion of respondents about the complication in paying property tax, a question was asked “Did you have complications in paying property tax?” their responses as follows:

**Table 4.19 (A)**

#### **Complication in paying property tax**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	10	50	10	50	20	100
B	15	60	10	40	25	100
C	6	40	9	60	15	100
Total	32	53.34	29	48.33	60	100

*(Source: field survey Questionnaire No. 9)*

From the above table 4.19, 53.34% of respondents felt complication in paying tax where as only 48.33% which is consists there is no complication in pay property tax. The complications expressed by them have been presented in following table:

**Table 4.19 (B)**  
**Complication in paying property tax**

S.N	Reason	Group			Total	%	Rank
		A	B	C			
A	Too much delay in making assessment	10	12	9	31	51.67	1
b	Administrative harassment	6	7	3	16	26.67	2
c	Complicated tax laws	4	4	2	10	16.66	3
d	Other	–	2	1	3	5	4
	Total	20	25	15	60	100	

From the above table 4.20, 51.67% respondents focus that there is too much delay in making assessment 26.67% of the respondents complained above the administrative harassment own determining tax liability. The reason may be the local government employs have limited knowledge about the account keeping and assessment rules. 16.66% opinioned that three is complained tax laws and 5% other. The respondents pointed out that there is complication on valuation method and value of house.

#### **4.10.8 Exemption limit**

In order to know the respondent view about current exemption limit, a question was asked “ What is your opinion about present rate of property tax and exemption limit? “ The response received from the respondents is as follows:

**Table 4.20**  
**Exemption limit**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	10	50	10	50	20	100
B	15	60	10	40	25	100
C	9	60	6	40	15	100
Total	34	56.67	26	43.33	60	100

*(Source: field survey Questionnaire No. 10)*

From the above table 4.20, it is clear current property tax exemption limit acceptable 56.67% of the respondents were in the positive of this exemption and remaining 43.33% were against this limit. Respondents who were against exemption limit give suggested limit, which were as follows:

**Table 4.21**  
**Suggested limit of property tax**

Current limit	Suggested limit		
	Local tax administrators	General publics	Business holders
Exemption up to 10 lakhs Nill	Upto 15 lakhs	Up to 15 lakhs	Up to 20 lakhs
On first 10 lakh Rs 300	Rs 200	Rs 200	Rs200
Next up to 30 lakhs 0.05%	0.03%	0.025%	0.02%
Next up to 50 lakhs 0.25%	0.20%	0.20%	0.15%
Next up to 1 corer	0.40%	0.30%	0.30%
More than 1 corer	1%	1%	1%

#### 4.10.9 Rebates given by the Bharatpur Municipalities

To know the respondents view about the rebates given by the BM, the question was asked “ Are you satisfied with the rebates given by the Bharatpur Municipality in the property tax?”. The response was as follows:

**Table 4.22**  
**Rebates given by the Bharatpur Municipality**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	13	65	7	35	20	100
B	15	60	10	40	25	100
C	9	60	6	40	15	100
Total	37	61.66	23	38.34	60	100

*(Source: Field survey Questionnaire NO.11)*

From the above table 4.22, 61.66% of the respondents are satisfied rebates given by the municipality and 38.34% respondents were not satisfied with rebates given by the municipality. It was property tax policy and paying tax system is positive.

#### 4.10.10 Provision of collecting property tax made under the local self-governance act is a good measure

In order to know opinion of respondents about the provision of collecting property tax made under the local self-governance act 2055 was a good measure of collecting property tax. A question asked, “In your opinion Do LSG act 2055 the provision of collecting property tax is given to municipalities is a good measure of collecting property tax?” Their responses are as follows:

**Table 4.23**  
**Provision of collecting property tax made under the local self-governance act is a good measure**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	9	46	11	55	20	100
B	13	52	12	48	25	100
C	6	40	9	60	15	100
Total	28	46.67	32	53.33	60	100

*(Source: Field survey Questionnaire No. 12)*

From the above table 4.23, 46.67% of respondents felt that the provision of collecting property tax made under the LSG act 2055 is good measure and 53.33% of respondents felt governance act 2055 was not good measure for collecting property tax.

#### **4.10.11 Increment of a tax paying habit**

Taxpaying habit of public is the essential of an effective tax system. The Nepalese tax payers avoid tax. Tax payer's service and assistance in tax office can go a long way in creating the tax consciousness in public. To know the opinion of respondents on the methods of increment of taxpaying habit, a question was asked "What are your suggestions for the increment of tax paying habit of the Nepalese people? The respondents were request to their answer 1 to 5 the response has been tabulated as follows:

**Table 4.24**  
**Suggestion of a tax paying habit**

S.N	Suggestion	Group			Total	%	Rank
		A	B	C			
a	Tax educating	10	14	7	31	51.66	1
b	Incentive to regular tax payer	4	6	3	13	21.67	2
c	Better public relation by tax	3	2	4	9	15	3
D	Heavy fines & penalty	3	3	1	7	11.67	4
	Total	20	25	15	60	100	

*(Source: Field survey Questionnaire No. 13)*

From the above table 4.24, it is clear that education is most important. Most of tax payers don't have the concept of tax, so the local government should be provided tax education and how to keep accounting system. 51.66% respondents suggested providing tax education for the tax payers. 21.67% respondents suggested that incentive to regular tax payers should be provided. 15% of respondent's response for better public relation by tax. 11.67% of respondent's response that there is a lot of tax avoidance evasion so it should be implemented of heavy fine and penalties of defective tax payers. The other suggestions stated by the respondents for increment of tax paying habit are given bellows:

- a. Simplification of tax laws
- b. Better information system tax payers and officers
- c. More investigation and reconciliation of bills and documents of tax payers
- d. Informing tax payers through various media such as radio, T.V and newspaper about the tax policies
- e. Have to control corruptions
- f. Tax policy should be included in the different level of study

So, it can be conclude that from above result which in the opinion of the respondent's taxpaying habit can be increased through the tax education and incentive to regular tax payers.

#### **4.10.12 Provision of collecting integrated tax by local body**

In the first instant the property tax weaves imposed by the central government. After the enactment of local self governance act 2055 the local boxier are empower to levy the property tax .According to the new provision VDC,s and municipalities have right to impose property tax such as land revenue property tax with their jurisdictions .Thus to know the opinion of respondents about provision of collecting integrated property tax. A question was asked "In your opinion is the provision of collecting integrated property tax made under the

local self government act is sufficient in all respect?"The response given by the respondent has been tabulated in following.

**Table 4.25**

**Provision of collecting integrated property tax by local bodies**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	18	90	2	20	20	100
B	20	80	5	20	2515	100
C	12	80	3	20	15	100
Total	50	83.33	10	16.67	60	100

*(Source: Field survey Questionnaire No. 14)*

From the above table 4.25, it is observed that 83.33% of respondents accepted provision of collecting integrated property tax by local bodies is good measure for collecting property tax. And 16.67% of respondents are against the provision of collecting integrated property tax by local bodies.

**4.11 Major Findings of the Study**

The study has shown the role of property tax revenue structure, total revenue, contribution trend, collection efficiency of property tax, collection of local tax of BM. All over Nepal there are 99 municipalities. BM has 14 wards the highest contribution of property tax revenue is 19.21% in fiscal year 2010/11 and lowest contribution in fiscal year 2002/03. The trend is estimated slowly growing.

**4.11.1 Major finding from the secondary data**

- BM collect property tax LSG act 2055 and rules 2056 from income year 2057/058

- The highest contribution of property tax is 19.21% in fiscal year 1010/11 and lowest contribution of property tax is 9.48% in fiscal year 2002/03
- While studying the budgeted and actual collection of property tax, the highest collection efficiency was in fiscal year 2005/06 is 80.72% and lowest is in 2001/02 is 53.87%.
- In fiscal year 2008/09 there was local tax collection by Rs 243211 and property tax collection by Rs 128949. The percentage coverage was 53.01 which were lowest.
- As it is compared with the local tax revenue the highest contribution was 76.43% in the fiscal year 2002/03 and the contribution was increasing trend during the ten years.
- Analysis of trend value of property how the collection of property tax is increasing trend.
- Test of Hypothesis reveals that there is no significant between mean ratio of property and local tax.

#### **4.11.2 Major finding from primary data**

On the basic of the observing field survey and data presentation and analysis some important and major findings are drawn. The major findings from the primary data are summarizes bellows.

- It is cent percent true that the property tax is a suitable means of raising internal resources. Direct taxes has strategic important and best source of tax ignored in course of raising internal resource.
- Most of the respondent argue that property tax is significant contribute to the development of the municipalities.
- The main problem of wide spread evasion as the major constraint for the tax collection through property tax .so the government could formulate policy to check the tax evasion .

- The majority of respondent stated that there is no information about property tax for the tax payers by municipalities to pay in specified time.
- For increasing taxpaying caliber municipality should introduce some motivation factors.
- Most of the respondent state that municipalities should apply motivational factor like discount, prize, fine and penalty to promote taxpaying.
- The regular information of property tax paying habit of people is poor.
- The best way to give information about property tax to tax payers is giving advertisement in radio, TV and newspaper.
- The complication in paying property tax is very poor.
- Most of the respondents are not satisfied with the present exemption limit.
- Most of the respondents are satisfied are satisfied on the rebates given by the municipalities for paying the property tax in specified time
- Local self government act 2055 has made the provision of collecting integrated property tax to municipalities. It is accepted as a good measure for collecting revenue .it encourage to payers in the payment of tax by helping them know their own property.
- By the education and incentive to regular tax payers will increase taxpaying habit of the Nepalese people.
- Too much delay in making assessment and administrative harassment is the main complications in paying property tax. So government should improve it.

## **CHAPTER – IV**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This is a last chapter shows the overall summary of the study and conclusion drawn from the analysis to the study. This is also includes the recommendations to correct certain aspects, which will helps to improve the collection of the property tax and the position of property tax in Bharatpur Municipality.

#### **5.1 Summary**

Nepal is in developing country. 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. Government is increasing the area of the tax revenue in these days, like malpot kar, excise duty, vat, and entertainment tax, vehicle tax, property tax, house rent tax etc. property tax is important internal resource of government revenue.

In Nepal property tax was introduce 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 property tax later urban property tax was introduced in 1962 A.D for the purpose of collecting revenue from urban property tax.

Property taxes are generally mobilized for the benefits of public in the local communality. There are basically two types of property taxes given to VDCs and municipalities. Property 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 property tax of BM and following points can be summarize from the whole study.

While tax is applied it has fix rule to charge property tax i.e. a person should not have to pay up to the property having value of 10 lakhs. Then next up to 10 lakhs he has to pay Rs300 and in next up to 30 lakhs he has to pay tax rate is 0.05% then he has pay Rs 1500 in next up to 50 lakhs he has to pay tax rate is 0.25% then he has pay Rs 12500 in next up to 1 corer he has to pay tax rate is o.50% then he has pay Rs 50000 and last remaining amount he has to pay tax rate is 1.50%. In this way property tax rate has been fixed by self government of Nepal to make easy tax collection so that tax can be collected more from the rich and utilized for the welfare of poor. Similarly the house is classified according to nature of its instruction and also raw material used for building and also given life and depreciation for charging the tax.

If house is made up of green brick, its life is 25 years, depreciation is 3% and cost is 450 per square ft. If house is of kiln bricks with mortar, its life is 30 years, depreciation is 2% and cost is 528 per square ft. If house is of kiln brick with mud mortar its life is 70 years, depreciation is 1% and cost is 575 and if house is of R.C.C frame structure its life is 100 years, depreciation is 75% and cost is 635 per sq. ft. In the fiscal year 2010/11 there is highest contribution of property tax is 19.21% and fiscal year 2002/03 that is of 9.48% which is lowest. While studying the budgeted and actual was in fiscal year 2005/06 i.e. 80.72% and lo9west is in 2001/02 i.e. 53.87%.

In the fiscal year 2002/03, total local tax collection was Rs 62317 where property tax has covered 76.43% that was highest coverage and in fiscal year 2008/09 total local tax collection was Rs 243211 where property tax has covered 53.01% which was lowest.

## **5.2 Conclusion**

Nepal is one of the least developed countries. It has been suffering from social economic problems. The government of Nepal is not been able to collect

necessary government revenue to curb such problems. Due to poor performance on internal revenue collection and mobilization, the government Nepal has still depended on foreign grants and loans. The dependency is increasing which is not desirable for any economy. Thus a 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 as satisfactory in comparison to other taxes of the 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 a property tax. Due to lack of tax education property holders are deprived of their right to pay tax. If they are informed effectively about the property tax they can expect an increase in tax volume as well as paying property tax time.

In the administrative aspect there is a lot of weakness 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 foreign and domestic sources and 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 a 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 in an equitable and justifiable manner will help to discourage investment in real estate and reduce consumption of luxury goods as well. Such a reduction of investment and diversion of available resources will tend to diversify into the productive sector of an economy. The revenue administration in Nepal is weak because of a lack of tax policies with a clear direction, inconsistency 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, property tax laws and administration in Nepal are to be deeply scrutinized but not properly implemented. Man power development planning within the administration is desired for the efficiency of tax personnel side by side. Tax educations package are to be made compliance could be improved.

Due to various problems related to property tax, revenue collection from property tax is relatively low in Nepal. 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 is the most important internal sources of government revenue. The growing need of resource for the development of Nepalese economy can be meet through effective large volume of property tax. Through there are number of problems, the contribution 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. The assessment and tax collection provision should be made clear and simple.
2. The language should be simple and clear cut.
3. Property tax rate, discount rate, prize and other motivating factor should be advertised by Newspaper, TV, and Radio etc. to attract and motivate tax Payers.
4. Bharatpur municipality should organize Seminar and meeting of property tax for improvement.
5. Municipality should mobilize its resources property for the welfare of the local people.

6. Municipality should provide information knowledge to the local people regarding property tax because most of them are not educated and don't have understanding about the property tax.
7. Appeal and penalty system of property tax should be used in practice not only in legal provision.
8. BM should give detail information about current tax to tax collector and tax payers
9. In the absence of proper record keeping system of tax the government do not look and determined about the status of revenue so, it's necessary attention should be focused on proper accounting system.
10. In local tax authority should make the provision of tax policy as to provide incentive, reward and prize who pay tax as regular barriers and whose contribution has highest in the composition of portfolio of tax payers.
11. Local property tax should be guided as per market based as well as the use basis by tax payers.
12. Local people are not satisfied with the administration, so they should provide door service.
13. Field visit should be done to collect actual information of property tax.
14. Tax officer should be motivated to collect the tax fairly.
15. Tax education should be started from the school level.
16. It will be effective, if tax payer can be benefited directly too.
17. Tax administration should be very sensitive while doing the valuation of the land and also charging the property tax.

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## REQUIST LETTER

Dear sir/madam,

I would like to introduce myself as the student of MBS (final year ), Tribhuvan University. I am going to prepare a thesis Entitled “a study on contribution of property tax to financial research of Bharatpur Municipality” to fulfill the partial requirement of Tribhuvan University.

This questionnaire has been developed and presented to you in order to get some of your valuable time for your important suggestion concerning with tax system of Bharatpur municipality and as a whole Nepal which will be very useful to complete my research work.

I assure that the information you provide will be confidential.

I am looking for your co- operation and support as soon as possible.

*Thanks for your co-operation!*

*Sincerely*

*Nawa Raj Bhattarai*

## APPENDIX I

### Questionnaire

Name of the Respondents:

Position :

Office/Department :

Please tick the answer which ever in your view and Please write your suggestion and options in opened end questionnaires.

- 1 Is property tax as a suitable means of raising revenue of local resource?
  - i) Yes ( )
  - ii) No ( )
  
2. Do you think property tax contribute significantly to the development of Municipalities?
  - i) Yes ( )
  - ii) No ( )
  
- 3 “wide spread Evasion as the major constraints for the tax collection through property tax” do you agree with this statement?
  - i) Yes ( )
  - ii) No ( )
  
- 4 In your opinion do businessman and other tax payers pay their property on specified time?
  - i) Yes ( )
  - ii) No ( )
  
5. Do you think Bharatpur Municipality should be apply motivation factor to pay in time to tax payers?
  - i) Yes ( )

- ii) No ( )
6. Do you think tax payers have been informed regularly to pay property tax?
- i) Yes ( )
- ii) No ( )
7. What would be the best way to informed tax payers to pay their respectively property in time? Please select any one from the given options.
- i. Giving advertisements in media.
- ii. Sending acknowledgement letter to the tax payers.
- iii. Information through telephone calls.
- iv. Establishing public relation too individually.
8. Did you have complication in paying property tax?
- i) Yes ( )
- ii) No ( )

If yes please point out the reason.

- i. To much delay in making assessment .
- ii. Administrative harassment.
- iii. Complicated tax laws.
9. What is your opinion about present rate of property tax and exemption limit?
- i. Positive      ii. Negative

If negative what is your suggestion?

Present limit	Suggested limit
Exemption up to 10 lakhs Rs. 300	( )
On the 1 <sup>st</sup> 10 lakhs 0.05%	( )
Next upto 30 lakhs 0.25%	( )

Next upto 1 corer	0.50%	(        )
More than 1 corer	1.50%	(        )

10. Are you Satisfied with the rebates given by the BM in the property tax?

i) Yes (        )

ii) No (        )

11. In your opinion Do LSG act 2055 the provision of collecting property tax is given to municipalities is a good measure of collecting property tax?

i) Yes (        )                      ii) No (        )

12. What are your suggestions for the increment of taxpaying habit of the Nepalese people? Please select anyone.

i) Tax educating (        )

ii) Incentive to regular tax payers (        )

iii) Better public relation by tax (        )

iv) Heavy fines and penalty (        )

13. In your opinion, is the provision of collecting integrated property tax made under the LSG act is sufficient in all respect?

i) Yes (        )

ii) No (        )

## APPENDIX II

### Parabolic Trend Analysis for Property Tax of Bharatpur Municipality

Fiscal Year	Property Tax (Y)	X=(Year-2007)	XY	$X^2$	$X^3$	$X^4$	$X^2Y$
2002/03	47632	-4	-190528	16	-64	256	762112
2003/04	60650	-3	-181950	9	-27	81	545850
2004/05	63370	-2	-126740	4	-8	16	253480
2005/06	88793	-1	-88793	1	-1	1	88793
2006/07	97952	0	0	0	0	0	0
2007/08	105371	1	105371	1	1	1	105371
2008/09	128949	2	257898	4	8	16	515796
2009/10	157746	3	473238	9	27	81	1419714
2010/11	180662	4	722648	16	64	256	2890592
Total	$\sum Y =$ 931125	$\sum X =$ 0	$\sum XY =$ 971144	$\sum X^2 = 60$	$\sum X^3 = 0$	$\sum X^4 =$ 708	$\sum X^2Y =$ 6581708

Now, fitting the parabolic (Second degree) Trend

Which equation is:

$$Y = a + bx + cx^2 \dots\dots\dots i$$

For any given value of independent variable 'X' the estimated value of 'y' denoted by  $Y_c$  given by above equation:-

$$Y_c = a + bx + cx^2 \dots\dots\dots ii$$

Now, the value of a, b and c can be found by solving the following normal equation. The equations are constructed by multiplying to the equation (i) by  $\sum$ ,  $\sum x$  and  $\sum x^2$

for equation (iii) (iv) and (v) respectively.

$$\sum y = Na + b \sum x + c \sum x^2 \dots\dots\dots \text{iii}$$

$$\sum xy = a \sum x + b \sum x^2 + c \sum x^3 \dots\dots\dots \text{iv}$$

$$\sum x^2 y + a \sum x^2 + b \sum x^3 + c \sum x^4 \dots\dots\dots \text{v}$$

Where,

$$\sum y = 931125, \sum x = 0, \sum xy = 971144, \sum x^2 = 60, \sum x^3 = 0, \sum x^4 = 708, \sum x^2 y = 6581708, \\ N = 9$$

Now, substituting the values

$$931125 = 9a + 0 + 60c \dots\dots\dots \text{vi}$$

$$971144 = 0 + 60b + 0 \dots\dots\dots \text{vii}$$

$$6581708 = 60a + 0 + 708c \dots\dots\dots \text{viii}$$

Calculating value of a, b, c, from the above equation.

$$a = 95358$$

$$b = 16186$$

$$c = 1215$$

Now, The forecasted of Total Property Tax of Bharatpur Municipality.

The equation under parabolic trend analysis is:-

$$Y_c = a + bx + cx^2$$

$$Y_c = 95358 + 16186x + 1215x^2$$

### APPENDIX III

**Calculation of  $\bar{X}$ ,  $X_1$ ,  $X_1^2$ ,  $\bar{Y}$ ,  $Y_1^2$  and  $S^2$  Let,  $X=x-\bar{x}$  and  $Y=y-\bar{y}$  (in thousand)**

Year	Revenue Collection for Property Tax			Revenue Collection from Local Tax		
	X	$X_1=x-\bar{x}$	$X_1^2$	Y	$Y=y-\bar{y}$	$Y_1^2$
2007	97.952	-36.184	1309.28	152.762	-72.74	5291.10
2008	105.371	-28.765	827.42	178.397	-47.103	2218.70
2009	128.949	-5.187	26.90	243.211	17.711	313.70
2010	157.746	-23.61	557.43	273.566	48.066	2310.34
2011	180.662	46.526	2164.67	279.537	54.037	2920
Total	$\Sigma x =$ 670.680	$\Sigma x_1 =$ 0.005	$\Sigma X_1^2 =$ 4885.7	$\Sigma y =$ 1127.473	$\Sigma y_1 =$ 0.03	$\Sigma Y_1^2 =$ 13053.81

$$\bar{x} = \frac{\Sigma x}{N} = \frac{670.680}{5} = 134.136$$

$$\bar{y} = \frac{\Sigma y}{N} = \frac{1127.473}{5} = 225.50$$

Now, An unbiased estimate of the population variance.

$$S^2 = \frac{1}{n_1+n_2-2} \left[ \Sigma x_1^2 - \frac{(\Sigma x_1)^2}{n_1} + \Sigma y_1^2 - \frac{(\Sigma y)^2}{n_2} \right]$$

$$S^2 = \frac{1}{5+5-2} \left[ 4885.7 - \frac{(0.005)^2}{5} + 13053.81 - \frac{(-0.03)^2}{5} \right]$$

$$S^2 = 2242.43$$

Again,  $H_0: \mu_x = \mu_y$  i.e. there is not significant between X and Y.

$H_1: \mu_x \neq \mu_y$  (Two tailed) i.e. there is significant difference between X and Y.

Under the test statistic is:

$$t = \frac{\bar{X} - \bar{Y}}{\sqrt{S^2 \left( \frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

$$t = \frac{134.136 - 225.50}{\sqrt{2242.43 \left( \frac{1}{5} + \frac{1}{5} \right)}}$$

$$t = -3.051$$

i. e.  $|t| = 3.051$