CHAPTER-I

INTRODUCTION

1.1 Background of the Study

An isolated, agrarian society until the mid-20th century, Nepal entered the modern era in 1951 A.D. The country has, however made progress towards sustainable economic growth since the 1950s and is committed to a program of economic liberalization.

Nepal has used a series of five-year plans in an attempt to make progress in economic development. Planned economic development began in 1953. It completed its 10th economic development plan in 2007 July. Under the tenth plan, to run until 2063/2064 B.S., priorities have shifted to security and poverty reduction, but with a renewed emphasis on privatization and the effort to encourage private investment.

After the end of 10th plan, Nepal has formulated periodic three years interim from fiscal year 2064/2065-2066/2067. The following policies will be taken in this three years interim plan to create favorable impact on domestic revenue mobilization.

- The system of collecting and mobilizing taxes will be made transparent and simple by reviewing existing tax system and acts,
- Revenue leakage will be controlled by strengthening revenue administration capacity,
- Value Added Tax (VAT) system will be made more effective,
- The tax base will be gradually broadened,
- Customs rate and other tax system will be adopted in regional organizations like World Trade Organization (WTO) and South Asian Free Trade Area (SAFTA),
- Domestic revenue mobilization will be strengthened by broadening existing tax base,

At present 12th three years development plan has to be conducted from the fiscal year 2067/068-2069/070.

In the fiscal year 2067/068 Gross expenditure of Nepal government increased by 13.7 percent and in amount Rs. 295.36 billion. In the current fiscal year 2068/069 it is estimated that expenditure increases by 23.8 percent in comparison with past year in amount it reaches up to 365.72 billion. In current fiscal year it is estimated that revenue mobilization will be increased by 20.5 percent in amount Rs. 240.81 billion. From which tax revenue will be Rs. 205.22 billion and Non-tax revenue Rs. 35.59 billion is to be estimated.

Revenue mobilization, foreign grants and loan, domestic borrowing and change in cash reserves are used as fiscal instruments for financing government expenditures. When compared to the fiscal year 2066/067, revenue mobilization in 2067/068 grew by 11.0 percent to Rs. 199.81 billion. In the fiscal year 2066/067 revenue collection had increased by 25.4 percent as compared to its preceding fiscal year. The government revenue had financed 69.3 percent of the total government expenditure in the fiscal year 2066/067 while this resource contributed to 67.7 percent of the total expenditure in the fiscal year 2067/068. *(Economic Survey:2068/069)*

Gross government expenditure in the fiscal year 2067/068 was increased by 13.7 percent in amount 295.36 billion. The sources to cover such expenditure was revenue mobilization 67.7 percent, Foreign grant 15.5 percent, foreign loan 4.1 percent, domestic borrowing 14.4 percent and change in cash reserves are 1.7 percent.

Of the total revenue mobilization, share of tax revenue and non-tax revenue in the fiscal year 2067/068 stood at 86.5 percent and 13.5 percent respectively. Such shares in the previous year were 86.9 percent and 13.1 percent respectively.

Tax revenue grew by 10.5 percent in the fiscal year 2067/068 compared to that of the previous fiscal year. Such revenue had increased by 33.5 percent in the fiscal year 2066/067 compared to its preceding fiscal year.

Of the total tax revenue in the fiscal year 2067/068 the share of custom duty was 20.6 percent while the share of tax on production and consumption of goods and services was 51.2 percent. Likewise, the share of land revenue and registration was 2.1 percent and that of the total of income, profit and property tax was 26.1 percent.

The custom revenue collection grew by 1.6 percent on the tax revenue fornt in the fiscal year 2067/068 as compared to its preceding fiscal year while tax levied rose by 11.4 percent. The total of income, profit and property taxes increased by 24.4 percent while land revenue and registration fees dropped by 35.2 percent. Excise duty levied on the production and consumption of goods and services rose by 9.2 percent and VAT by 12.3 percent. Non-tax revenue increased by 14.3 percent to Rs. 27.02 billion in the fiscal year 2067/068 as compared to that of fiscal year 2066/067.

Revenue status in the first eight months of 2068/069:

Total revenue of Rs. 143.8594 billion has been collected in the first eight months of fiscal year 2068/069. This figure stood at Rs. 117.3815 billion in the same period of the previous fiscal years. Thus, the rate of revenue growth has been 22.6 percent in the first eight months of the current fiscal year 2068/069 as compared to the same period of the previous fiscal year. Of the total revenue collection RS 125.1088 billion came from the tax revenue and Rs. 18.7506 billion from non-tax revenue. The tax revenue growth registered 17.7 percent in the first eight months of the current fiscal year 2068/069 as compared to the same period of the previous fiscal year, while Non-tax revenue grew by 68.8 percent. *(Economic Survey: 2068/069)*

A Government requires sufficient resources to carry out development plans, handle day-to-day administration, maintain peace and launch other public welfare activities. The government collects the required resources mainly from two sources: debt and revenues. The debt can be collected either form internal or external sources. The internal debt is collected within the country while external debt is collected from outside the country. On the other hand the revenue collected from two sources: Tax and Non-Tax. Non-tax sources include different revenue like Gifts, Grants, and Revenue from public enterprises. Tax sources include Custom duty, Excise duty, VAT, Income tax. Tax is a permanent instrument of collecting revenue for the government. It is a major source of revenue in the developing countries as well. It has become an instrument of social and economic policy for the government. The main objectives of taxation are:

- Raising more revenue
- Regulating the economy

- Preventing concentration of wealth in a few hands
- Re-distributing wealth for the common good
- Boosting up the economy
- Reducing unemployment problem
- Removing regional disparities

Economist has classified taxes into several categories. The major categories may be:

- Direct taxes and Indirect taxes
- Progressive taxes and Proportionate taxes
- Regressive taxes and Digressive taxes
- Single taxes and multiple taxes etc. However, on the basis of shifting of burden, tax can be classified into two broad categories: Direct and Indirect tax.

1. Direct tax and Indirect tax:

Direct tax is a form of tax pay by a person on whom if is legally imposed and collected directly by the government from the person who bears the tax burden. Taxpayers need to file tax returns directly to the government. Therefore, direct tax can not be shifted (i.e. same person pays and bears the tax burden). It is the tax on income and property.

Indirect tax is the 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 function associated with filing tax returns. So, indirect tax can be shifted. In indirect tax, impact and incidence of tax are on different persons (i.e. the person paying and bearing the tax is different). It is the tax of consumption or expenditure.

Some of the example of direct and indirect tax:

Tax

Direct tax	**Indirect tax**
Income tax	*Value Added Tax(VAT)*
Property tax	*Sales tax*

Vehicle tax *Entertainment tax*

Interest tax *Hotel tax*

Expenditure tax **Excise tax/duty**

Death tax *Import & export tax* (Bhattari & koirala: 2010)

Among internal resources, taxation is a prime factor it is the pillar of the fiscal policy. It is the backbone of the welfare state and government most imposes taxation to finance various welfare and social services like education, health, electricity, transportation, communication etc. (kadel-2003)

Among various taxes, excise tax/duty plays an important role in tax revenue. An excise or excise tax (sometimes called a duty of excise or a special tax) may be defined broadly as an inland tax on the production.

An excise duty is a sales tax that applies to a specific class of goods, typically alcohol, gasoline (petrol), or tourism. The tax rate varies according to the type of good and quantity purchased and is typically unaffected by the person who purchases it.

An excise or excise tax (sometimes called a duty of excise special tax) is commonly referred to as an inland tax on the sale, or production for sale, of specific goods or, more narrowly, as a tax on a good produced for sale, or sold, within a country or licenses for specific activities. Excises are distinguished from customs duties. which are taxes on importation. Excises are inland taxes, whereas customs duties are border taxes.

An excise is considered an indirect tax meaning that the producer or seller who pays the tax to the government is expected to try to recover the tax by raising the price paid by the buyer (that is, to shift or pass on the tax). Excises are typically imposed in addition to another indirect tax such as a sales tax or value added tax (VAT). In common terminology (but not necessarily in law) an excise is distinguished from a sales tax or VAT in three ways: (i) an excise typically applies to a narrower range of products; (ii) an excise is typically heavier, accounting for higher fractions (sometimes half or more) of the retail prices of the targeted products; and (iii) an excise is typically specific (so much per unit of measure; e.g. so many cents per gallon), whereas a sales tax or VAT is ad valorem, i.e. proportional to value (a percentage of the price in the case of a sales tax, or of value added in the case of a VAT).

Typical examples of excise duties are taxes on gasoline and other fuels, and taxes on tobacco and alcohol (sometimes referred to as sin tax).

Regulatory and legal definitions of 'excise' vary by country. For example:

- In India, an excise is described as an indirect tax levied and collected on the goods manufactured in India.
- In the United Kingdom, HM Revenue and Customs lists "alcohol, environmental taxes, gambling, holdings & movements, hydrocarbon oil, money laundering, refunds of duty, revenue trader's records, tobacco duty, and visiting forces" as being subject to excise. Some of the listed items are not *goods*, but rather services.
- The Australian Taxation Office describes an excise as "a tax levied on certain types of goods produced or manufactured in Australia. These include alcohol, tobacco and petroleum and alternative fuels".

Excise duties or taxes often serve political as well as financial ends. Public safety and health, public morals, environmental protection, and national defense are all legitimate rationales for the imposition of an excise.

- **Public safety and health**
  - Protect individuals from harming their health by abusing substances such as tobacco and alcohol, thus making excise a kind of sumptuary tax, or
  - Protect them from engaging in morally objectionable activities such as gambling and prostitution (including solicitation and pimping) – thus making it a type of vice tax or sin tax
- **Environmental protection** Protect individuals or organizations from harming the general environment, including curbing activities which contribute to

pollution,or which harm the natural environment. (Source: www.google/excisetaxation)

According to the Oxford English Dictionary (2005), an excise is “a levied on certain goods and commodities produced or sold within country and on licenses granted for certain activities”.

According to the Excise Duty Act 2058, “product service subject to excise duty” means any product or service which is subject to the excise duty pursuant to this Act or other law in force.

Excise taxes were first developed in Holland and England in 16^{th} and 17^{th} century respectively. Later on, it was introduced to the Dutch colonies in America. The taxes imposed during the civil war in America included an excise tax on all manufactured goods. Most of those were gradually repealed, and by 1883 AD only liquor and tobacco were taxed. The Spanish-American war saw a temporary expansion of excise taxes. In both world wars such taxes were levied on brush, jewelry and leather as well as on liquor, tobacco and amusements. In India, it is described as an indirect tax levied and collected on the goods manufactured in India. In the United Kingdom, excisable lists include both goods and services such as alcohol, environmental taxes, gambling, holding and movements, hydrocarbon oil, money laundering, refunds of duty, revenue traders, tobacco duty, and visiting forces etc. in Australia, an excise as a tax levied on certain types of goods produced or manufactured or imported in Australia. These include alcohol, tobacco, petroleum and alternative fuels.

The excise duty is levied on agriculture and industrial production of selected commodities and also on private borrowing for commercial purpose. The excisable goods are the manufactured goods like cigarettes, matches, jute, sugar, liquor, clothes, cement, vegetable ghee and so on.

The history of excise taxation in Nepal is rather long. Before 1957 the main source of government revenue was traditional items like land revenue, customs and excise duties, royalties on contracts for felling trees and for supplying porters. Vehicles and liquor licensing fees and so on. The main items under excise before 1957 was on local liquor, pig-hairs, leathers, ganza and hasish etc. at that time the excise tax administration was left to the responsibility of “Rakam Bandobasta Adda”. In 1959 the department of custons and excise was established by the abolitation of “ Rakam Babdobasta Adda”. But as rapid industrialization took place in various fields such as distillery, tobacco, rice and oil processing, a small branch office of the customs and excise department could not meet the heavy requirement of revenue collection, therefore a separate department of excise was established in 1966. At present this department in functioning effectively in the central and district levels. In the district where the excise office is not operating. The responsibility of excise collection is done by the department of land revenue. (Bajracharya,1993)

In case of Nepal, excise duties are applicable to both domestically produced and foreign goods. Before the enactment of excise Act-2058, the excise duty was imposed only on domestically produced goods. Historically, these duties had constituted one of the largest sources of tax revenue in Nepal. It tad covered a wide range of domestic products (more than fifty commodities), accounting for 14.3percent of total tax revenue during 2048/049. But in years as follows the almost universally accepted norms, excise duties were restricted to a narrow range of domestic products. It covers tobacco products, liquor beer, flavored soft drinks, cement and plastic goods. Consequently, it contribution dropped down to 9.9 percent of total tax revenue during 2058/059. In recent years, the government has introduced excise duties as a substitute for custom duties in selected commodities to recover the revenue loss from the reduction of custom duties due to WTO commitment. Accordingly, the number of excisable products has exceeded fifty and the contribution of excise duty in total revenue is 13.28 percent in the fiscal year 2067/068. Excise duty levied on the production and consumption of goods and services rose by 9.2 percent in the fiscal year 2067/068. Contribution on total tax revenue from tax on consumption and production of goods and services is 51.17 percent in 2067/068 and that of excise duty on industrial products is 15.36 percent in the fiscal year 2067/068. The excise duty has been governed and regulated by the excise Act-2058, excise regulation-2059, and Alcohol Regulation-2033.

Purpose of excise duty: an excise duty was originally invented for some or all of the following reasons:

To protect people: to protect people from harming their health by abusing substances such as tobacco and alcohol, form harming themselves and other indirectly and morally by engaging in activities such as gambling and prostitution and from harming those around them and the general environment, both from overuse of the above- mentioned substances, and including curbing activities contributing to pollution.

To provide resources needed: for the extra healthcare and other public expenditures which will be needed as a direct or indirect result of excisable activities, such as lung cancer form smoking or road accidents resulting from drunk driving and for defense.

To punish: many countries impose excise taxes to punish the user. For example, USA imposes excise taxes on drugs and the UK government imposes excise on money laundering. (Bhattari & koirala: 2010)

Finally excise tax plays a vital role in economic development as well as revenue mobilization. In structure of Nepalese condition it has growing now days.

1.2 Statement of Problem

For the overall development of the country economic development is the prime concern. The challenges to Nepal's development are formidable. These include limited natural resources, difficult topography, poor infrastructure, landlocked location, weak human capital (with both low levels of education and health), poor public management and a long history of political interference in the economy. Nepal's economy is characterized by a high vulnerability to shocks, natural and man-made. The government wants to fulfill the basic needs of the people and accelerate development activities one at a tine thus: every nation of the world is accomplishing various activities to fulfill these objectives. It needs huge amount of capital. Despite the various measures adopted by the government to boost revenue collection there is still a subset a entail resource gap between expenditure and revenue. The rate of government expenditure is exceeding the rate of growth revenue almost every year. In other words Nepal has been facing persistent budget deficit from the beginning of her development phase. External deficit, currency depreciation, in factionary pressure, rising interest rates which may cause crowding out effect and reduction in economic growth are the consequences of the budget deficits.

Excise duty is one of the component of taxation and major sources of government revenue. Income tax in developing nations has been regarded as an instrument of growth and social justice. But Nepal government is being unable to mobilize the expected income tax from personal as well as corporation. Most of the personal tax payers not reveal the income sources even they earn significant amount. Similarly, many research reports have addressed that tax evasion has become a serious problem as a result the actual collection of excise tax is being very low. So, the role of corporate sector, specially the industry is very poor. The debate is going on as regards to base of excise tax, method of excise assessment, rate of the excise tax, use of appropriate type of excise incentive, treatment of excise, practices of excise duty. Such problem is developing countries generate more direct tax and less indirect tax but in developing countries generate more indirect tax and less direct tax etc. (Bhattari & Koirala :2010)

In the study have some difficulty in practice even if there are some difficulties which arise in excise administration. It is difficult to distinguish necessary and luxury goods. Because necessary for one group may be a luxury for another group of the country. While considering a commodity there harmful or useful a moral judgment is involved. The use of morality basis of taxation con never be justifiable in the community.

One of the major weaknesses in collecting excise taxes is the vast leakages. These leakages are found from the personnel's sides. We have outlined some difficulties or problems for policy makers of excise taxation. Nepal itself is feeling some of the problems in excise taxation. Real revenue from excise taxes is not collected. Both tax evasion and corruption are being continued form both sides. In case of Nepalese situation economists refer the concerning government to transform all or nearly their excises in to taxes according to its value and valorem taxes. Development of excise taxation is quite related to the industrial development of a country. So the planners should be interested with studying the excise taxation in Nepal. We find that there are legal drawbacks in the Act and Rules concerned.

Besides the above problem, the study addresses the following research questions.

What is the trend so excise duty in Nepal?

What is the structure of excise taxes in Nepal?

What are the issues (i.e. practices, polices and mechanism) of excise taxes?

How excise duty contributing to national revenue?

Which are the important factors that influence on effectiveness of excise tax in Nepal?

1.3 Objectives of the Study

We know every task is done with certain objectives. Objectives are the destination point of the every plan and work. Every task start with the particular objective. So as we also have certain objectives of this study. As we are student of management, specially of tax. We must have the knowledge about tax and its objective to collect and its utilization too. If we prepare a thesis about the people who are concerned to this topic can be benefited as they can get knowledge about structure, trend, practices, polices, mechanism, rates of tax, excise exemption, rebates, procedure of payment etc. not only this but also itself con have the record of its past activities and present achievements. Thus objective of the study can be presented clearly from the following points.

The specific objectives of the study are as follows:

1. To analyze the trend of excise duty in Nepal,
2. To analyze the contribution of excise duty on total tax revenue of Nepal,
3. To analyze the issues: practice, polices and mechanism of excise duty in Nepal at present situation,
4. To provide suggestion for effectiveness of excise duty in Nepal.

1.4 Need and Significance of the Study

Nepal is a developing country with low speed in industrialization process. There is only limited number of resources of revenue collection. In this context one of the ways to increase revenue strength the internal sources is excise duty. Another major role of excise duty imposed is to protect people, to provide resources needed, to punish the people, industry and regulate who involved the harmful goods production and luxury's products.

Mainly excise duty is imposed on the consumption of selected goods such as alcoholic beverages and tobacco products, these duties had constituted one of the largest sources of tax revenue in Nepal.

A striking feature of present structure of excise duty is that excise duties on liquor ,beer and tobacco have been progressively increased at their importance as revenue sources over the year.

No one is allowed to manufacture, import, sell and store excisable goods without taking license. The excise duty has been governed and regulated by the Excise Act-2058, Excise Regulation-2059 and Alcohol Regulation 2033. Thus a study on trend and issues of excise duty in Nepal has been chosen as a relevant topic for the study.

Excise duty is a kind of tool which control the production and distribution of excisable goods. The excise duty is main source of revenue for Nepal. So the topic will be chosen for the study. This study will be useful to economists, planners, excise officers, government and their interested persons about the revenue collection from excise duty in Nepal and problem and prospects of excise duty systems. It also provides the information about excisable goods and rate of excise duty. Those products which contribution is high amount to excise duty.

1.5 Limitations of the study

The study has the following limitations:-

- The study is based on secondary data the reliability depends on it.
- Some primary data also has been taken into consideration.
- Main focus was given to excise taxes of Nepal.
- Polices and rules was Excise Act-2058 and Excise Regulation 2059 with Amendment up to 2068 to be taken.

- Due to the constraint and other difficulties, filed survey was done in Kathmandu.
- Major data was used in this study, secondary data, primary information gathered from tax office, inland revenue department, economic survey and various web sites.
- Monitory policy was published only month's data up to Jestha 2069, therefore we taken data up to fiscal year 2067/068.

1.6 Organization of the study

This study has been designed into five chapters: they are:

Chapter -1: Introduction:

It is about introduction, background of the study, objectives of the study, statement of the problem, significance of the study, limitation of the study and organization of the study.

Chapter- 2 : Review of literature:

This chapter contains historical background, review of literature which deals theoretical framework. Some books, dissertations, reports and articles excise act, excise regulation, will be reviewed for the study.

Chapter -3: Research methodology:

The third chapter will be concerned with research methodology. In this chapter, the research design, population and sample, nature and sample of data, data gathering procedure, data processing procedure and analysis of data. Methodology helps to analyze, examine and interpret various aspect of research work. Methodologies state the method with which data will be used in interpretation of such data to fulfill the objectives.

Chapter -4: Data presentation and analyses:

The forth chapter will be the major part of the study which will aim to make critical analysis of excise duty of Nepal with the assistance of authoritative data and opinion survey will be analyzed. On the basis of analysis, it will describe the excise duty contribution to government revenue, structure of excise duty and prescribed rate of excise duty those product which contribution more share of excise duty revenue of Nepal and findings.

Chapter-5: Summary, conclusions and recommendations

Chapter five will be mainly concerned with summary, conclusion and recommendation. Lastly essential appendices and bibliography was presented at the end of the study.

CHAPTER-II

CONCEPTUAL FRAMEWORK, LEGAL PROVISION AND REVIEW OF LITERATURE

2. (A). Conceptual Framework and Legal Provision

2. A.1 Concept, Meaning and Definition of Excise Taxation

In the early days around 18th century the concerned authority of the country used to collect tax from public with the propose of financing the war expenses. The excise tax were introduced at the close the middle ages, primarily in order to provide a reliable and steady flow of revenue to meet the mounting indebtness of the states. In the ancient time there was also practice of tax collection. But the nature and propose of collecting the tax are different from these days. Whatever is tax in nature and proposes, tax is a payment on income or property or consumption toward government or concerned authority.

There are several concept and definition that found regarding the tax and excise tax. Some of these concepts definitions are as follows:

Prof. Seligman defined tax as "a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefit conferred". (Kandel, 2002)

Findlays Shirras defined tax as "A compulsory contribution to the public authority to meet the general expanses of the government which have been incurred for the public good and without reference to special benefit".(khadka, 2001)

According to plehn, "tax is general contribution of wealth levied upon persons, natural or corporate to defray expenses incurred in conferring common benefits upon the resident of the states". (Adhakari, 2003)

As per the above definitions, it can concluded that the government of a country requires huge amount of revenue to carry out its activities such as infrastructure development, handling gay-to-day administration, social or public welfare activities economic development, maintain balance in regions, priority sector development etc.

To finance these activities government collects revenue from different sources. And one of the government most important revenue sources is tax. Other could be fees, charges, price from public service and product selling, royalty, fines, foreign grants and loan, aids, internal loans etc.

Simply tax is a compulsory levy imposed by the government. For the payment of tax, taxpayer doesn't get corresponding benefits from the government. The tax that is collected by the government is mobilized for the common interest of the people. Tax is collected from have and utilize for those who have not. Tax is levied on person as per the prevailing law of the government.

Tax tan be classified into two types they are direct and indirect tax. Direct tax is tax imposed to the person who actually pays it. Direct tax cannot be sifted while indirect tax can be shifted. Indirect tax is imposed to a person but paid wholly or partially by another person.

Excise tax is a indirect tax. An excise or excise tax (some times called an excise duty or a special tax) may be defined broadly as an inland tax on the production or sale of specific goods. Excise duty is imposed on the consumption of selected goods such as alcoholic beverages and tobacco products. The excise duty is very helpful instrument to control the consumption which is regarded as lacking merit or as likely to cause negative externalities.

A government may have different goals and objectives of imposing tax. Such objective should be to enhance the government revenue to meet the government expenditure to promote distributive justice to minimize regional imbalance, to encourage the production of certain products to encourage employment, saving and investment to achieve national development to check inflation etc.

2. A.2 Historical Background of Excise Tax:

Excise taxes were introduced at the close of the Middle Ages, primarily in order to provide a reliable and steady flow of revenue to meet the mounting indebetness of the states. The excise duty were extended in the course of time to include an increasing number of commodities and developed into the general excise tax levied on virtually all articles of consumption. In the Netherlands the struggle for freedom from the Spanish, in England the struggle between parliament and charies I, in Saxony the burdens of the 30 years war led to imposition of excise duties and eventually to the general excise. In Prussia the latter was introduced under the great elector" (*Acharya-1977)*

The classic home of modern excise taxation is Holland. It was first introduced in the sixteenth century. The economic cause behind the imposition of excise tax was that during the sixteenth and seventeenth centuries. Holland was the leading financial and trading nation of Europe. The English did not introduce it, as late as the seventeenth century and it was one of the boast of Englishman that their country was free from internal commodity tax. First excise taxation scheme was created in England by the long parliament in 1763 AD. In France under the Ancient regime excise taxation (Indirect taxation) was the extensively employed.

In Germany excise tax was limited only to the towns. Hamilton attempted to tax whisky in 1789 as an excise tax, but the consequence led to a rebellion which is called "whisky Rebellion". But, it was again tried during the war with England (1812-14) successfully .in China, excise taxes mainly on salt was created by Kuan Tsi Prime Minister of Tsi state during 770-249 B.C.

The excise taxes (indirect taxes) were also well developed in Greeks and Romans period in the ancient world. At the present time we find excise taxes employed by almost all countries developed as well as developing.

Findley Shirras is of the opinion that excise taxes (with references to intoxication liquors) are found in the Ramayan and Mahabharat period in ancient India. Throughout the period of tax structure development excise tax suffered from many sentimental opposition. Because the fact is that the tax reformers cannot do much good if economic conditions are not ripe for their proposals.

While turning the pages of the history of excise, we not only meet opponents but also adherents. Hobbes was the first English writer who supported excise taxation shortly, after the imposition of first excises in 1643. He like many of the later continental tax reformers held excise taxes to be a logical corollary of the doctrines of equality and universality of taxation. In the same way, Francis Cradock also supports it on equity ground. The earlier writers prefer Dutch excises by stating "certainly the most equal and indifferent tax in the world and least prejudical to any people". Thomas Mum the famous advocates of Mercantilist theory defended excise by saying that the excise is not a burden to the poor, because, ultimately in the long run it is shifted to the employment procedure. Whaterhouse maintaining Mum's view on excise advocates that, even if money is raised by the poor it will be soon return bank to them in the shape of increased employment or higher wages. Fanquier also believes that wages will rise more than in proposition of the tax. Other anonymous pampheleteteer of the same period also is of the view that excises are the most equal that is to why no man by it can be said to be oppressed thus it is less grievous of all other taxes. William Petty and other writers of the same period stress excises on the principle of equality. Excise being less sensitive tax the consumer paid it almost unconsciously. Thus, sheridan contends that the "the excise, if equally imposed, were the best and easiest of all taxes and advanced the usual arguments in its favor". The doctrine of excise was also accepted by later writer James steuart and become a part of the classical doctrine of excise was also accepted by later writer James Steuart and become a part of the classical doctrine as elaborated by Adam Smith and Ricardo.

All the earlier extreme opinion seems to be very much sentimental. The main cause behind the extreme view seems to be because of les knowledge over the subject rather than theoretical inferiority or superiority.*(Pant 1985 page:6-8)*

2. A.3 Excise Taxation on Nepalese Context:

The excise duty is levied on agricultural and industrial production of selective commodities and also on privative borrowing for commercial purposes. The excisable goods are the manufactured goods like cigarettes, matches, Jute, Sugar, Liquor, clothes, cement, and vegetable ghee and so on.

The history of excise taxation in Nepal is rather long. Before 1957 the source of government revenue was traditional items like land revenue, customs and excise duties, royalties on contracts for felling trees and for supplying porters, vehicles and liquor licensing fees and so on. The main items under excise before 1957 was on local liquor, pig-hairs, leather, ganza and hasish etc. At that time the excise tax administration was left to the responsibility of "Rakam Bndobasta Adda".

In 1955 the department of customs and excise was established by the abolition of "Rakam Bandobasta Adda". But as rapid industrialization took place in various fields such as distillery, tobacco, rice and oil processing, a small branch office of the customs and excise department could not meet the heavy requirement of revenue collection. Therefore a separate department of excise was established in 1966. At that time this department is functioning effectively in the central and district levels. In the district where the excise office is not operating the responsibility of excise collection is done is done by the department of land revenue. *(Bajracharya, 1993 page: 27)*

The Civil Code 1854 has given legal basis for imposing excise duty on liquor, mining of iron, animal bones, hashish, cannabis, timber wood etc. It was believed that the duty was raised to cover the expenditure on war with Tibet. The Excise Act 1959 authorized the government to impose excise duty on domestic industrial products like matches, sugar, liquor etc. The Act was revised in 2002 expanding the scope of excisable products. The government is now authorized to impose excise on service sector as well as on the import of goods on a selective basis. During the Rana regime, the excise duty was collected on a contract basis. After 1951, the contract system to raise excise duty from hashish and cannabis was terminated and the license system was introduced. The contract system on other products was continued. The contract system of low grade production and distribution of liquor was particularly significant. The Liquor Act 1975 was promulgated, which gave legal basis to introduce distillery system in the production and distribution of liquor. A separate Department of Excise was established in 1965 by bifurcating the Department of Customs and Excise. The purpose was to make the excise administration more effective and efficient in order to raise revenue from different kinds of domestic products on selective basis. The Department established field offices in various parts of the country. The Department was abolished in 1998. Its responsibilities were transferred to the newly created Department of Inland Revenue and one director in the New Department was given specific responsibility on the excise administration and similar responsibility was assigned to section officer in 22 field offices. The Department of Inland Revenue has delegated its authority of issuing excise license to 17 treasury offices. As the customs tariff rate has shown declining trend in the last few years, it is necessary for the government to explore alternative means to compensate for the loss of revenue and mobilize additional revenue to meet the growing administrative expenses. Excise duty is the potential area which is expected to contribute substantially in the future. This study is therefore an attempt to explore the potential, examine the status and the constraints and suggest recommendations for resource mobilization. (*Ghimire 2006: 1-5).*

Historically, these duties had covered a wide range of domestic products (more than fifty commodities) accounting for 14.3% of total tax revenue during 2048/049. But in years as follows the almost universally accepted norms, excise duties were restricted to a narrow range of domestic products. In recent years, the government has introduced excise duties as a substitute for custom duties in selected commodities to recover the revenue loss from the reduction of custom duties due to WTO commitment. Accordingly, the number of excisable products has exceeded fifty and the contribution of excise duty in total revenue is …% in 2067/068. The effect of excise duty is also faced by narrow range of population. At present, large sales volumes, few producers, limited consumer inelastic demand and lack of close substitutions are the basic charm of excise system in the country.(*Bhattrai and koirala 2067 page:358)*

Now a days the excise duty has been governed and regulated by the excise Act 2058, excise Regulation 2059 and Alcohol Regulation 2033. Officially it was governed by Inland Revenue Department (IRD).

2. A.4 Meaning of Excise Taxation

Ordinarily, excise means a tax or duty on have produced goods either at some stage of production or before their sale-home consumers. But the term has been extended to cover various levies on sports, trades and occupations in the form of license duties. According to the cannon of convenience an excise tax can be levied at an intermediate stage on production or on the finished products. Excise tax is an indirect commodities tax and such it is needed to distinguish from other important commodity taxes namely customs, sales and value added taxes or turn over taxes.(pant, 1985 page:8)

Excise duties are a system of a inland duties imposed upon articles of consumption. They are indirect taxes upon home products, introduced into the English fiscal system under the long run parliament and copied from Holland. "the tax excise literally implies a potion cut off from a commodity and suggests that the state in effect take the portion for its share. In its modern use the term excise is applied to all taxes on commodities produced in a country, in contrast with the custom duties which are levied on goods at the frontier".

Excise duties may defines may be defined as taxes levied on home produced commodities means for local consumption. They are usually levied at the stage while the commodities are in the hands of the producer or the whole sale dealer.

The term excise means, according to the Webster's third new international dictionary:

- An internal tax, duty or import levied upon the manufacture, sale or consumption of a commodity within a country, forming an indirect tax that falls on the Ultimate consumer.
- Any of various taxes upon privileges that are after assessed in the form of license or other fees.
- Any of various duties or fees levied on producers or excisable commodities.

  "Excise is a tax on some stage of production or before the sale to home consumers. (*Acharya, 1977 page: 29-30)*

Excise duty is a form of an indirect tax which is imposed on the consumption of selected goods such as alcoholic beverages, tobacco products, excise or excise tax (some times called a duty of excise or a special tax) may be defined broadly as an inland tax on the production, sales of specific goods or more narrowly as a tax on a good produced for sale or sold in a country or licenses for specific activities.

According to the Oxford English Dictionary (2005), an excise is "a tax levied on certain goods and commodities produced or sold within a country and on licenses granted for certain activities".

According to the excise duty Act 2058, “product, service subject to excise duty” means any product or service which is subject to the excise duty pursuant to this Act or other law in force.

According to Ajanta’s learner’s dictionary, excise means duty on commodities produced and consumed in a country, department of Inland Revenue.

2. A.5 Excise Duty System in Nepal

The implementations of any task or to achieve the specified goal or objective required the set of organs in and with the common structure or function. Simply we can say a sound system is essential to achieve the specified goal. In the context of excise tax, same thing a sound appropriate and effective excise tax i.e. maximizes needed and punish the violation of act. In general there is three sub systems are containing in excise tax system, they are:

1. Excise tax policy
2. Excise Duty Act and Excise Duty Regulation
3. Excise tax Administration.

Excise tax policy:

The government itself through Ministry of finance determines excise duty policy. Excise tax policies are the broad objectives and ways of doing in the matter of excise tax. Generally, the policy of government seen in the finance Act of the country. Excise tax policies can be divided into domestic products, imported products. Luxury products and harmful products.

Excise duty Act and excise duty Regulation:

To implement the policies taken by the government it required the legal support, a constant law. Only as per the law/Act/ Regulation, a government authority can collect excise duty and so on. The constitution of country is a body that determines the law and make provision. Excise Act and Regulation are generally associated with the:

- Constitution of the country
- Finance Act

- Excise duty Act
- Excise duty Regulation
- Alcoholic Act
- Legal precedence established by the court.

Excise tax administration:

The implementation of excise tax Act, policy, strategy, rule and program is carried by its management. While excise tax is concerned with public affairs the entire thing above is carried by the administration of government. Excise tax administration implements the excise tax provision made by the excise Act Regulation, policies and program of the government. Furthermore Act, Regulations and policies are committed and reformulated through the feedback information from the experience of the administration.

2.A.6 A Brief review of Excise Duty Act-2058:

It is expedient to make timely and amend and codify the laws made in respect of imposing and collecting the excise duty on the products manufactured in or imported into, or the services delivered in Nepal in order to mobilize revenue by making effective the process of collecting revenue required for economic development of the country. Therefore, be it enacted by the parliament of Nepal "Excise Duty Act, 2058 (2002)".

This act has replaced Excise Act-2015 (1959). This act is quite advance and modern concept. According to the size, contents and style of presentation it is a big departure of the previous Act-2015. The act is enacted from 2058-10-17 (30 January 2002), and first rules of this act is also published in same year and affected from 2059-3-24 (8 July 2002). To make the act more practical and to eliminate confusion and confusing terms the act has been composed in 26 section.

In exercise of the powers conferred by section 25 of the excise duty Act 2058(2002), government of Nepal has framed the excise duty Rules, 2059 (2002). To make the act more practical, the rules have been composed in 36 sections within 9 chapters plus schedules of provision. Which was amended for 12th times by the finance act up to

2068. According to the policy makers and tax experts the objectives of the Act could be pointed out as follows:

- Economic development of the country
- Effectiveness carried in the process of revenue collection
- To increase the revenue mobilization by imposing excise duty on home produced products and services and imported goods as well as services,
- To protect the people from harmful and over use of luxury products,
- To make excise duty related provisions clear and transparent,
- To minimize excise tax avoidance and evasion,
- To make tax system compatible to modern economy,
- Reducing the scope of discretionary interpretation of the tax administration thereby ensuring simplicity, uniformity and the transparency,
- Defining the power as well as authority of the tax administration
- Separating administrative and judicial responsibility,
- License should be compulsory to produced or sales the excisable goods.

A striking feature of present structure of excise duty is that excise duties on liquor, beer and tobacco have been progressively increased at their importance as revenue sources over the year. The levies on tobacco products and alcoholic beverages have been accounted for over ninety five percent of excise duty receipts. Given the relative inelasticity of demand for these commodities the duties have contributed to generate substantial revenue within frequent increase in tax rate over the years.

2.A.6.1 Excisable products as per Excise Act 2058

“Excisable goods and services” refers to the goods and services on which excise duty is applicable as per the excise act, and the prevailing law. (Section-2) Which are presented in chapter four.

2.A.6.2 To levy excise duty:

In manufacturing or producing and discharging from any enterprise, importing any products or services subject to excise duty and selling any service. (section-3). The excisable products and their rate are presented in chapter four.

2. A.6.3 Recovery of Excise duty:

The excise duty shall be collected on the goods and services subject to excise duty pursuant to this act as follows:

- In the case of goods produced by an industry subject to the physical control system, at the time of production and discharge from the enterprise for sale;
- In the case of any product and service to be sold under the automatic discharge system, at the time of issue of invoice;
- In the case of goods to be imported, at the custom point at the time of entering of such goods into Nepal;
- In the case of service to be imported, as prescribed by the department.
- Notwithstanding anything contained in Sub-section, the department may so prescribe, in the case of any goods or services. That the excise duty has to be collected at the time of production of such goods or delivery of such services. (Section-4)

2. A.6.4 Exemption from Excise duty:

The excisable goods or services are exempt excise duty under the following conditions:

- If exported from Nepal or goods other than liquor and cigarette sold to approved tax free shop(bonded warehouse and duty free shop)
- Liquor and cigarette sold by approved bonded warehouse to persons or entities enjoying diplomatic and duty free facility on recommendation of foreign affairs Ministry of Government of Nepal. (section-4C)

2.A.6.5 Fixation of price of product or service subject to excise duty: 1) in case where the excise duty is to be levied on any product or service according to value (ad valorem), the excise duty shall be levied taking the following price as the bases:

- The factory price which a manufacturer determines at the time of selling a product subject to excise duty;
- In the case of service, the price of the service at the time of selling it; or

) The price specified by the Department on the basis of production/ manufacturing cost.

2) In respect of a product to be imported into Nepal, the excise duty shall be levied on the price fixed by adding the customs tariff on such a product to the price fixed for the purpose of collection customs tariff.

3) Excise duty on service shall be collected by fixing the price as per the invoice.

4) For purposes of collecting excise duty, the Department may, as per necessity, re-fix the price or fix additional price. (section-7)

2. A.6.6 Provisions relating to license and its termination: 1) No one shall manufacture, import, sell or store a product subject to excise duty or deliver service subject to excise duty to any other person, without obtaining the license pursuant to this Act or the Rules framed this Act.

Provided that, no excise duty license is required to manufacture, import, sell or store a product subject to excise duty or deliver service subject to excise duty by an industry subject to automatic release system, except the manufacturing of bricks, stone crusher, bidi, tobacco, khaini, pan masala, gudkha, khandsari industry and import of molasses and Gund and import of goods subject to excise duty under the diplomatic facility on the recommendation of the Ministry of Foreign Affairs.

2) A person, company or organization that intends to obtain the license referred to in Sub-section (1) has to make an application to the Excise Duty Officer tor the license, in such format and accompanied by such fees as prescribed.

3) The department or excise duty officer designated by the department shall issue the license in the prescribe format if it proper upon making necessary examination on such an application.

4) The term of the license issued pursuant shall remain valid until one Fiscal Year.

5) A licenses who intends to obtain the renewal license has to obtain the renewal within the month of Shrawan after the expiration of the period specified pursuant to Sub-Section 4 by paying the fees as prescribed.

6) If any person does transaction without obtaining the license as referred to in Sub-Section (1), the person shall not be exempted from the fees chargeable for the license and for its renewal. (Section-9)

The license issued can be cancelled by the Department under the following conditions:

- If the terms and convenient that have been specified in the license have been found to be violated.
- If it is observed to be detrimental to public welfare
- If failed to submit due amount of excise duty.(section-9A)

2. A.6.7 Fines and penalties:

Failure to comply with the Excise Act is liable to penalties. In general, following are applicable to have committed offences:

- Engaged on manufacturing, selling and storing excisable goods or providing excisable services without license.
- False statement or documents in connection with excise liability
- Under reporting of excise liability
- Violating Excise Act and Rules framed under this Act.

If anybody commits the offences listed below, punishment in the form of confiscating the amount along with a fine equal to the confiscated amount or one year imprisonment or both can be given:

- If the excise duty amount to be paid as per this Act is evaded, hidden or cheated,
- If excisable goods are produced or imported without obtaining license

- If a person committing an offence against this Act is by preparing false accounts or forge documents.
- If the offences indicated above are attempted or instigated the punishment will be applicable by half of the offence.

2.A.6.8 Administrative Review and Appeal: 1) A person who is not satisfied with any decision by the Excise Duty Officer of excise duty assessment and recovery thereof may make an application for administrative review to the Department against the decision within thirty days of the date of receipt of a notice of that decision.

2) In case where the time limit for making application pursuant to expire and any person makes an application for the extension of time limit within seven days from the date of expiration of the time limit, the Department may extend the time limit for a period not exceeding 30 days from the date of expiration of the time limit.

3) If the claim of the applicant appears to be true upon examining the evidence and documents including the application made by the taxpayer, the Director General may, by executing a memorandum setting out the clear reasons, void that excise duty assessment order and direct the concerned Excise Duty Officer to make re-assessment of excise duty.

4) The Department shall make decision on the application within Sixty days after the date of making of application.

5) The taxpayer who makes an application pursuant has to pay undisputed amount of excise duty and amount of fine, out of the amount of excise duty assessed, and furnish a cash deposit of One Third of the amount of excise duty in controversy and amount of fine,

6) If the Department does not give decision within the time limit, the person make an appeal to the Revenue Tribunal or if the person is not satisfied with the decision made by the Department, the person may make such an appeal in the Revenue Tribunal within 35 days after the date of receipt of notice of the decision.etc. (Section-19)

2.A.6.9 Physical Control System and Self-Control System

Excisable commodities are controlled in two ways: physical control system and self-removal system. Act defined physical control system as a system in which the production, removal, import and export of excisable goods are controlled by the excise duty officer or his designated employees. The physical control system is applied to alcoholic beverages, spirit, molasses, beer and cigarette because of high sensitivity with respect to the revenue as well as negative externalities. They are controlled and supervised physically from their starting stage of manufacturing to last selling stage. The excise personnel are stationed in the factory to maintain control of production and sales.

In respect of less sensible goods such as cement, soft drink, plastic products etc., and excisable services they have been regulated by self-removal system.

2.A.6.10 Determination of Factory Prices

Factory price is determined by following procedure,

Statement of cost and profit

Items	Price
Direct material cost	***
Direct labour cost	***
Other direct expenses	***
Prime cost	**+++**
Add: factory overheads	***

Work cost	+++
Add: opening stock of WIP	***
Less: closing stock of WIP	***
Factory cost	**+++**
Add: office and administrative cost	***
Cost of production	+++
Add: opening stock of finish goods	***
Less: closing stock of finish goods	***
Cost of good sold/ cost of sales	+++
Add: selling and distribution cost	***
Total cost of sales	+++
Add: profit	***
Sales cost	+++

After that computation of factory price by adding ***cost of production*** and ***profit***.

2. A.7 Excise Duty Administration in Nepal

Ministry of Finance is the apex body of the tax administration of Nepal. The Revenue division of the ministry is responsible for formulating tax policy and setting up the appropriate tax administration to implement the tax policy.

The civil code 1854 has given legal basis for imposing excise duty on liquor mining of iron, animal bones, hashish, cannabis, timber wood; cigarette contract etc. after that revenue collection through excise duty was started. Together with the first Budget at 2008, excise duty imposed by Financial Act. Excise duty was systematized by the first Excise Duty Act-2015. In 2016 it was governed by custom and Excise department. Similarly in 2023 a separate department of excise was established and it governed the excise duty. In the fiscal year 2049/050 excise duty was imposed on up to 200 products. After that period, excise was imposed limited only liquor beer, products, tobacco products and plastics products etc. So this department was merged in 2050 BS with sales tax department and Excise and sales tax department was established. Excise and sales tax department was converted into VAT Department at 2053. And also it was integrated and merged with Tax Department at 2058BS and Inland Revenue Department was established. Now a day's administration and governed of excise duty was conducted by Inland Revenue Department.

The history of excise administration was long and complex. Therefore, to do its work function, its system, legal and policy was updated and adjusted in changing time reference. For this Excise Act 2058 and Excise Rules 2059 was bring to facilitate the excise tax system. Provisions regarding by Act and Regulations was amended and facilitated simplicity and easier for its implication, existing excise directive 2058 are replaced by using the right of section-25 of Excise Act 2058, this excise duty directives 2068 was brings. By these directives, uniformly, faster, easier simplicity and well managed in the field of excise administration was believed.

After the merger of two departments into one organization the merged department is named Inland Revenue Department and its field offices are known Inland Revenue Offices (IRO). There are twenty one IROs all over the Nepal. The organizations are providing administrative services for income tax and Value Added tax, Excise duty.

Organizational structure of the IRD, its personnel structure and position created in the Inland Revenue offices are presented below.

Director General is the head of IRD under the director a specialist group containing 4 CA, 1 economist, 2 liquor specialists CGT-I and a GT-II, 1 deputy attorney, 1 chemist, 1 district advocate and 1 legal officer and a internal monitoring containing 1 director and 2 section officers work as the second authority for the department. Below the second authority there are two sections DDG directly linked with DG of the department, operation DDG and policy and administration DDG. Under the DDG and there are all together twelve section as presented in the chart. IRD contains total number of 138 staff. Including the total number of staff 4 are G-I (grade 1st), 20 are G-II, 42 are G-III, 35 are NG-I (No grade 1st), 14 are NG-II and remaining 22 staff is drivers, 15 peons and 1 sweeper respectively.

There are 21 IRO in Nepal grading A,B,C,D and E. Kathmandu has 3 IRDs. IROs having its window office are Birgunj, Bhairahawa, Pokhara, Nepalgung, Bhadrapur, Dharan and Lahan. There are 15window offices all together. Number of 'A' grade IROs are 4 each having 64 personnel, 'B' grade IROs are 2 each having 43 personnel 'C', 'D' and 'E' grade IROs are 15, five of each number of personnel in the each IROs are 42, 28 and 20 respectively.(see Chart and Table for detail).

Chart 1, Personnel system of IRD:

S.N.	**Position**	**Grade**	**No. of Staff**
1	DG	G I	1
2	DDG	G I	2
3	Liquor Specialist	G I	1
4	CA	G II	4
5	Director	G II	12

6	IT Director	G II	1
7	Deputy Attorney	G II	1
8	Economist	G II	1
9	Liquor Specialist	G II	1
10	Section Officer	G III	1
11	Section Officer	G III	36
12	Chemist	G III	1
13	Account Officer	G III	1
14	Legal Officer	G III	1
15	District Attorney	G III	1
16	Computer Engineer	G III	2
17	D.E.S	NG-I	12
18	Accountant	NG-I	3
19	Nayab Subba	NG-I	20
20	Kharidar	NG-II	11
21	A.D.E.S	NG-II	3
22	Driver	-	6

23	Peon	-	15
24	Sweeper	-	1
Total			138

Source: Income taxation in Nepal: Retrospect and Prospect, Rupak Khadka, 2001

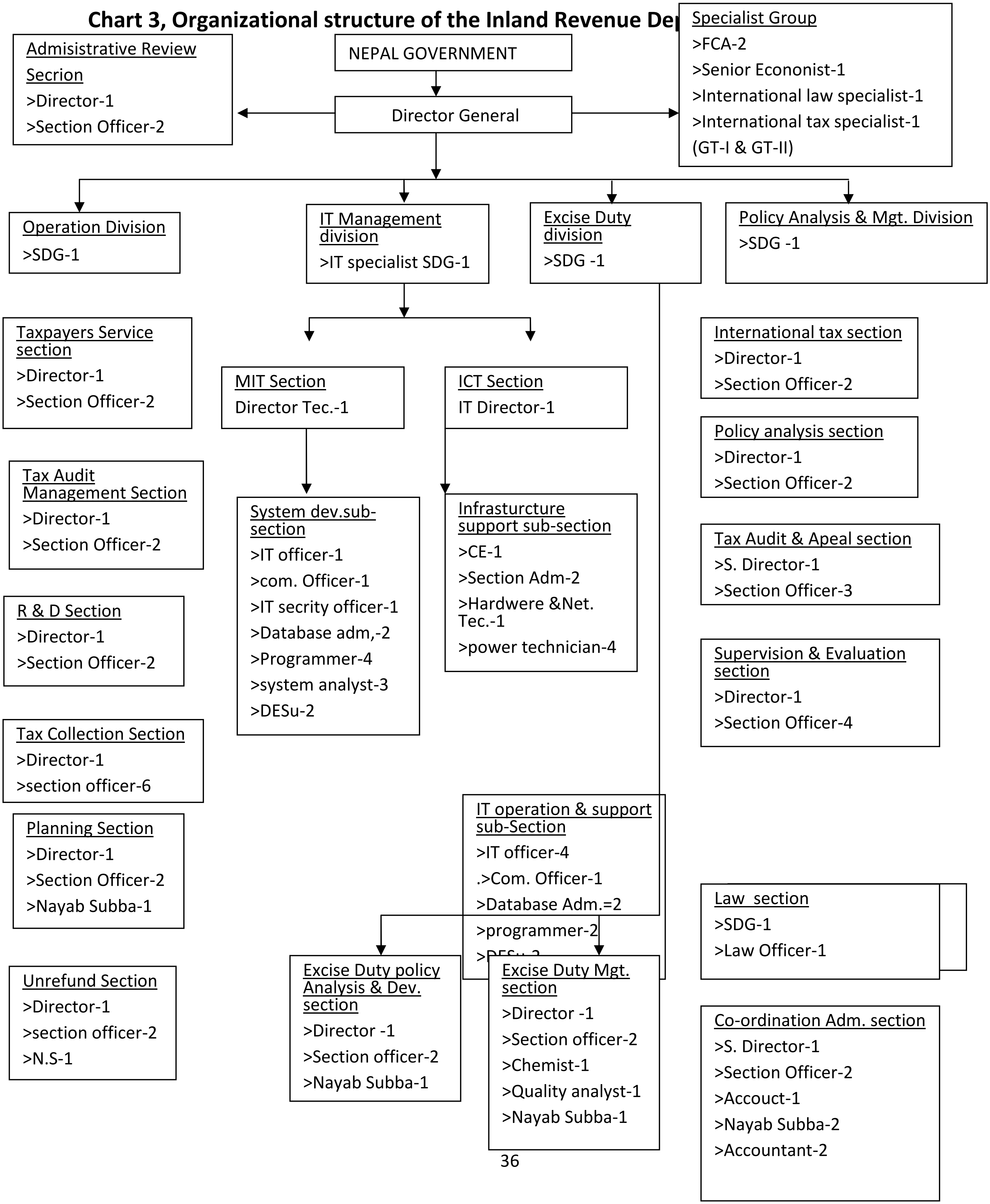
Chart 2, Position created in the IRO:

S.N.	Office	Grade	No. of window office	Total no. of position
1	IRO, KATHMANDU NO.1	A	-	64
2	IRO, KATHMANDU NO.2	A	-	64
3	IRO, KATHMANDU NO.3	A	-	64
4	IRO, DIRATNAGAR	A	-	64
5	IRO, SIMARA	B	-	43
6	IRO, LALITPUR	B	-	43
7	IRO, BIRGUNJ	C	1	42
8	IRO, BGARATPUR	C	-	42
9	IRO, BHAIRAGAWA	C	3	42
10	IRO,POKHARA	C	2	42
11	IRO, NEPALGUNJ	C	2	42

12	IRO, BHABRAPUR	D	1	28
13	IRO, DHARAN	D	2	28
14	IRO, LAHAN	D	1	28
15	IRO, JANAKPUR	D	1	28
16	IRO, HENTAUNDA	D	-	28
17	IRO, KRISHNAGAR	E	-	20
18	IRO, DANG	E	-	20
19	IRO, DHANGADI	E	-	20
20	IRO, MAHANDRANAGAR	E	-	20
21	IRO, BHAKPTUR	E	-	20
Total	TOTAL		15	792

Source: Income taxation in Nepal: Retrospect and Prospect, Rupak Khadka,2001

Chart 3, Organizational structure of the Inland Revenue De



2.A.8 Excise taxation in international context

1. INDIA

In the Indian tax structure, there are a lot of taxes that people pay for different reasons. Income tax, sales tax, entertainment tax, value added tax etc. All these taxes are existent because in some way or the other it impacts and helps the economy. One such tax that is prevalent in any manufacturing sector is the excise duty.

What is excise duty?

An excise or excise tax (sometimes called an excise duty) is a type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). It is a tax on the production or sale of a good. This tax is now known as the Central Value Added Tax (CENVAT).

Though the collection of tax is to augment as much revenue as possible to the government to provide public services, over the years it has been used as an instrument of fiscal policy to stimulate economic growth. Thus it is one of the socio-economic objectives.

The meaning of Central Excise, that the duties of Central Excise are levied and collected by the Government of India only on Production or Manufacture. It is one of the Indirect Taxes by character as the manufacturers can shift the incidence of the Central Excise duty on the Consumers.

What are the types of excise duty?

There are three different types of central excise duties which exist in India which are as follows:

Basic - Excise Duty, imposed under section 3 of the 'Central Excises and Salt Act' of 1944 on all excisable goods other than salt produced or manufactured in India, at the rates set forth in the schedule to the Central Excise tariff Act, 1985, falls under the category of basic excise duty in India.

Additional - Section 3 of the 'Additional Duties of Excise Act' of 1957 permits the charge and collection of excise duty in respect of the goods as listed in the schedule of this act. This tax is shared between the central and state governments and charged instead of sales tax.

Special - According to Section 37 of the Finance Act, 1978, Special Excise Duty is levied on all excisable goods that come under taxation, in line with the Basic Excise Duty under the Central Excises and Salt Act of 1944. Therefore, each year the Finance Act spells out that whether the Special Excise Duty shall or shall not be charged, and eventually collected during the relevant financial year.

Which goods are excisable goods?

The term 'excisable goods' means the goods which are specified in the first schedule and the second schedule to the Central Excise Tariff Act, 1985, as being subject to a duty of excise and includes salt.

Who is liable to pay excise duty?

The liability to pay tax excise duty is always on the manufacturer or producer of goods. There are three types of parties who can be considered as manufacturers:

- Those who personally manufacture the goods in question
- Those who get the goods manufactured by employing hired labour
- Those who get the goods manufactured by other parties

2. UNITED STATES (USA)

An excise is "a tax upon manufacture, sale or for a business license or charter," according to Law.com's *Legal Dictionary* and is to be distinguished from a tax on real property, income or estates."

In the United States, the term "excise" means: (A) any tax other than a property tax or capitation (i.e., an excise is an indirect tax in the constitutional law sense), or (B) a tax that is simply called an excise in the language of the statute imposing that tax (an excise in the statutory law sense, sometimes called a "miscellaneous excise"). An excise under definition (A) is not necessarily the same as an excise under definition (B), but the reverse is false.

Both the federal and state governments levy excise taxes on goods such as alcohol, motor fuel, and tobacco products. Even though federal excise taxes are geographically uniform, state excise taxes vary considerably. However, taxation constitutes a substantial proportion of the retail prices on alcohol and tobacco products.

Local governments may also impose an excise tax. For example, the city of Anchorage, Alaska charges a cigarette tax of $1.30 per pack, which is on top of the federal excise tax and the state excise tax. In 2011, the United States federal excise tax on gasoline was 18.4 cents per gallon (4.86 ¢/L) and 24.4 cents per gallon (6.45 ¢/L) for diesel fuel.

Excise tax in the United States is an indirect tax on listed items. Excise taxes can be and are made by federal, state and local governments and are not uniform throughout the United States. Excise taxes are collected by the producer or retailer and not paid directly by the consumer, and as such often remain "hidden" in the price of a product or service, rather than being listed separately. This is thought to explain their appeal to many politicians.

Federal Excise taxes have a storied background in the United States. Responding to an urgent need for revenue following the American Revolutionary War, after passage of the U.S. Constitution the First United States Congress passed, and President George Washington, signed the Tariff Act of July 4, 1789, which authorized the collection of duties on imported goods. Customs duties as set by tariff rates up to 1860 were usually about 80-95% of all federal revenue. Having just fought a war over taxation (among other things) the U.S. Congress wanted a reliable source of income that was relatively unobtrusive and easy to collect.

Tariffs and excise taxes were authorized by the United States Constitution and recommended by the first U.S. Secretary of the Treasury, Alexander Hamilton, in 1789 to tax foreign imports and set up low excise taxes to provide the Federal Government with enough money to pay its operating expenses and to redeem at full value U.S.

Congress set low excise taxes on only a few goods, such as, whiskey, rum, tobacco, snuff and refined sugar. There were initially no other significant sources of federal income besides tariffs. The excise tax on whiskey was so despised it led to the Whiskey Rebellion which had to be quelled by Washington calling up the militia and repressing the rebellious farmers--all were later pardoned. The whiskey excise tax collected so little and was so despised it was abolished by President Thomas Jefferson in 1802.

In the Napoleonic Wars and the War of 1812 the imports to the United States plummeted and the Congress in 1812 brought back the excise tax on whiskey to compensate for the loss of customs revenue. Within a few years customs duties (tariff) brought in enough federal income to again abolish nearly all federal excise taxes. When the United States public debt was finally paid off in 1834 President Andrew Jackson kept the excise tax zeroed out and reduced the customs duties (tariffs) in half.

Excise taxes stayed essentially zero till the American Civil War brought a need for much more federal revenue. Excise taxes were reintroduced on a wider range of items and income taxes (later declared unconstitutional) were introduced.

3. UNITED KINGDOM (UK)

Her Majesty's Customs and Excise (HMCE) was, until April 2005, a department of the British Government in the UK. It was responsible for the collection of Value added tax (VAT), Customs Duties, Excise Duties, and other indirect taxes such as Air Passenger Duty, Climate Change Levy, Insurance Premium Tax, Landfill Tax and Aggregates Levy. It was also responsible for managing the import and export of goods and services into the UK. HMCE was merged with the Inland Revenue (which was responsible for the administration and collection of direct taxes) to form a new department, HM Revenue and Customs, with effect from 18 April 2003.

The tax was first implemented in the UK under this name in the mid-17th century. HM Customs and Excise (properly known as Her Majesty's Customs and Excise, often abbreviated to HMCE) was, until April 2005, a department of the British Government in the UK. It was responsible for the collection of Value added tax (VAT), Customs

Duties, Excise Duties, and other indirect taxes such as Air Passenger Duty, Climate Change Levy, Insurance Premium Tax, Landfill Tax and Aggregates Levy. It was also responsible for managing the import and export of goods and services into the UK. HMCE was merged with the Inland Revenue (which was responsible for the administration and collection of direct taxes) to form a new department, HM Revenue and Customs (HMRC), with effect from 18 April 2005.

HM Customs and Excise Investigators guarded the borders of the United Kingdom from smugglers. Following a 1971 amalgamation, the service included the former Water guard, whose uniformed officers had long been a common sight at entry points into the United Kingdom; its insignia included a portcullis. Customs officers had authority throughout the country, including the powers of entry to premises and of arrest. These functions (and the organization responsible for them) were transferred to HMRC, and further transferred (at least in part) in 2008 to the UK Border Agency of the Home Office.

His or Her Majesty's Excise duties are inland duties levied on articles at the time of their manufacture, such as alcoholic drinks and tobacco, but duties have also been levied on salt, paper and windows. A Board of Excise was established by the Long Parliament, and Excise Duties first levied, in 1643. The Board of Excise was merged with the existing Board of Taxes and Board of Stamps to create the new Board of Inland Revenue in 1849. Famous Excise Officers include Robert Burns, Thomas Paine and Adam Smith.

The combined Board of Customs and Excise was formed in 1909 by the transfer of responsibility for Excise from the Board of Inland Revenue.

4. NORWAY

Excise duties are taxes levied on particular goods and services, of foreign or domestic origin. In addition there are excise duties connected to ownership or change of ownership of certain goods and real property. Revenues mostly derive from the former category.

Excise duties can be on purely fiscal grounds, i.e. that they only intend to raise the state income, but excise duties can also be used as an instrument to correct for external effects, such as related to the use of health and environmentally damaging products.

The most important excise duties in Norway, in terms of revenue, are tax on alcoholic beverages, tax on tobacco goods, motor vehicle registration tax, annual tax on motor vehicles, road use tax on petrol, road use tax on diesel, electricity consumption tax, CO_2 tax and stamp duty.

5. EUROPEAN UNION

A European Union excise regime governs the production, processing and holding of excisable products under duty-suspension, within each Member State as well as all intra-Union movement of excisable products. There are three categories of excisable products - mineral oils, alcohol and alcoholic beverages, and manufactured tobacco. Excise duties are also chargeable on certain premises or activities (e.g. on betting and licenses for retailing of liquor).

General Overview: Excise duties are indirect taxes on the consumption or the use of certain products. In contrast to VAT they are mainly specific taxes, i.e. expressed as a monetary amount per quantity of the product.

The most commonly applied excise duties are those on

- Alcoholic beverages,
- Manufactured tobacco products and
- Energy products (motor fuels and heating fuels, such as petrol and gasoline, electricity, natural gas, coal and coke).

All EU Member States apply excise duties to these three product categories. The revenue from excise duties accrues entirely to the Member States.

EU legislation in the area of excise duties on these products was mainly adopted in the context of the establishment of the Internal Market on 1 January 1993 , which involved the abolition of controls of a fiscal nature at internal borders between Member States.

This legislation, which has been further developed since, can be divided into three main categories:

- The structure of the tax to be applied to a particular group of products. The structure of taxation means the definition of the product categories, the way in which the excise duty is calculated (e.g. per hl; per degree alcohol; per 1000 pieces, etc.), the scope of possible exemptions, etc.
- The minimum rates of duty that Member States have to respect for each type of product. Above those minimum rates, Member States can freely fix their own rate levels.
- General provisions that apply across the product categories. These provisions concern in particular the production, storage and movement between Member States of excise products.

A new Council Directive (2008/118/EC) concerning the general arrangements for products subject to excise duty (alcoholic beverages, tobacco products and energy products) entered into force on 15 January 2009. It will apply across the EU from 1 April 2010. Directive 92/12/EEC will be repealed as of that date.

6. AUSTRALIA

Excise duty is a tax on certain types of goods produced or manufactured in Australia, including alcohol, tobacco, fuel and petroleum products. Equivalent customs duty is imposed on imported alcohol, tobacco, fuel and petroleum products, referred to as excise equivalent goods or EEGs. You have specific obligations to consider when dealing with excisable goods and EEGs.

In the field of excise taxation in Australia the main slogan are “taxation reform and tobacco excise: best practice for a sustainable future”. A report of review of Australian tax system submitted, By Cancer Council Australia and the National Heart

Foundation of Australia. Main recommendations of this report are: tobacco excise in Australia be increased in two phases:

- As an interim step a 21% price increased (up 7.5c per stick), then
- Following adequate investment in the control of illicit tobacco trade and support services for people trying to quit smoking, 50% price increase on current price (up 17.5c per stick)

The evidence shows a 21% increase in price through excise would promote 130,000 adults to quit and prevent 35,500 children from taking up smoking, while boosting federal revenue by 1.03 US dollar per annum.

Taxation reform is one of the most effective measure to reduce the unsustainable economic and social burden of smoking in Australia. This submission focuses on the potential for tobacco taxation reform to provide long-term measurable benefits to Australia's economy while improving population health and wellbeing. Tobacco tax increases through excise provide a twofold benefit to government: a substantial source of new revenue, and reductions in taxpayer-funded healthcare costs.

The main objective in increasing the tax rate in tobacco are as follows:

- To create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century and enhance Australia's economic and outcomes.
- Enhancing the taxation arrangement on consumption (including excise taxes),
- Simplifying the tax system, including consideration of appropriate administrative arrangements across the Australian federation, etc.

2.B Brief Review of Previous Research Work and Related Materials

2.B.1 Review of Books and Articles

Bhattarai & Koirala, (2010), wrote a book entitled "Taxation in Nepal". They explained about the income tax; value added tax, custom duty, excise duty, revenue administration and tax planning in Nepal. The book has been designed based on the curriculum of MBS. This book includes various direct and indirect taxes in Nepal covering income tax, value added tax, custom and excise duty. It also covers tax planning concept and it's used in Nepal. The book also included References and Supplementary Readings. (Bhattarai & Koirala, 2010, 356-363)

Chelliah, (1976), in his scholar work has taken consideration with a few pages towards the excise taxation, while studying the taxation on Union Government of India. According his study custom is losing their relative importance and its place is taken up excise duties. This was 40 percent of total tax revenue at his studying time he further states. "…Excise taxation has growth by leaps and bounds in the last 25 to 35 years. In the middle thirties, excise duties covered only five commodities but now the list of articles covered is fairly long. Chelliah, (1976: 140-141)

Dr.Adhikari, Chandra Mani (2068) wrote an article entitled "Registration and Renewal of Excise Duty" in RAJASWA, The Nepalese Journal of Public Finance and Development, Vol.:2, Year: 32, Kartik 2068. In this article main points related to excise duty are as follows:

- Improvement of social security and public welfare activities by increase the rate of custom and excise duty on health hazard products like liquors and cigarette, etc,
- Promotion of private sector by giving the exemptions from excise duty on the products made by using 90% national raw materials,
- To reduce the business cost, by avoidance of complex-cities of two steps charging of excise duty on importation of vehicle, the policy of excise duty was charged at the point of custom point are adopted, etc. As a whole, writer mentioned in his article about the different types of revenue policy and their implementation aspects in Nepal. (page: 11-23)

Ghimire, (2006), has studied on "Study on Excise Duty". The main objective of the study was to the Government's main objective of levying excise duty is the mobilization of revenue, In order to discourage the consumption of health hazard products the excise duty is therefore imposed on the manufacture of the products like beer, liquor, tobacco and cigarettes, How many excisable product in Nepal. The study reported several finding like: The contribution of total excise duty in the Gross

Domestic Product reveals that the ratio is less than one percent from 1990 to 2002. It has however slightly increased from 1.09 percent to 1.26 percent in the next three years (2003-2005), the structure of excise duty reveals the significance of revenue generated from three excisable items –cigarette, liquor and beer. The contribution of cigarette, liquor and beer together is on average more than 90 percent of the total excise duty during 1995-2005 periods. The number of selected excisable products has been reduced over the period. The selected excisable products numbered 14 in 1964. The number increased to more than hundred during the period 1964 to 1990. In 1997, the number of excisable products was 13 which increased to 21 in 1998. The number has further increased to 30 in 2006(January), the beer production has increased marginally in the last three years. The liquor production has fluctuated from year to year and has almost stabilized in the last few years. The cigarette production has also declined in some years but has shown steady increase in the last three years. The fluctuation is attributed to the internal disturbances in the country. The volume of production of soft drinks has increased more than 50 percent from 1995 to 2005, and more than three times in fifteen years.

Ghimire, Madhav prasad (2063), wrote an article entitled “Excise Duty: A Study” in RAJASWA, The Nepalese Journal of Public Finance and Development, Vol.:2, Year: 27, Aswin 2063. He has mentioned about excise duty as: excise duty is a government tax on selected goods which are manufactured, sold or used in the country. The scope of excise duty has been widened in recent years to include service sector and the import of selected commodities. He also describe objective of excise duty, the main objective of the government of levying excise duty is the mobilization of health hazard products. He also mentioned the current situation of excise revenue, structure of excise duty, excisable products, their rates, organizational structure, legal provisions, leakage etc. lastly he also provide some recommendation in the field of excise duty.(page:153-156)

ICA (2007) Excise duty or duty of Excise is a tax on goods produced or manufactured in India and intended for home consumption i.e. sale in India. The excise duty is chargeable at the time of production or manufacturing. However, for conservation it is charged at the time of removal. It is basically an indirect tax, which the manufacturer or producer passes on to the ultimate consumer. The levy and collection of duty of excise is provided under authority of the central excise Act, 1994 at the rates specified under Central Excise Tariff Act, 1985. The duty is commonly referred as the basic excise duty. In addition to this duty a few items like fiber, iron etc also attract additional excise duty under additional duties of excise (Textiles and Textile Articles) Act, 1975. The additional duties of excise (goods of Special Importance) Act, 1957 and Miscellaneous Cess Acts provide authority for collection of additional excise duty and Cess respectively on several manufactured items over and above basic excise duty.

IRD (2011) A daily nation newspaper which is the national daily news paper has published news on 2068 poush 10 about the Reestablishment predation of excise offices, according to the news 520 companies have produced excisable product in Nepal. Total contribution of government revenue from excise duty is 20.76 percent in 2011 Nepal government had decided to reduce the excise offices. Now a day 22 tax office are operating in the different places of the country. Then according the news the government has decided to change the 50 excisable products under the Excise Duty Act. In the first stage the government established excise offices in six different industrial areas. Those excise offices were removed 18 years ago. The government has needed to establish the excise offices. It is compulsory and necessary to collect the duty. (*Gorkhapatra, Dec. 25 2011*)

K.C, Jit Bahadur (2007), wrote a book entitled "Tax Laws and Tax planning" for MBS 2nd year. He has presented practical as well as theoretical aspects on taxation in this book. This book is useful to anyone who is interested in the subject of taxation. This book is also useful to research work.

Norregard, John and Khan, Techmina S. (Dec2007), Tax policy; Recent Trends and Coming Challenges. (IMF working paper)

This paper provides an overview of the key economic factors that shape tax policy reform in many high incomes. Countries, developing countries or transition economies. The paper describes and evaluates global and regional development with respect to tax rate and revenue ratios owner the last some 20 years, and discuses selected structural reform initiatives that have been high on the policy agenda over this period. In particular, it focus on developments relating to experiments with their structuring of corporate tax, the impact of corporate taxes on IDI key reform initiative that have been high on the policy agenda. Over this period in particular it focuses on developments relating to experiments with the restructuring of corporate tax, the impact of corporate taxes on IDI, key reform initiatives including dual income taxes and flat taxes, as well as the world wide spread of the VAT and policy development associated with climate change and natural resource taxation.

Pant (2004), had written an article entitled “problems in tax administration and their remedies” published in journal of finance and development ‘Rajaswa’ 2004, April vol 1. He had comprehensively explained about the problems and their remedies related with tax revenue and major types of practical problems and challenges in tax administration. He had mentioned in his article were showing limited amount of transaction showing low selling price, lack of issuing and taxing bills, lack of showing the real factory cost, commercial trend, lack of co-operation in tax auditing, legal ambiguity in implementation and lack of coordination between IRD and Revenue investigation unit. Meanwhile, he had recommended some valuable suggestions to solve the problem and to overcome the challenges. They were statistical and information system should be properly managed, fixed norms and standards should be used to assess selling price and factory cost, the billing should be made compulsory, coordination between IRO with various entities of Government Revenue Investigation Department and is related unit should play the important role and auditing on the topic “ Corporate tax structure and production” in 1993 which prepared by Jeffrey Bernstein and Anwar Shah. They had conducted their research taking Mexico and Pakistan as a sample. As per their investment tax credits investment allowances and accelerated capital consumption were most effective promoting investment then more general tax incentives such as corporate tax rate reduction form that research they reached the summery and conclusion in the elasticity of rental rate of capital stock and in the benefit-cost ratio.

Panthi, Tanka (2062), wrote an article entitled “Contribution of Excise Duty Stamp (ticket) on Revenue Collection” in RAJASWA, The Nepalese Journal of Public Finance and Development, volume: 2, Years: 26, Bhadra 2062. He has mentioned about concept and definition of excise duty stamp (ticket). The main goal of excise duty stamp (ticket) is to control the leakage of revenue collection from excisable products.

By the continuous use of excisable products, Negative effects were seen in health of public people. So producer of such products levered the government security logo on packaging of excisable goods at the time of exit from factory by producer and at the time of government security logo or stamp are called excise duty stamp.

He also mentioned about the use of excise duty stamp, interrelationship between excise duty stamp and physical control system, types of currently useable excise duty ticket, matters included in excise duty ticket, management of such ticket was described. (Page:114-122)

Panthi, Tanka (2062), wrote an article entitled "Physical Control System and Self Control System in Excise Duty" in RAJASWA, The Nepalese Journal of Public Finance and Development, Vol.:3, Year: 26, Poush 2062. He has mentioned about thee differentiation between physical control and self control system and inter-relationship between them, starting of self control system in Nepal. Formalities adopted in self control system, provision of keeping accounts by industry, role and rights of excise duty officer in self control system. He has also suggested about effective physical control system is implement to improve the excise duty system. (Page:113-117)

Panthi, Tanka (2063), wrote an article entitled "Registration and Renewal of Excise Duty" in RAJASWA, The Nepalese Journal of Public Finance and Development, Vol.:2, Year: 26, Aswin 2063. He has mentioned about meaning of registration of excise duty as: registration on excise duty is the function of obtaining the license or approved letter. There is not necessary of renewal of license after the registration on VAT, Income Tax, but, every renewal was compulsory after the registration in excise duty. After the enactment of Financial Act 2063 scope of excise duty was expand. By which every businessman which are involved in trade of excisable products they should compulsorily obtaining the license. Other related provisions to registration and renewals on excise duty are like as:

- Legal provision relating to registration and renewal,
- Added charge due to not renewal of license in time,
- Factor/ company/ industries which are obtaining the license of excise duty,

- Factory/ company/ industries which are not necessary to obtaining the license of excise duty,
- Excise officer who provide the license of excise duty, whose function, rights and accountability,

He has also mentioned in his article about fine, penalties and punishment due to not obtaining the license. Fees of license according to excise duty regulation 2059. etc. (page: 131-137)

Panthi, Tanka (2064), wrote an article entitled “Excise Duty Administration and Legal Provision” in RAJASWA, The Nepalese Journal of Public Finance and Development, Vol.:1, Year: 28, Jestha 2064. In this article he has mentioned about the historical background of excise duty, improvement practices in excise duty administration, offices/departments functioning the excise duty administration and revenue collection, methods adopted by excise administration provisions of excise duty stamp(ticket) and lastly he also mentioned about the main characteristics of legal provisions about the excise duty.

Shrestha, Santa Bahadur (2068), wrote an article entitled “Excise Duty Acts, Rules and their Provisions” in RAJASWA, The Nepalese Journal of Public Finance and Development, Vol.:3, Year: 32, Magh 2068. He has mentioned about the

- Historical background of excise duty,
- Theoretical concept,
- Objectives of excise duty tax system,
- Historical analysis of excise duty in Nepal,
- Excise duty in Nepal,
- Excisable products and services,
- Current working system of excise duty administration, etc.

Writer mentioned as a whole analyze the excise Act and Rules and the major provisions. (Page: 10-33)

Singh, (1977), a well-known economist through Indian has done comprehensive study on “The fiscal system of Nepal”. Although it is a comprehensive study even if it is also a macro study of the fiscal system of Nepal. It is not concerted to a certain tax only. Only in chapter 6 he has touched excise duty source and composition only. (Singh: 1977: 167-172)

Tiwari, Narayan Raj (2067), wrote an article entitled "Revenue Administration and Challenges in Nepal" in RAJASWA, The Nepalese Journal of Public Finance and Development, Vol.:1, Year: 31, Aswin/Kartik 2067. He defines the revenue administration as follows:

Legal taxes, duties, fees, revenue collection applied by the government of Nepal and their administration are called revenue administration. Out of legal provision it is not allowed to imposition of any kind of taxes. He also mentioned in this article about the following related aspects of revenue collection functions:

- Revenue policy
- Acts and constitutions and legal provisions related to revenue,
- Revenue administration,
- Environment of revenue collection,
- Revenue related researches, supervisions and evaluations,
- Inter-relationship between revenue administration and other entities. Writer also mentioned the role, challenges, limitations and improvement ideas about the following sections:
- Major sources of revenue in Nepal like custom duty
- Income taxes,
- Value Added Tax (VAT)
- Excise duty,
- Registration fees, etc. (page: 5-9)

William J. Mc Carten & Janet Stotsky (1995), write a article on the book of Tax Policy Handbook, Edited by Parthasarathi shome, Washington DC at 1995 entitled of "Excise Taxation" according to him, excise taxes are taxes imposed on consumption of selected products and petroleum products. Goods selected for excise coverage typically exhibit one or more of the following characteristics: First, their production and sales are closely supervised by the government that is they are sumptuary goods or services. Second, they are characterized by price-inelastic demand schedules.

Third, they have an income elasticity of demand greater than unity that is they are luxury goods or services. Or fourth, their consumption is regarded by the government as lacking merit or as likely to cause negative externalities.

Excise tax rates may be defined in either specific or ad-valorem terms and they are usually much higher than the rates applied under the general sales tax or VAT. Because of their relatively narrow focus, excise tax can have a powerful impact on consumer decision making and resource allocation and are therefore potentiality very effective instruments for the attainment of policy goods beyond revenue generation.

The rationale for excise taxation are listed as follows:

- Revenue generation
- Correcting for negative externalities
- Excise as a tool for improvising vertical equity
- Trade-offs among in the use of excise taxes. etc.

In this article also describe the scope of excise taxes. In offering advance on excise taxation the IMF has encouraged limiting excised to five principal groups:

- Alcohol
- Tobacco
- Automobiles
- Petroleum and
- Removal of vexatious minor excise and regressive excise in favor of the general sales tax. Recent work in the applied theory of optimal taxation suggests that indirect taxes including excises should be imposed as close to the final sale as possible because of the potential for excise to have un expected distributional and efficiency effects when imposed on intermediate goods. If excise does not apply equally to both domestic production and imports, a given excise tax rate change will require a corresponding change in the tax rate on imports, to maintain a given degree of protection.

He also writes the difference between specific and ad-valorem rates. Conventional policy generally advocates that all excises be levied on an ad-valerom basis rather than on a specific basis, because this protects the base of the tax from inflation. This is particularly important in developing countries because they are more likely to have high rate of inflation.

Specific rate may be better than ad-valorem rate if tax administrative capacities are limited so that under valuation of domestic goods or imports is a common problem. Under a specific rate excise tax disputes over valuation do not arise, since the tax is not based on value but on physical units of commodity.

In some case, therefore, it may be useful to levy the excise tax with a combination of specific and ad-valorem rates or to maintain specific rates on some items. He also describes the ease of administration of excise taxation.

2.B.2 Brief Review of Previous Research Work

Acharya, Kedar Prasad (1977), conducted a research entitled " An Analysis of Excise Taxation in Nepal" Mr. Acharya had concerned his study to analyze the problems of resource mobilization in developing countries, Analysis of excise taxation and Re-assessment of the role of excise taxation in Nepal. It was submitted to Institute of Humanities and Social Sciences, Tribhuvan University, Kirtipur Kathmandu at September 1977.

The specific objectives of the study were:

- To observe as to what extent there is relationship between excise taxation and economic development,
- To know as to what bases excise taxes may be imposed,
- To measure the potentiality of excise taxation in developing economy like ours,
- To assess the effectiveness of excise taxation for the mobilization of domestic resources, and
- To identify the necessity of excise taxation in developing countries.

Conclusion and the major finding of the study are as follows:

- The increasing resource gap in Nepalese finances has increased the need for mobilizing additional domestic resources of financing developmental expenditure in Nepal. Taxation in the most important means of mobilizing such resources. Especially the share of excise taxes has been increasing in the total tax revenue of Nepal.
- Excise tax is definitely an important instrument of resource mobilization. Excise tax having a best source of revenue helps to meet the discrepancy between resource mobilization and expenditure of Nepal, along the other revenue sources.

His main recommendations were:

- Excise taxation is an instrument of resource mobilization in Nepal. It will remain an important resource of revenue in Nepal, if It is administered properly.
- The information system should be developed to provide basic data for tax assessment as well as to import timely information.
- There should be improvement in administration to have adequate control of the production and distribution of taxes commodity, so to remove the problem of leakage of revenues,
- There should be trained personnel so that the posted agents at the factories can maintain a check on production and sales enforcing the low property,
- The quality and performance of the present staff should be improved rather than to employ large number of unqualified persons,
- The rules and regulations of excise administration based on traditional view must be changed according to the changing circumstances and development of industrialization to yield large revenue making the effective excise administration,
- The excise taxes should be imposed on the per unit basis or according to the ad-valorem excise system, to make the excise taxation more progressive such equity consideration would be justified,
- Excise tax should not become a stumbling block for augmenting home production. Their rates should be decided in the light of the need for import substitution,

- New sources should be explored for raising revenue, especially from the service sector.

Aryal, Shiva Prasad (1980), conducted a research entitled "A Study on Excise Duty Refound from India". Mr. Aryal had concerned his study to analyze the AR-1 form method of purchase and the Indian excise refund. It was submitted to the Institute of Business Administration, commerce and Public Administration Tribhuvan University, Kathmandu at June 1980.

The specific objectives of the study were:

- To examine the total trade pattern of Nepal
- To make a comparison between imports from India and imports from overseas countries.
- To determine the ratio of AR-1 refund (Indian excise refund to total government revenue, for finding the importance of revenue under it.
- To make a comparison between AR-1 system of imports and total imports from India.

Conclusion and his major findings are:

- Nepal's trade balance has been one of deficit. Trade deficit is increasing yearly. It means her total trade is in loss. Trade deficit with India is more than trade deficit with other countries.
- Import from India is increasing in amounts but it is not in commensurate with the total trade volume imports have increased.
- Indian excise refund is the fourth major source of government revenue,
- Nepal's imports from India under AR-1 form system are fluctuating up to the year 1976/77, after they have decreased.

His major recommendation were:

The total trade pattern of Nepal is not satisfactory, because Nepal is trade balances a deficit one. So necessary goods to be imported form India and overseas countries.

- To increase the volume of AR-1 method of import the government of Nepal should give the adequate knowledge to the concerned importers,

- H.M.G. has to make another treaty on AR-1 system and should be changed the prevailing procedure.

Baaniya, Mahendra Babadur (1979), conducted a research entitled "Excise Taxation in Nepal". Mr. Baaniya had concerned his study to analyze the origin and meaning of excise tax, policies, mechanism practices and trend of excise taxes. It was submitted to Institute of Humanities and social sciences, Economics Instruction Committee, Tribhuvan University, Kirtipur Kathmandu at October 1979.

The specific objectives of the study were:

- To analyze the present position of excise tax in total tax structure and excise tax,
- To assess the effectiveness of excise taxes through the industrial development,
- To show excise tax as a major source of revenue in less develop countries,
- To measure the potentiality of excise taxation in developing countries.

Major findings and recommendations were:

The expenditure and revenue of government has been increasing per year. To meet it government should have both foreign and internal fold. In internal fund there are many sources. Among them excise fund is considered as a major source. This fund showing agricultural, contract and industrial production aspect are the gate way of excise revenue. As more industrial development take place it goes adding government revenue.

- The government should consider to discourage the liquor contract system and encourage the distillery system,
- Those raw materials which are essential for running the factory should be imported only by the permission of excise offices.
- The running will have haler and expeller is not recorded in the industry department. So, further if these things are to be added could be done only the permit of excise offices,
- The excise on higher brand of cigarette, bidi, alcohols could be increased,
- In practice it has seen that the district office or industry department used to transfer ownership or omit the mill. It is not good,

- In each three month the price determination committee should determine rice so that excise revenue should be increased,
- Excise revenue collector should be trained and skilled,

Lack of transport, raw materials, labour problem, size of market, training, policy all these things should be kept in mind and should be solved.

Bajracharya, Kamala Devi (Shakya) (1993), conducted a research entitled “A Study on Resource Gap, Resource mobilization and excise taxation in Nepal”. Mrs. Bajracharya had concerned his study to analyze the theory of taxation with reference to excise duty, problems of resource gap in Nepal, trends of resource mobilization through taxation in Nepal. It was submitted to Central Department of Economic, Tribhuvan University Kirtipur, Kathmandu at July 1993.

The specific objectives of the study were:

- To examine the extent of the resource gap in Nepal’s economy
- To analyze the role of excise duty in tax structure of Nepal
- To measure the potentiality of excise duty in mobilizing domestic resources, and
- To examine the problems of excise duty and recommend various measures to improve it.

Conclusion and the major findings are as follows:

- The resource gap is widening every year due to increased developmental activities like infrastructure development, basic social services like health, education, drinking water and investment in public enterprises on the one hand and slow growth of the public revenue on the other hand.
- Domestic resource in Nepal can be mobilized through taxation and non-taxation methods.
- As the economy of country starts developing and when more and more import substituting industries begin to appear the role of excise revenue increased not only in terms of its contribution to the total revenue but also as an effective tool in controlling the production and consumption of social undesirable goods like tobacco and liquor.

- The increasing resource gap in Nepalese finance has increased the need for mobilizing additional domestic resources for financing of development works in Nepal. Taxation is the most important means of mobilizing such resources.
- Especially the share of excise duty has been increasing in the total tax structure of Nepal. The potential of excise duty is directly related with the growth of industries production and extension of the coverage.
- As a result of which it is hold this excise duty may turn out to be number one source of domestic resource mobilization which may decrease the resource gap in Nepal in the year to come.

His main recommendations ware:

Excise taxation must remain an important source in the source mobilization of Nepal. However, its future perspective should be considered in the light of the following suggestions. The industrial production based of Nepal should be increased if this tax is to have meaningful contribution in future by establishing new industries.

- Full or partial exemption of excise to newly established industries should be allowed only after careful consideration in the light of national objectives. There is no point in grating excise exemption to newly established liquor, beer, cigarette or cosmetic industries.
- Attempts should be made to increase the monetization of Nepalese economy.
- The rate of excise duties should be made progressive by adopting ad-valorem basis of taxation rather than specific.
- Excise duty items levying less than 5% rate can be eliminated in order to minimize the excise administration and if necessary it can be adjusted by sales tax.
- New sources should be explored for raising excise revenue especially from the service sector which has remained untaxed for excise purposes.
- Appropriate reform should be introduced in excise tax administration. Some of the areas for reforms may be:
    1. Professionalization of revenue administration service
    2. Continuous training of staff for updating their knowledge and skills.
    3. Establishment of a planning research for building up information base about various facts of excise tax.

4. Developing indicators that serve as presumptive determinations of the excise duty base.
5. Develop tax consciousness and taxpaying habits in the tax payers, through education and effective information.

Burlakoti, Maddhu Sudan (1995), conducted a research entitled "A Study on Resource mobilization through indirect taxation in Nepal". He studied the Nepalese tax structure, trend of direct and indirect taxes (like: sales, excise, customs duties), resource gap, resource mobilization and its problems, built-inflexibility and sensitivity of tax yields in Nepal's tax system etc. It was submitted to central department of Economics, Tribhuvan University, Kirtipur Kathmandu at April 1995.

The specific objectives of the study were:

- To analyze the role and structure of indirect taxation in Nepal,
- To examine the extent of resource gap in Nepalese economy,
- To measure the responsiveness and productiveness of the tax yield in Nepalese tax structure especially with respect to indirect taxation,
- Explore the possibility of resource mobilization through indirect taxation, and
- To identify the major problems and prospects for resource mobilization through indirect taxation in Nepal.

Conclusions: major findings of the study were:

- The trend of different sources of taxation shows that the contribution of total tax revenue from taxes have continuously declined and indirect taxes have continuously raised,
- Among indirect taxes customs duties, sales tax and excise tax takes places the first second and third position on the total revenue and the percentage distribution is growing continuous.
- Therefore, Nepalese tax structure is heavily railed on indirect taxes.

Major Recommendations were:

The indirect taxes must remain an important source for resource mobilization in Nepal,

- The role of excise duties should be made progressive by adopting ad-valorem basis of taxation rather than specific,
- New source should be explored for raising excise revenue especially form service sector which has remained untaxed for excise purpose,
- The introduction of high sales and excise tax on luxury consumption such as liquor and tobacco. This process will help to discourage the consumers to consume these injurious goods,
- The introduction of high import duties on luxury consumption goods that will cut the consumption of that types goods,
- The introduction of high import duties except basic goods. This process help the domestic infant industry,
- The reduction of the rates of indirect taxes with expanding tax bases is incentive to people and helpful for resource mobilization adequately.

Dhungana, (1980), stands with his research work "Indirect Taxation in Nepal." In this work he has focused all the three indirect taxes emphasizing mostly on elasticity and buoyancy development performance of the concerning taxes which are being in practices. He puts his ideas forth. “Excise revenue occupies a significant place in the overall tax structure of the developing on.” He has unlighted the objectives of excise taxes as, curtailing the consumption of certain undesirable’s commodities affecting the allocation of resources, distributing the tax burden and raising the revenue to meet the governmental need.

Kunwar, Hum Bhadur (1988), Entitled “ The Role of Excise Taxation in Nepal”. He studied the origin and meaning of excise duty, classification on the excise taxes, role and purpose of excise taxation in Nepal. It was submitted to Central Department of Economics, Tribhuvan Univirsity, Kirtipur Kathmandu at September 1988.

The specific objectives of the study were:

- To analyze the role of indirect tax in developing countries like Nepal,
- To evaluate the importance of excise duties in economic development,
- To examine the trends and elasticity’s and bounces of tax revenue, indirect tax,
- To evaluate the legal provisions of excise tax and legal drawbacks.

Major findings and Recommendations are:

- Reliance of indirect taxes is increasing in developing countries and reliance of direct taxes is decreasing due to low per capita income, concentration of most of the income concentration of most of the income in the hands of a few wealth groups, lack of monetization sectors, lack of effective information base, unconsciousness in tax paying basis, ineffective tax administration,
- Excise taxation is quite closely connected with industrialization and it has certain basic objectives too,
- It is seen that the excisable goods are producing in a larger amount, such tax administration and methods of levying tax is becoming complex and un- widely. Therefore suggested to levy at the ad-valorem basis.
- It is extremely suggested that the excise duties on basic needs goods should be either abolished or kept at a very low level.
- The government should impose the excise tax very low to the newly established industries and gradually excise should be increased. This kind of protection is necessary for industrialization in the country.
- The reliance of indirect taxes is much higher than the direct one. Indirect taxes role is increasing for mobilizing internal resources within the country. However tax effort ration for Nepal is very low, so the planners and government should try to raise the tax effort ration for our country.

Neupane, Dipendra Raman (2008), Entitled "A Comparative Study on Contribution of Direct Tax and Indirect Tax to National Revenue of Nepal". He studied the contribution of direct tax and indirect tax to the national revenue of Nepal comparatively. It was submitted to Shankar Dev Campus, TU, Kathmandu at July 2008.

The specific objectives of the study were:

- To find the contribution of direct tax and indirect tax to national revenue in Nepal,
- To analyze the structure of direct and indirect tax,
- To analyze the contribution of corporate tax to national revenue of Nepal,
- To find the most important factors for effectiveness of income tax in Nepal,

- Provide suggestions for effective collection of direct and indirect tax in Nepal.

His major findings are as follows:

- The resource gap seems to be increasing every year,
- The contribution of CITR to government revenue, total tax revenue, total direct tax revenue, total direct tax revenue during the study period seems to be increasing,
- Unclear vision of government to corporate sector, frequent changes of rule and regulations and unstable political economic environment of Nepal have sharply damaged the corporate sector presently income tax revenue is collection in accordance to the income tax Act, 2058.

His main recommendations were:

- Government should make a clear cut distinction between the role of public and private sector. It should take and endeavor to motive, facilitate and regulate to accelerate the private sector,
- There should be efficient and effective monitoring system to utilize government resource properly,
- Proper tax incentive should be given for revival of sick industrial unit provisions should be made under the income tax Act for carry forward and set-off a accumulated losses and unabsorbed depreciation of sick units if it is amalgamated with another company.

Ojha, Sudeep (2012), conducted a research entitled “Excise Duty Practice in Nepal” He studied the excise tax structure, prescribe rate of excise duty in excisable goods, contribution of excise duty on total revenue of Nepal, It was submitted to central department of Management, Tribhuvan University, Kirtipur Kathmandu at 2012.

The specific objectives of the study were:

- To analyze excise duty structure of Nepal
- To analyze the prescribe rate of excise duty in excisable goods.
- To analyze the excise duty contribution revenue to the government in Nepal.

- ❖ To provide necessary suggestions and recommendations.

His Major Findings and conclusions are:

- The objectives of the excise duty was to mobilize revenue, to discourage the consumption of health hazard products, to provide protection to the domestic industry by imposing countervailing duty, and the protection of environment.
- The study shows that contribution of tax revenue is about 86.85% and than non-tax revenue was about 13.15% in 2010. In this way tax has been a major source of government revenue. In indirect taxes customs duty, VAT and excise duty are three major sources.
- The structure of excise duty would be cigarette, liquor, beer, bidi, excise on import and other industrial product. The structure of excise duty reveals the significance of revenue generated from three excisable items - Cigarette, Liquor and beer- in total excise duty. Excise duty on import is contributing significantly in current year.
- Indirect tax revenue is the composition of customs duty, VAT, Excise duty and other tax. The contribution of excise duty to indirect tax revenue was 13.10% in 2001 and it is 21.25% in 2010. The share of excise duty to indirect tax revenue is in increasing trend.
- Excise duty contribution to total government revenue is 13.15%. It is increasing every year. Excise duty contribution to tax revenue is 20.76% in 2010 in excise duty collection ratio (internal and excise o imports). Internal excise duty was 96% in 2001 and it is 55.95% in 2010. Internal excise duty is in decreasing trend. And excise on import was 4% in 2003 and it is 44.05% in 2010. Excise on imports is in rapidly increasing every year.
- The government increased prescribed rate of excise duty in excisable product. After 2008 the government increased prescribed rate of excise duty rapidly, government increased excise duty of most of the product. In cigarette, beer and liquor product, the government increased in high percent.

His Major Recommendation was:

- The government of Nepal has not stimulated the vision for the excise duty. The government revenue policy has not even mentioned about the excise duty except in broad terms like administration and legal reforms and the controlling of leakage of the tax system as a whole. Indeed the policy of excise duty seems to have not been an integrated part of the national revenue policy. It is suggested to formulate government policy which may indicate annual target strategy to achieve the target, and review mechanism covering policy, legal, institutional, administration components.

- The Amendment of the excise act and the Liquor Act should be initiated with a view to respond to the changing socio-economic situation. The discretionary authority of the officials should be curtailed.
- The definition and classification of excisable products as per the excise act are not compatible in most of the products with the Harmonized code used in the customs.
- The problems of leakage should be addressed through an integrated approach. It should start from the manufacturer's application, monitoring of the factories, follow up in the market etc.
- The excisable product industry which is contributing substantial and stable amounts of revenue needs support from the government, for making the industry more competitive and efficient up in the face of liberal trade regime.
- The excise duty administration must be more efficient so that more and more revenue can be collected. For making excise duty administration more effective, the provision of rewards and a punishment for the excise duty officials must be strictly implemented. The morale of the excise duty officials must be increased.
- Efficient government can solve the problems of excise evasion. The government has to be transparent on collection of excise duty and control the corruption on Inland Revenue office.
- To collect more excise duty, the government should provide more facilities to excisable goods Production Company and promote these industries. The

government should increase the number of excisable products to generate more revenue.

Parajuli, Bidur (2010), had studied on the topic "A Study on Revenue Collection from VAT". Mr. Parajuli had concerned his study to examine the collection of revenue from VAT in Nepal. It was submitted to Shankar Dev Campus, TU, Kathmandu at April 2010.

The specific objectives of the study were:

- To examine the administrative system and legislative part of VAT in Nepal,
- To explore the practice scenario of VAT in Nepal,
- To find out the tax revenue structure in Nepal,
- To find out the contribution of VAT in GDP, total revenue and tax revenue,
- To forecast the VAT revenue and GDP for future 5 years based on the time series analysis.

His main recommendations were:

- Existing threshold and tax refund is two possible gates for tax evasion. It seems that existing exemption has a broad coverage. However, some exemptions are unavoidable due to administrative complexity and equity aspect. So, exemptions should be minimized gradually,
- On various issues, such as the effect of VAT on price, economic growth, investment and measures for solving VAT problems research and investigation should be conducted by the expert group. VAT law needs to be reviewed on the basis of experience gained so far.
- The legal requirements are not sufficient to meet all the provisions. There is need of amendment on the VAT Act and Rules.
- VAT collection on import is remarkably higher than domestic production. Government should take effective steps to encourage domestic production.

Regmi, Arjun B. (19791), Entitled "An Analysis of Excise Duties in Nepal". He studied the historical prospective of excise tax, tax structure in developing country, tax and fiscal measure with respect to excise taxation, structure and pattern of excise taxation in Nepalese tax structure and trends and responsiveness of excise taxation with respect to GDP. It was submitted to Institute of Humanities and Social Sciences, Economics Instruction Committee, Kathmandu at December 1979.

The specific objectives of the study were:

- To analyze the theoretical aspect of excise taxation in developing countries,
- To analyze the tax and fiscal measures with respect to excise taxation in Nepal,
- To examine the structure and pattern of excise taxation in Nepal,
- To examine the trends of GDP originated from manufacturing and cottage industry and excise taxation of Nepalese economy,
- To analyze the responsiveness of excise taxation with GDP of Nepal.

Major findings of the study were:

- Taxation is a better and permanent sources of government revenue to bridge the resource gap, and the role of excise duty in this context is significant,
- The gap between development expenditure and revenue in Nepal is growing at a faster rate and since there is less possibility to bridge this gap by foreign aid and loans there is need of increasing revenue. In the long run, therefore the improvement in excise tax structure becomes most effective and only appropriate strategy for resource mobilization.
- Excise taxation finds a place in the tax structure of a country, it is retained permanently. This has been as a result of the higher productivity of this source of tax revenue. Consequently, excise taxation is an important source of revenue today in both developed and developing countries,
- This study was also reinforced the proposition that development of indirect taxes as an instrument of resource mobilization in developing economy. Among the indirect taxes, excise are also predominant because of their larger productivity from revenue point of view,
- The study also shows that the normal trend of overall excise tax revenue is highly elastic. Among the different components of excise, excise tax revenue form industrial production shows highest elasticity, which is 2.079. But the excise duty from agricultural production shows negative elasticity coefficient.

His major Recommendations were:

- It is the lack of industrialization of the country which works as constraints on the growth of excise revenue in the country. Therefore without the development of domestic manufacturing industry excise revenue cannot increase at a rapid pace,
- To have a faster automatic growth of excise tax revenue the tax base must grow faster the tax rates,
- Revenue leakage has remained a serious problem. This is in the area of excise tax collection also so the effective tax administration should developed to adopt the tax policy successfully. For this tax specialist and efficient and trained staff should be produced.
- Excise taxes should be levied on per unit basis or according to the ad-valerom basis as far as possible to make the excise taxation more progressive,
- Some new sources should be explored for raising excise revenue from agriculture sector and service sector also which has remained untaxed for excise purpose,
- Since the custom duties is showing declining share to total tax revenue, so stress should be given towards raising more revenue from excise duty.

Shrestha Ram Badhur (1976) conducted a research entitled “Excise Taxation in Nepal”. Mr. Shrestha had concerned his study to analyze the excise taxation and economic development in Nepal, excise taxation in Nepal revenue aspect. It was submitted to institute of humanities and social sciences, Tribhuvan University Kirtipur, Kathmandu at 1976.

The specific objectives of the study were:

In his study especially pin-pointed specific objectives are not found, but in general his study mainly concerned about following objectives:

- A brief description of the theory of excise taxation.
- Its role as well as the place in the economic development as well as in the economy of different developing countries in general,
- To study the excise taxation vis-à-vis other selected direct and indirect tax in Nepal,

- A brief account of the history of Nepalese financial history in general and excise taxation in particular has been presented,
- A comparative analysis of excise duty and the revenue from which with some of the other indirect tax items,
- To analyze the special problem of excise tax in Nepal.

His major findings and main recommendation were:

- The role of excise taxation as one of only a few influential indirect taxes is one of a key base in the field of revenue and the promotion of agriculture and industries.
- As in other taxes in case of excise also very little research have been done in Nepal. So, the research section under excise tax department should conduct in-depth impact studies of excise taxation keeping in view a number of other factors also like its impacts on promotion of industries impacts upon consumers and also upon the whole import-export structure of Nepalese economy.
- A specific excise tax assessment procedure has to be devised. The present rates of excise taxation need to be altered both ways. In doing so factors like import substitution industries indigenous or imported raw materials content employment structure and so labour intensive factor, market, other complimentary taxes have to be taken into account.
- The excise revenue from agricultural sector comes from industries based upon corps like sugar cane, tobacco, rice, mustered and jute etc calls coordinating the taxation factors with the corps diversification programmed of Nepal.
- The excise levied on liquor and tobacco apart from mobilizing substantial resource also serve the objective of equalizing the marginal social and marginal private costs
- Excise are regarded as administratively most convenient and elastic fiscal instrument for the mobilization of resources yet much has to be done to make the excise administration more efficient.

- Here opening of excise offices all around the country is sheer waste of money. So before opening new branch offices a cost-benefit type of analysis is needed to make the establishment of the new office a profitable venture.
- Government should encourage more and more for establishment of industrial districts and the private sector as well.
- A bonus system may be regarded as a great encouragement to the development of industrial sector.

2.A.8 Research Gap

In the recent years there was only few research are conducted. So there is gap between this research and the previous research. Most of the previous research have focused the contribution of excise duty in government revenue, tax structure, role of excise tax etc. They have found that the role and contribution of excise tax government revenue is significant and it should be mobilize to economic development as well as social welfare activities. Almost all of them have indicated that the excise tax administration is inefficient and there is high level of tax avoidance and tax evasion. Most of the resource mobilization and widening the tax coverage. But they had not studied the trend and issues of excise duty in Nepal. Tax reform is one of the most important concerns of any country's fiscal system. There are very few efforts have been undertaken on the topic concerning Nepal such available studies are found to the descriptive rather than analytical. The present chapter would review the tax reform containing excise duty by analyzing recently developed sophisticated tools and techniques, as well as briefly reviewed the old and recently developed literature on excise duty in Nepal.

CHAPTER- III

RESEARCH METHODOLOGY

This chapter is mainly concern with detailed of methodology applied in the study for the achievement of the specified object. The most of the data required for the study are applied from the secondary data and primary data source.

3.1 Research Design

The research topic entitled "A Study on Trend and Issues of Excise Duty in Nepal" is abstracted from the socio-economic environments of Nepal. As the excise tax system and structure is based on various rule and regulations and acts which are always setting in different countries own socio-economic in restructure, descriptive research design is more suitable to analyze Nepalese excise tax structure for contribution of excise tax. The study needs to analyze its past performance in different time period with respective indirect. So historical as well as descriptive research design is used.

- Descriptive research includes fact-finding. The major purpose of descriptive research in this study is to describe the status or position of the excise tax revenue, as it exists at present. It also analysis of issues (i.e. policies, practices and mechanism) of excise taxation in Nepal.
- Analytical research is the evaluation of the fact or available data. In this study available data and fact regarding the excise tax revenue, total government revenue, total indirect tax revenue, etc. have been analyze and evaluated.

This research has tried to study the structure of government revenue, contribution of different taxes in total government revenue, composition of excise tax trend of the government revenue, excise tax and lastly the projection of the future revenue from excise tax and other. Trend analysis and projection is the tool by which future planning for improvement can be made. Hence the research is conducted. The research work is conducted which regard of Nepalese tax revenue. Most of the data required for the study are secondary type. The required data is received from economic survey 2068/069, a publication of Ministry of Finance, the web site of IRD (www.ird.go.np) and Google search. Available unpublished dissertations in central library of Tribhuvan University. The study is planned to find out the existing trend as well as future of government revenue, tax revenue and excise duty revenue and recommend where it necessary. To find out the facts mathematical tools percentage and graphs have been applied in the study.

3.2 Population and Sampling

The targeted whole area relating to government or national revenue is set for the research population. Excise duty is taken as size. The population for primary belonging to excise tax of Nepal. 60 sample size is selected from there different groups of respondents. The following table shows group of respondents and sample size.

S.N.	Group of Respondents	Sample Size
1	Tax administrators	20
2	Tax expert	20
3	Tax payer	20
Total		60

3.3 Nature and Source of Data

Most of the data used in this study is secondary as well as primary. In order to achieve the real and fact full result all the possible and useful data as far available have been collected and some informal interview with the tax personals and tax experts also has been conducted.

3.3.1 Primary Data

Primary data were collected through a schedule of self structured questionnaires, informal dialogues, discussion and interviews with concerned persons. Separate sets of questionnaires were used to have options/information from three-sample population. To get the accurate and actual information total 60 questions were distributed to select to selected respondents of different groups such as tax administrator, tax experts and tax payers. Set of 20 questionnaires were distributed and 15 of them were collected from each group for the purpose of analysis. The following table shows the questionnaires distributed and collected for each groups of respondents:

S.N.	Group of Respondents	Questionnaire distributed	Questionnaire collected
1	Tax administrator	20	15
2	Tax expert	20	12
3	Tax payer	20	15
Total		60	42

3.3.2 Secondary Data

The major source of secondary data are information received from books, journals, reports, newspapers, dissertations, websites, etc. however from the following source secondary data needed for the study is adopted.

- Economic survey
- Publication of CEDA T.U.
- Books related to income tax and public finance
- National newspapers souvenir journals of IRD etc.
- Website of IRD, www.ird.gov.np
- Google search
- Unpublished Dissertations

3.4 Data collection procedure

The collected data were classified tabulated and analyze in descriptive and analytical way as per the subject matter. Likewise, the required accounting principle mathematical approaches and legal provision of Excise duty Act, 2058 and Excise duty Rules,2059 are taken into consideration in data analysis procedure.

3.5 presentation and Analytical Tools

Presentation styles such as table graph chart etc are used to present the collected data. For the purpose of analysis the data percentage ratio and a mathematical tools “Time Series are used. Percentage ratio is used to analysis the contribution ratio of different tax and non-tax revenues toward total government revenue contribution of indirect tax and excise tax to the government revenue and contribution of different excise taxes toward total excise tax etc. while mathematical tool “time series” is used for analyzing the trend Nepalese government revenue indirect tax, excise tax etc. and for the future projection of these things.

The least square method of time series is used for the trend analysis and projection. The method is one of the most commonly used method to describe the trend with the trend line is fitted on the basis of the following assumptions.

- The sum of deviation of the actual value of 'y' from the computed value of 'y' is zero i.e. $\sum(y-y_c)=0$
- The straight line trend between the dependent variable 'y' and the independent variable 'x' (i.e. time) is represented by the equation:

  $Y=a+bx$…………….(1)

Where,

Y_c=Estimated value of Y for any given value of independent variable X.

a =y-intercept or value of y when x=0

b = slope of the trend line or amount of change in 'y' per unit change in 'x'.

The value of 'a' and 'b' is obtained by solving the following two normal equations:

$\sum Y= na+b\sum x$…………….(2)

$\sum xY= a\sum x+b\sum x^2$…………(3)

Where n- is the number of the years for which the data are given

The value of 'a' and 'b' obtain from the above two normal equation, then substituted in equation (1), gives the equation of the trend line.

CHAPTER-IV

DATA PRESENTATION, TREND ANALYSIS, FUTURE PROJECTION AND EMPIRICAL STUDY

4. (A) Data Presentation

4. A.1 Structure of Government Revenue

Nepalese government revenue is a composition of tax and non-tax revenue. The revenue included custom duty, excise duty; value added tax or sales tax, income tax, land revenue and registration and miscellaneous taxes. The major portion of government revenue is the occupied by the tax revenue that is about 73% but it is not in satisfactory level since the non-tax revenue is quite significant. As it is turn for the economic development of a nation the country must raise its revenue through tax revenue. The government should consider decreasing the share of non-tax revenue and increasing the tax revenue. The ratio of tax revenue collection of Nepalese government is decreasing which is cleared by the table shown below (4.A.1,1). In the year 2057/058(2000/01) the share of tax revenue in total government revenue was 79.49%, which is decreased to 75.74% when it came up to the year 2002//03. Similarly the share of non-tax revenue was 20.51% in the year 2057/058. During the period of 11 years (2000/01-2010/011) the highest contribution of tax revenue is total government revenue that has been recorded is 86.86% in the year 2009/010.

In the composition of tax of Nepal VAT occupied the first position. The share of VAT is 30.86% in the year 2010/011 and was 25.33% in 2000/01 at this time it occupied the second position during the period of 11 years. In the second position custom duty is standing. The highest contribution ratio of custom duty is about 25.67% in the year 2000/01 and the least contribution ratio recorded is 17.87% in the year 2010/011. The third position is occupied by income tax, which has contribution ratio of 22.56% in the year 2010/011. During the period of 11 years the highest contribution ratio recorded 22.56% in the year 2010/011 and least contribution ratio recorded is 16.08% in the year 2004/05. In the fourth position excise duty is existing which has share of 7.71% in total government revenue in the year 2000/01.

Table: 4.A.1.1: Structure of Government Revenue,Fiscal year 2057/058-2067/068 (2000/01-2010/011)

(Rs. In ten million)

	Custom		VAT		Income tax		Excise		Land revenue& registration		Non-tax		Total Revenue	
FY	Rs,	%	Rs,	%	Rs,	%	Rs,	%	Rs,	%	Rs,	%	Rs,	%
2000/01	1255.21	25.67	1238.24	25.32	954.65	19.52	377.12	7.71	61.29	1.25	1002.88	20.51	4889.38	100.00
2001/02	1265.00	25.07	1226.73	24.32	946.57	18.76	380.70	7.55	113.18	2.24	1111.60	22.04	5044.66	100.00
2002/03	1278.32	23.52	1345.97	24.76	1027.41	18.90	478.52	15.94	60.78	1.12	1364.29	25.09	5435.89	100.00
2003/04	1555.48	24.96	1447.89	23.23	1021.51	16.39	622.67	9.99	169.75	2.72	1415.80	22.71	6233.10	100.00
2004/05	1570.16	22.39	1888.54	26.93	1127.26	16.08	644.59	9.18	179.92	2.57	1601.80	22.84	7012.27	100.00
2005/06	1534.40	21.23	2161.07	29.90	1178.70	16.31	650.76	9.00	218.11	3.02	1485.15	20.55	7228.19	100.00
2006/07	1670.76	19.05	2609.56	29.75	1672.68	19.07	934.32	10.75	225.35	2.57	1658.54	18.91	8771.21	100.00
2007/08	2106.24	19.57	2981.57	27.70	2014.70	18.72	1118.96	10.40	294.07	2.73	2246.70	20.88	10762.25	100.00
2008/09	2679.29	18.67	3970.09	27.67	2909.74	20.28	1622.09	11.30	522.33	3.64	2642.26	18.42	14347.45	100.00
2009/010	3515.08	19.53	5492.09	30.52	3623.89	20.14	2430.61	13.50	551.11	3.06	2365.09	13.14	17994.58	100.00
2010/011	3571.16	17.87	6166.36	30.86	4508.26	22.56	2654.29	13.28	357.25	1.78	2704.11	13.03	19981.87	100.00

Source: Economic Survey 2005/06, 2010/011

In the fifth and last position land revenue and registration tax exists. The detail information is presented in the table 4.A.1.1.

4. A.2 Contribution of Tax and Non-tax Revenue on total Revenue of Nepal.

Nepalese government revenue is a composition of tax and non-tax revenue. The revenue included custom duty, excise duty; value added tax or sales tax, income tax, land revenue and registration and miscellaneous taxes. The major portion of government revenue is the occupied by the tax revenue that is about 73% but it is not in satisfactory level since the non-tax revenue is quite significant. As it is turn for the economic development of a nation the country must raise its revenue through tax revenue. The government should consider decreasing the share of non-tax revenue and increasing the tax revenue. The ratio of tax revenue collection of Nepalese government is decreasing which is cleared by the table shown below (4.A.2). In the year 2057/058(2000/01) the share of tax revenue in total government revenue was 79.49%, which is decreased to 75.74% when it came up to the year 2002//03. Similarly the share of non-tax revenue was 20.51% in the year 2057/058. During the period of 11 years (2000/01-2010/011) the highest contribution of tax revenue is total government revenue that has been recorded is 86.86% in the year 2009/010.

Similarly, in the year 2000/01 the share of non-tax revenue in total government revenue was 20.51% which is decreased to 13.14% when it comes up to the year 2066/.67 (2009/010). During the period of 11 years 2057/058-2067/068 (2000/01-2010/011) the highest contribution of non-tax revenue in total government revenue that has been recorded is 24.77% in the year 2060/061. Contribution of tax revenue during the period of 2057/058-2067/068. 75.23% in 2059/060 (2002/03) is least and 86.86% in 2066/067 (2009/010) highest contribution has been recorded. Similarly the least contribution of non-tax revenue on total government revenue is 13.14% in 2066/067 and highest contribution of non-tax revenue is 24.77% in 2060/061.

Table: 4.A.2.1: Contribution of Tax and Non-tax Revenue on total Revenue of Nepal. Fiscal year 2057/058-2067/068 (2000/01-2010/011)

(Rs. In ten million)

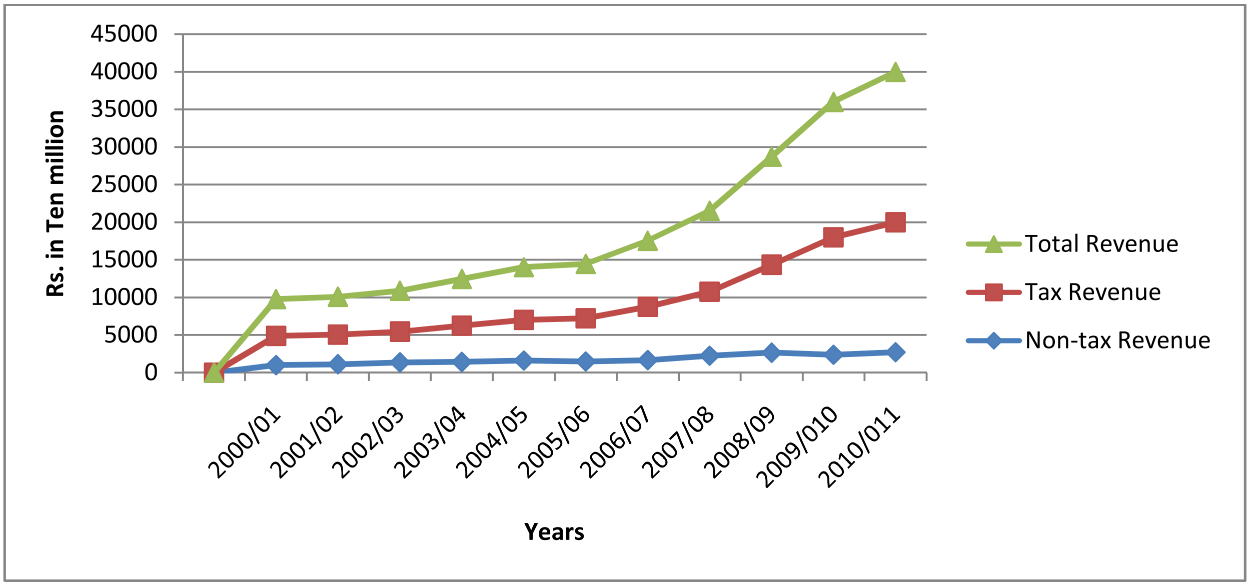
FY	Total Revenue	Tax Revenue	% On total Revenue	Non-tax Revenue	% on total tax Revenue
2000/01	4889.38	3886.50	79.49	1002.88	20.51
2001/02	5044.66	3933.06	77.96	1111.60	22.04
2002/03	5435.89	4089.60	75.23	1364.29	25.09
2003/04	6233.10	4817.30	77.29	1415.80	22.71
2004/05	7012.27	5410.47	77.16	1601.80	22.84
2005/06	7228.19	5743.04	79.45	1485.15	20.55
2006/07	8771.21	7112.67	81.09	1658.54	18.91
2007/08	10762.25	8515.55	79.12	2246.70	20.88
2008/09	14347.45	11705.19	81.58	2642.26	18.42
2009/010	17994.58	15629.49	86.86	2365.09	13.14
2010/011	19981.87	17277.76	86.47	2704.11	13.03
Total	107700.85	88120.63		19598.23	

Source: Economic Survey 2005/06, 2010/011

The contribution of tax and non-tax revenue on total tax revenue is shown in the following trend line:

Figure 4.1:

Trend line showing total revenue, tax and non-tax revenue



Source: table 4.A.2.1

In this figure total revenue is shown in the Y-axis and fiscal year in X-axis. Figure shows three trend lines which are total revenue, tax revenue and non-tax revenue. It is clear that upper line is total revenue which is ascending upward. Middle is tax revenue it is higher than non-tax revenue which is represented by lower line. So, total revenue is combination of tax and non-tax revenue.

4. A.3 Composition of Direct and Indirect tax in total tax revenue

The structure of Nepalese tax revenue can be presented in terms of consumption income and capital based tax. Taxes on consumption are known as indirect tax and taxes on income as well as capital are known as direct taxes. custom duties, excise duties, value added tax, entertainment tax, hotel tax, air flight tax and road bridge maintained taxes are included in indirect tax and income tax, house and land registration, vehicle tax, wealth tax and other taxes are included in direct tax.

Composition of direct and indirect tax is presented in table (4.A.3.1). The table shows that the share of indirect tax is more than the share of direct tax. The contribution of indirect and direct tax was Rs. 28705.70 million and Rs.10159.40million that was 73.86% and 26.14% of total tax revenue respectively in the fiscal year 2000/01.

It is seen that collection from direct tax is in fluctuating trend. The highest contribution of direct tax on total tax revenue is 29.32% in the fiscal year 2008/09 and least contribution ratio recorded is 24.16% in the year 20047/05. Whereas indirect tax is in the increasing trend from FY2000 to 2006 and then goes on decreasing trend. The average collection of direct tax revenue was 21580.50 million in study period.

But the percentage contribution of indirect tax revenue was found fluctuating in different years. The composition of indirect tax revenue to total tax revenue was maximum 75.84% in FY 2004/05. It is in the decreasing trend since FY 2005/06 and in the fiscal year 2010/011 it comes up to 71.84% which is minimum till our study period.

Table: 4.A.3.1: Contribution of Direct and Indirect Tax Revenue on total Revenue of Nepal. Fiscal year 2057/058-2067/068 (2000/01-2010/011)

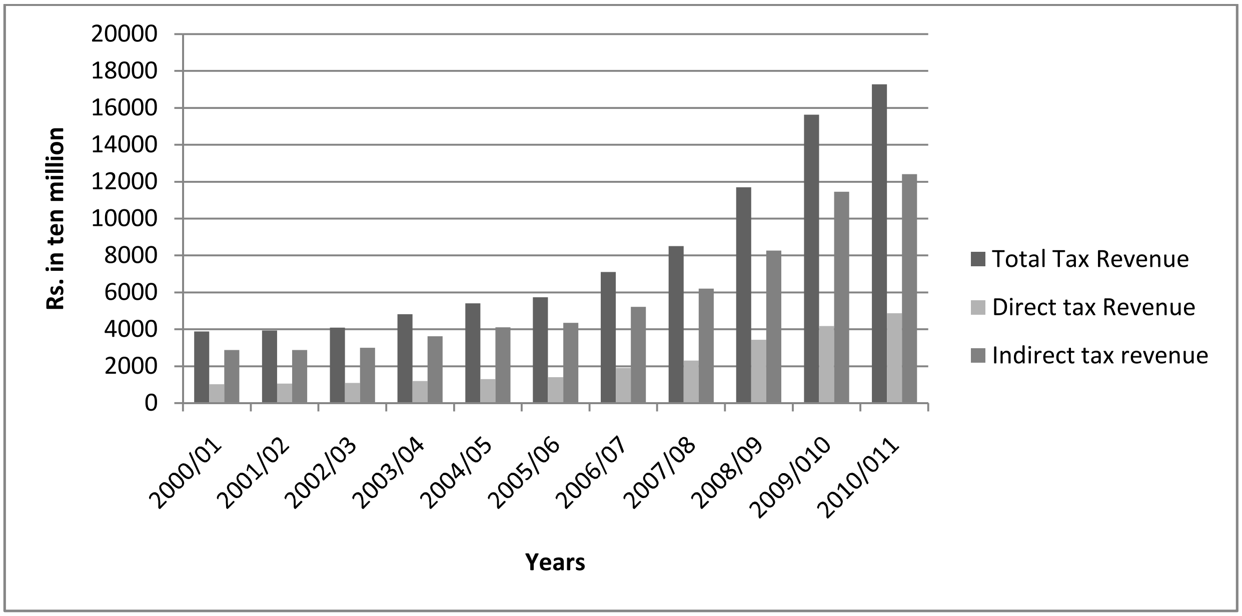
(Rs. In ten million)

FY	Total Tax Revenue	Direct tax Revenue		Indirect tax revenue	
		Rs.	%	Rs.	%
2000/01	3886.50	1015.94	26.14		73.86
2001/02	3933.06	1059.75	26.94	2872.43	73.05
2002/03	4089.60	1088.19	26.61	3001.41	73.39
2003/04	4817.30	1191.26	24.73	3626.04	75.27
2004/05	5410.47	1307.18	24.16	4103.29	75.84
2005/06	5743.04	1396.81	24.32	4346.23	75.68
2006/07	7112.67	1898.03	26.69	5214.64	73.31
2007/08	8515.55	2308.77	27.11	6206.77	72.89
2008/09	11705.19	3432.07	29.32	8273.12	70.68
2009/010	15629.49	4175.00	26.71	11454.49	73.29
2010/011	17277.76	4865.51	28.16	12412.26	71.84
Total	88120.63	23738.50		64381.25	
Average	8010.97	2158.05		5852.84	

Source: Economic Survey 2005/06, 2010/011

Figure 4.2

Bar diagram showing contribution of Direct and Indirect tax on Total Tax Revenue



Source: Table 4.A.3.1

The table 4.A.3.1 reveals that our economy is heavily dependent on indirect tax in comparison to direct tax. Indirect taxation with a dominant role in tax structure could be taken as a symptom of developing country. To divert the economy in the channel of development those countries should increase the share of direct tax. The share of indirect tax is increasing and it is not good symptom of economic development. The share of direct tax Rs. 10159.40 million which has 26.14% of total tax revenue in FY 2000/01. It was increased to Rs. 48655.10 million which have 28.16% in FY 2010/011. Therefore, the attention should be paid on the sufficient resource mobilization through internal resources.

4. A.4 **Composition of Indirect tax**

The tax composition of Nepal is mainly dependent on indirect taxes which contributed 76.84% of total tax revenue in FY 2010/011. Nepalese tax revenue is dependent mainly on international trade and sales VAT on goods and services supplemented by taxes on income and property to some extent.

The major components of indirect tax in Nepalese tax structure constitutes custom duties, excise duties and VAT etc. Custom duty has been classified mainly into import duty, export duty and Indian excise. Value added Tax components are selling and distribution tax, tourism, import and production etc. table 4.A.4.1 shows the source of indirect tax revenue is given as follows:

Table: 4.A.4.1: Major sources of indirect tax and their relative percentage to tax from

Fiscal year 2057/058-2067/068 (2000/01-2010/011)

(Rs. In ten million)

FY	Total indirect tax revenue		Excise duty		Custom duty		Value Added Tax	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
2000/01	2870.57	100.00	377.12	13.14	1255.21	43.73	1238.24	43.14
2001/02	2872.43	100.00	380.70	13.25	1265.00	44.04	1226.73	42.71
2002/03	3001.41	100.00	478.52	15.94	1278.32	42.59	1345.97	44.84
2003/04	3626.04	100.00	622.67	17.17	1555.48	42.90	1447.89	39.93
2004/05	4103.29	100.00	644.59	15.71	1570.16	38.27	1888.54	46.03
2005/06	4346.23	100.00	650.76	14.97	1534.40	35.30	2161.07	49.72
2006/07	5214.64	100.00	934.32	17.92	1670.76	32.04	2609.56	50.04
2007/08	6206.77	100.00	1118.96	18.03	2106.24	33.93	2981.57	48.04
2008/09	8271.47	100.00	1622.09	19.61	2679.29	32.39	3970.09	48.00
2009/010	11437.78	100.00	2430.61	21.25	3515.08	30.73	5492.09	48.02
2010/011	12391.81	100.00	2654.29	21.42	3571.16	28.82	6166.36	49.76
Total	64009.37		11574.63		22001.10		30535.04	
Average	5819.03		1052.24	18.08	2000.10	34.37	2775.91	47.70

Source: Economic Survey 2005/06, 2010/011

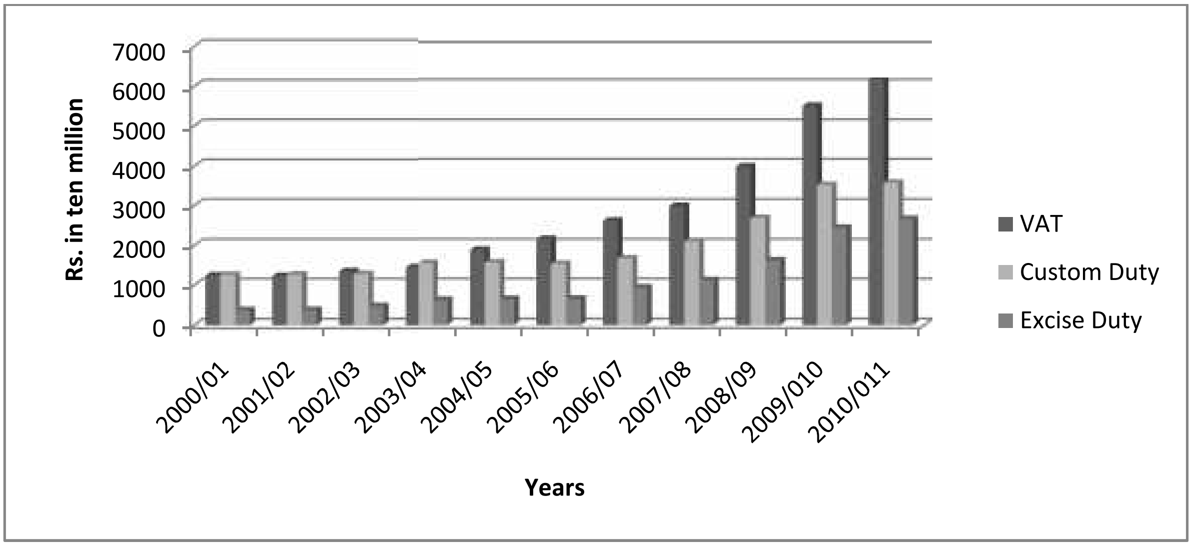
Note:-

1. Custom duties include import+ export+ Indian excise refund+ others.
2. Excise duties include industrial products specially alcohol and tobacco,

3. VAT includes sales tax, tourism, production, import, contact and consultation and other services.

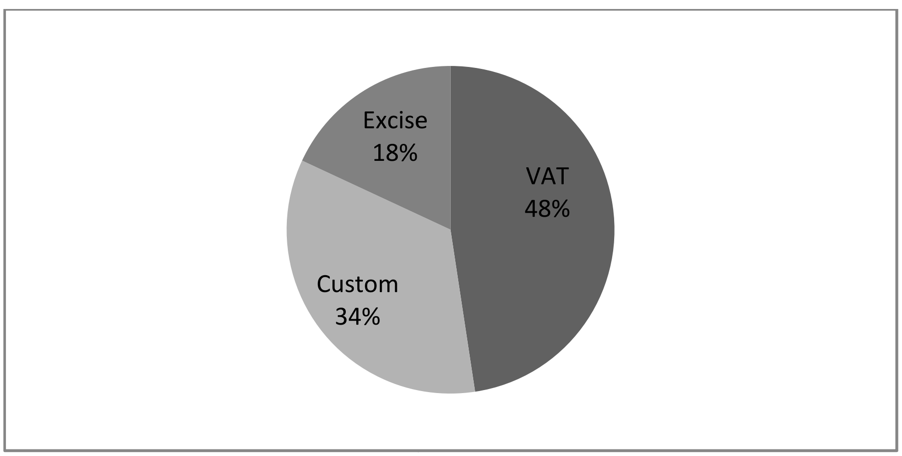
***Figure 4.3*:**

Bar diagram showing custom duties, excise duties and VAT on Indirect Tax



Source: Table 4.A.4.1

Figure 4.4 Average combination of Indirect tax revenue in Percentage



Source: Table 4.A.4.1

4. A.5 Contribution of Indirect tax in GDP, Total Revenue and Total Tax Revenue

Table 4.A.5.1: The contribution of indirect tax to GDP, total revenue and total tax revenue is shown in the table 4.A.5.1 below.

(Rs. In ten million)

FY	Indirect tax	GDP at basic price(current)	Total Revenue	Total tax revenue	% of indirect tax to GDP	% of indirect tax to TR	% of indirect tax to TTR
2000/01	2870.57	41342.80	4889.38	3886.50	6.94	58.71	73.86
2001/02	2872.43	43039.60	5044.66	3933.06	6.67	56.94	73.03
2002/03	3001.41	46032.5	5435.89	4089.60	6.52	55.21	73.39
2003/04	3626.04	50069.90	6233.10	4817.30	7.24	58.17	75.27
2004/05	4103.29	54848.5	7012.27	5410.47	7.48	58.52	75.84
2005/06	4346.23	61111.80	7228.19	5743.04	7.11	60.13	75.68
2006/07	5214.64	67585.90	8771.21	7112.67	7.72	59.45	73.31
2007/08	6206.77	75525.70	10762.25	8515.55	8.22	57.67	72.89
2008/09	8271.47	90952.80	14347.45	11705.19	9.09	57.65	70.66
2009/010	11437.78	108341.50	17994.58	15629.49	10.56	63.56	73.18
2010/011	12391.81	124642.30	19981.87	17277.76	9.94	62.02	71.72
Total	64009.37	763493.30	107700.85	88120.63			
Average	5819.03						

Source: Economic Survey 2005/06, 2010/011

From the above table (4.A.5.1) it is cleared that contribution of indirect tax on GDP was 6.52% in FY 2002/03 which is minimum and 10.56% in FY 2009/10 which is highest till study period. The share of indirect tax to GDP seems to be very low, so it must be increased. The contribution of indirect tax to total revenue was fluctuated. Its contribution was 58.71% in FY 2000/01. Maximum percentage of contribution of indirect tax to total revenue was 63.56% in FY 2009/010 and minimum was 55.21% in FY 2002/03. The contribution of indirect tax to total tax revenue was 73.86% in FY 2000/01. The maximum percentage contribution on indirect tax to total tax revenue was 75.84% in FY 2004/05 and minimum was 70.66% in FY 2008/09. The average of contribution on indirect tax to GDP, total revenue and total tax revenue were 8.43%, 59.78% and 73.06% respectively.

It is seen that amount of GDP, Total Revenue and Total Tax Revenue are in the increasing trend. Percentage contribution of indirect tax to GDP is also in increasing trend but percentage contribution of total revenue and total tax revenue are in fluctuating.

4. A.6 Contribution of Excise Duty on Total Revenue of Government

The total revenue from the excise duty has consistently increased each fiscal year since 2010. The total excise duty was Rs. 3771.2 Million in 2001, which more than double in six year 2006 (Rs 9343.2 Million) which increased by 160% Rs 24306.1 Million in 2010. As a result of the consistent increment, the total excise duty increased almost six times during 2000/01-2010/011 periods. (Table and Figure)

The ratio of excise duty to total revenue does not show consistent pattern in the study period. During the period of 11 years 6.94% in 2002/03 least contribution and 13.51% in 2009/010 highest contribution has been recorded. Average contribution of excise duty on total revenue is 10.75% during the study period

Table: 4.A.6.1: Contribution of Excise Duty on Total Revenue of Nepal, from Fiscal year 2057/058-2067/068 (2000/01-2010/011).

(Rs. In ten million)

FY	Total Revenue	Total excise duty	% Contribution
2000/01	4889.38	377.12	7.71
2001/02	5044.66	380.70	7.55
2002/03	5435.89	478.52	8.80
2003/04	6233.10	622.67	9.99
2004/05	7012.27	644.59	9.19
2005/06	7228.19	650.76	9.00
2006/07	8771.21	934.32	10.65
2007/08	10762.25	1118.96	10.40
2008/09	14347.45	1622.09	11.31
2009/010	17994.58	2430.61	13.51

2010/011	19981.87	2654.29	13.28
Total	107700.85	11574.63	
Average	4889.38	1052.24	10.75

Source: Economic Survey 2005/06, 2010/011

4. A.7 Excise Duty contribution to Total Tax revenue of Government

The total revenue from the excise duty has consistently increased each fiscal year since 2010. The total excise duty was Rs. 3771.2 Million in 2001, which more than double in six year 2006 (Rs 9343.2 Million) which increased by 160% Rs 24306.1 Million in 2010. As a result of the consistent increment, the total excise duty increased almost six times during 2000/01-2010/011 periods. (Table and Figure)

The ratio of excise duty to total tax revenue is 9.70% in 2000/01 and which is decreasing up to 9.22% in 2002/03. And then increasing the contribution ratio on total tax revenue gradually up to 15.33% in 2009/010, and then slightly decreasing in the year 2010/011 (i.e. 15.36%)

The contribution ratio of excise duty to total tax revenue was shown table 4.A.7.1 below:

Table: 4.A.7.1: Contribution of Excise Duty on Total Tax Revenue of Nepal, from Fiscal year 2057/058-2067/068 (2000/01-2010/011).

(Rs. In ten million)

FY	Total Tax Revenue	Total excise duty	% Contribution
2000/01	3886.50	377.12	9.70
2001/02	3933.06	380.70	9.68
2002/03	4089.60	478.52	11.70
2003/04	4817.30	622.67	12.93
2004/05	5410.47	644.59	11.91
2005/06	5743.04	650.76	11.33
2006/07	7112.67	934.32	13.14
2007/08	8515.55	1118.96	13.15
2008/09	11705.19	1622.09	13.86
2009/010	15629.49	2430.61	15.55

2010/011	17277.76	2654.29	15.36
Total	88120.63	11574.63	
Average		1052.24	

Source: Economic Survey 2005/06, 2010/011

4. A.8 Excise Duty Collection Ratio (Internal and Excise on Import)

The composition and magnitude of excise duty as well as internal excise on import is visualized in the following table and graph:

***Table: 4.A.8.1*:** Excise Duty Collection Ratio (Internal and Excise on Import), from Fiscal year 2057/058-2067/068 (2000/01-2010/011).

(Rs. In thousands)

FY	Total excise duty		Excise form Internal source		Excise on import	
	Rs.	%	Rs.	%	Rs.	%
2000/01	3771200	100	3771200	100	N/A	0
2001/02	3807730	100	3807730	100	N/A	0
2002/03	4785244	100	4594414	96.01	190830	3.99
2003/04	6226724	100	4941720	79.36	1285004	20.64
2004/05	6445909	100	5361821	83.18	1084088	16.82
2005/06	6506940	100	5417109	83.25	1089831	16.75
2006/07	9343187	100	7372844	78.91	1970343	21.09
2007/08	11189575	100	8409523	75.15	2780052	24.85
2008/09	16237397	10	11108445	68.41	5128952	31.59
2009/010	24147569	100	13597113	56.31	10550456	43.69
2010/011	26458389	100	15890279	60.06	10568110	39.94
Total	118919864		74272198		34647666	

Source-Annual Reports IRD 2003-2010

It is clearly known from the above table and figure shows that the share of internal source is more than the share of excise on import in every year. In the total excise duty the contribution of internal source is 96.01% and excise on import is 3.99% on 2002/03 then often excise on import is rapidly increased and internal excise duty is decreased. In the year 2010/011 the contribution of internal source is 60.06% and excise on import is 39.94% in total excise duty.

4. A.9 Structure of Excise Duty

The structure of excise duty reveals the significance of revenue generated from three excisable items- cigarette, liquor and beer- in total excise duty. The government introduced details classification of revenue heads in 1995, which shows six revenue heads in the excise duty in comparison to only two hands before 1995. The contribution of cigarette, liquor and beer together is average more than 80% of the total excise duty during 2001 to 2010. In the excise duty on import of vehicles and Motorcycle is contributing significantly on total exercise duty. The excise duty from the cigarettes and beer is larger contribution of the total excise duty.

Table: 4.A.9.1: Structure of Excise Duty, from Fiscal year 2057/058-2067/068 (2000/01-2010/011). (Rs. In thousands)

FY	Cigarette	Bidi	Liquor	Beer	Other industrial production	Excise on import
2000/01	1758000	5400	1033400	843600	130800	N/A
2001/02	1813232	4147	930475	807159	252717	N/A
2002/03	2052514	23112	1161731	1032472	324585	190830
2003/04	2393065	3251	1266670	982499	296244	1285004
2004/05	2472915	3386	1395928	1164417	325175	1084088
2005/06	2405394	3679	1626982	1050344	330220	1089831
2006/07	2851730	4834	1956039	1478116	973605	1970343
2007/08	3115548	3360	2152150	1539621	1501795	2780052
2008/09	3739907	2440	3060006	2067336	2095015	5128952
2009/010	4509957	2544	3741036	2843302	2500274	10550456
2010/011	5136492	2876	5264953	3122788	2160175	10568110
Total	32248752	59035	23589370	16931654	10890605	34647666
Average	2931704.73	5366.82	2144488.18	1539241.27	990055	34497.82

Source-Annual Reports IRD 2003-2010

The given table shows the structure of excise duty. Excise product contributes highest share on excise duty. Excise on import contributed highest share on excise duty i.e. 34497.82 thousands, thereafter cigarettes and beer contributed i.e. 2931704.73 and 1539241.27 thousands individually. Liquor and other industrial products have contributed 2144488.18 and 990055 thousands individually. Excise duty of Bidi has decreasing trend in every year. Bidi contributed in excise duty is 5366.82 thousands. In currently excise on import, cigarettes and Beer contribution on excise duty is rapidly increased and liquor and other industrial products contribution is also increased in current year.

4. A.10 Structure of Excise Duty in the 2010/11

In the year 2010/011 (2067/068), structure of excise duty, excise on import, cigarette, bidi, liquor, beer and other individual products share contributed to total excise duty revenue in Nepal.

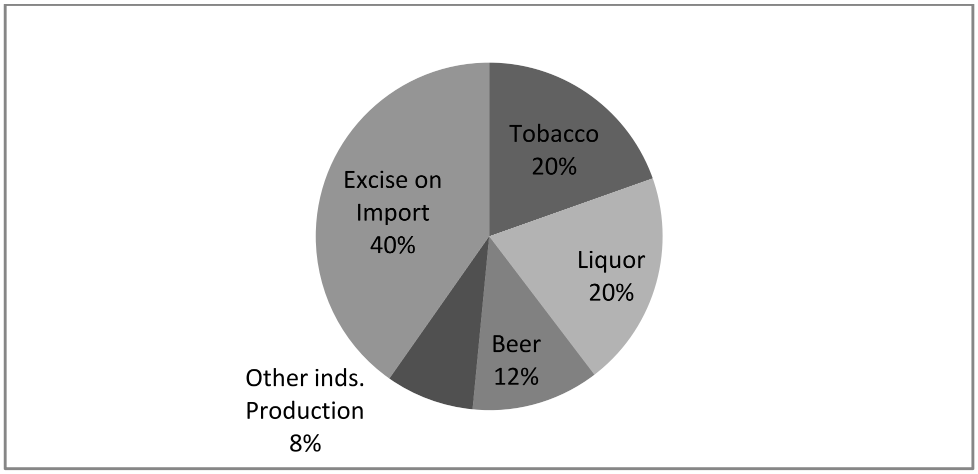
Table 4.10.1: Structure of Excise Duty Year 2010/011 (Rs in Thousands)

Types Excisable product	**Excise duty**	**Ratio**
Tobacco (Cigarettes + Bidi)	5139368	19.42%
Liquor	5264953	19.90%
Beer	3122788	11.80%
Other Industrial production	2160175	8.16%
Excise on import	10568110	39.94%

Source: Annual Report IRD. 2010/011

The given table and figure shows the structure of excise duty in year 2010/011. Excise on import is highest contribution on total excise duty i.e. 39.94% then after cigarettes, Liquor, contributed in excise duty. Beer and other industrial production also contributed 11.80% and 8.16% individually. The analysis shows that excise on import play vital role to excise duty revenue. Then after cigarette, liquor, beer and other industrial products contribute to excise revenue.

Figure 4.6: Structure of Excise Duty Year 2010/011



4. B Excise Duty Rates:

4. B.1 Excise rate of Beer

Table 4.B.1: Excise Rate of Beer (in Rs.)

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Alcohol content up to 5% (per liter)	33	36	38	42	45	45	50	50	60	65	80

Source: Finance Act and Budget Speech Various Years

The given table shows the excise rate of Beer in 2001 to 2011. The excise rate of Beer on 2001 is Rs 33 per liter and the rate of Beer in 2011 is Rs 80. The excise rate increasing in study period (11years) is Rs 47 per Liter i.e. 142.5%. The rate of excise duty on Beer will increase 11year period 142.5%.

4. B.2 Excise Rate of cigarette

The Rate of excise duty of all kinds of cigarette is presented in table.

Table 4.B.2: Excise Rate of Cigarette (in Rs.)

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
up to 70 mm in length											
filter per m	285	300	330	340	340	350	350	360	415	445	533
non filter per m	110	125	155	160	160	170	170	175	195	210	252
more than 70 mm											
filter per m	365	385	425	440	440	450	450	460	530	570	681
non filter per m	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
more than 75mm											
filter per m	500	530	565	575	575	590	590	600	690	730	872
non filter per m	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
more than 85 mm											
filter per m	675	710	750	770	770	785	785	795	915	950	1135
non filter per m	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Finance Act and Budget Speech Various Years

Note: per M mean 1000 stick cigarette. N/A: Not- applicable

The given table shown the excise rate of cigarette is Rs. Excise rate of cigarette is increasing trend. Excise rate of cigarette is increasing slowly in 2001 to 2006, therefore it increasing rapidly in 2007 to 2011. Excise rate of cigarette in 2001 is up to 70 mm with filter per is Rs. 285 and without filter per is Rs 125, then rate of cigarette in 2011 with filter per is Rs 533 and without filter is Rs 252. Change in Rate in 11 years with filter and without filter is Rs 248 and Rs 142 individually. Excise rate of More than 70 mm cigarette in 2001 is 365 (with filter) it is increasing from 11 year is Rs 316. As well as excise rate More than 75 mm cigarette with filter per Rs 500 in 2001 it will increased in 2001 to 2011 is Rs 372. Excise rate more than 85 mm at cigarette in 2001 is Rs 675 with filter, then it will increase from 2001 to 2011 is Rs 460. Therefore excise rate of cigarette will be increase rapidly in current time. The excise rate of Cigarette will increase 65% to 90% for study period individually.

4. B.3 Excise Rate of Liquor

The rate of excise duty of all category of liquor is presented in table.

Table 4.B.3: Excise Rate of Liquor (in Rs.)

Description	Volume	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
15UP							400	425	425	511	547	695
25UP							350	360	360	432	462	587
30UP							350	360	360	432	462	587
30UP or less than 30UP		245										
up to 30UP												
25 and 30UP(bottled)	LP liter											
30UP to 40UP	LP liter		150									
40 UP (bottled)	LP liter						200	210	210	254	272	347
less than 40 UP	LP liter		260	275	320	340						
50UP	LP liter						75	95	95	114	146	146
65UP	LP											

(pouch)	liter											
30to 40UP	LP liter											
more than 40UP	LP liter	42										
40 UP to 65 UP	LP liter	135		160	195	200						
more than 65 UP	LP liter		44	50	70	75						
70 UP	LP liter						10	26	26	50	50	60

Source - Finance Act (Various Fiscal years) Ministry of Finances

The given table shows excise rate of liquor. The excise rate of liquor is always increasing trend. Excise rate of liquor is slowly increasing from 2001 to 2007, and then after the government will increase on more amounts for liquor. In 2010 the government increase excise rate of liquor more than 20% from each level. The excise rates of liquor will more than 60% to 500% on 10 years time. Excise rate of 70 up liquor will increased 500% on 6 year time period. Other item will increase more than 60% to 95%. The classification on UP for excise duty is frequently changed, which makes comparison difficult.

4. C Trend Analysis and Future Projection

4. C.1 Total Government Revenue (TGR)

Table 4.C.1.1: Calculation of trend line of TGR:

Years	x	Total Gov. Revenue(Y)	X=(x-6)	X^2	XY	Y_c=a+bX
2000/01	1	4889.38	-5	25	-24446.95	2299.44
2001/02	2	5044.66	-4	16	-20178.64	3797.75
2002/03	3	5435.89	-3	9	-16307.67	5296.06
2003/04	4	6233.10	-2	4	-12466.20	6794.37
2004/05	5	7012.27	-1	1	-7012.27	8292.68
2005/06	6	7228.19	0	0	0	9790.99
2006/07	7	8771.21	1	1	8771.21	11289.30
2007/08	8	10762.25	2	4	21524.50	12789.61
2008/09	9	14347.45	3	9	43042.35	14285.92
2009/010	10	17994.58	4	16	71978.32	15784.23
2010/011	11	19981.87	5	25	99909.35	17282.54
Total	N=11	∑Y=107700.85	∑X=0	$\sum X^2=110$	∑XY=164814.0	

To analyze the trend line of (TGR), using the regression equation Y=a+bX…….(1)

Where, Y=dependent variable (i.e. Total government revenue)

a=Y intercept or value of y when x=0

b= slope of trend line or amount of change in y per unit change in x

To find the value of 'a' and 'b', solving the two normal equations,

∑Y= na+b∑X…………(2)

$\sum XY= a\sum X+b\sum X^2$……….(3)

For the value of ∑X=0, above equations can be

$\sum Y = na$ and $\sum XY = b\sum X^2$

So the value of ‘a’ & ‘b’ calculated by using the following relations:

$a=\sum Y/n$…………..(4)

$b=\sum XY/\sum X^2$ ………..(5)

by putting the values from table,

a= 107700.86/11 =9790.99

b=164814/110 =1498.31

Hence, the trend line equation is

Y_c=9790.99+1498.31X ………(6)

The trend value are calculated by putting the values of ‘X’ in equation (6), which are shown in above table.

Table: 4.C.1.2: Trend Analysis of Total Government Revenue:

Years	Total TGR(Y)	Trend Value (Y_c)	Variation ($Y-Y_c$)
2000/01	4889.38	2299.44	+2589.95
2001/02	5044.66	3797.75	+1246.91
2002/03	5435.89	5296.06	+139.83
2003/04	6233.10	6794.37	-561.27
2004/05	7012.27	8292.68	-1280.41
2005/06	7228.19	9790.99	-2562.80
2006/07	8771.21	11289.30	-2518.09
2007/08	10762.25	12789.61	-2027.36
2008/09	14347.45	14285.92	+61.53
2009/010	17994.58	15784.23	+2210.35
2010/011	19981.87	17282.54	+3699.33

From the above table, it is cleared that the trend of total government revenue of Nepal is not satisfactory. The trend of the revenue should grow by the rate 1498.31 of each year. But in the study of the period of eleven years (2001/01-2010/011) it is not found the revenue is growing in accordance with the growth rate. There are huge amount of variation or fluctuation in the revenue collection. From the year 2000/01 to02002/03 for the three years the revenue grew more than growth rate. According to the trend analysis in these three years the revenue should collect in the amount of Rs. 22994.90, Rs.37977.50 and Rs. 52960.60 million respectively. But in actual the revenue was collected the amount of Rs. 48893.90; Rs. 50446.60; and Rs. 54358.90 million that is more of Rs.25899.50; Rs.12469.10 and Rs.1398.30 respectively. Accordingly, in the period of five years (2003/04-2007/08) the total government revenue is collected lower than its trend. In these years, as per trend of the revenue collection Rs.67943.70; Rs.82926.80; Rs.97909.90; Rs. 112893.00 and Rs.127896.10 million were collected, that is less of Rs.5612.70; Rs. 12804.10; Rs.25628.00; Rs.25180.90 and Rs.20273.60 respectively. In the period of last three years (2008/09-2010/011), of the study period. The revenue grew more than growth rate. See table 4.C.1.1and table 4.C.1.2 above and for details.

Table 4.C.1.3: Future projection of Total Government Revenue (TGR):

Years	X	a	b	Y_c=a+bX
2011/012	6	9790.99	1498.31	18780.85
2012/013	7	9790.99	1498.31	20229.16
2013/014	8	9790.99	1498.31	21777.47
2014/015	9	9790.99	1498.31	23275.78
2015/016	10	9790.99	1498.31	24774.09
2016/017	11	9790.99	1498.31	26272.40
2017/018	12	9790.99	1498.31	27770.71
2018/019	13	9790.99	1498.31	29269.02
2019/020	14	9790.99	1498.31	30767.33
2020/021	15	9790.99	1498.31	32265.64

Although, it is fact that the government revenue is not growing as it has to grow or as per growth rate through this research work an effort has been made to project the future government as per its growth and trend. In the year 2011/012 the total government revenue would be amounting Rs.187808.50 million. Similarly when it will come to the year 2020/021 the revenue will be amounting Rs.322654.40 million. See table 4.C.1.3 above for detail.

Note: ***TGR= Total Government Revenue***

4. C.2 Total Tax Revenue (TTR)

Table 4.C.2.1: Calculation of trend line of TTR:

Years	x	Total Tax Revenue(Y)	X=(x-6)	X^2	XY	Y_c=a+bX
2000/01	1	3886.50	-5	25	-19432.50	1388.82
2001/02	2	3933.06	-4	16	-15732.24	2713.25
2002/03	3	4089.60	-3	9	-12268.80	4037.68
2003/04	4	4817.30	-2	4	-9634.60	5362.11
2004/05	5	5410.47	-1	1	-5410.47	6686.54
2005/06	6	5743.04	0	0	0	8010.97
2006/07	7	7112.67	1	1	7112.67	9335.40
2007/08	8	8515.55	2	4	17031.10	10659.83
2008/09	9	11705.19	3	9	35115.57	11984.26
2009/010	10	15629.49	4	16	62517.96	13308.69
2010/011	11	17277.76	5	25	86388.80	14633.12
Total	N=11	∑Y=88120.63	∑X=0	$\sum X^2$=110	∑XY=145687.80	

To analyze the trend line of (TGR), using the regression equation Y=a+bX…….(1)

Where, Y=dependent variable (i.e. Total government revenue)

a=Y intercept or value of y when x=0

b= slope of trend line or amount of change in y per unit change in x

To find the value of 'a' and 'b', solving the two normal equations,

$\sum Y= na+b\sum X$…………(2)

$\sum XY= a\sum X+b\sum X^2$……….(3)

For the value of $\sum X=0$, above equations can be

$\sum Y= na$ and $\sum XY= b\sum X^2$

So the value of 'a' & 'b' calculated by using the following relations:

$a=\sum Y/n$…………..(4)

$b=\sum XY/\sum X^2$ ………..(5)

by putting the values from table,

a= 88120.63/11 =8010.97

b=145687.49/110 =1324.43

Hence, the trend line equation is

Y_c=8010.97+1324.43X ………(6)

The trend value are calculated by putting the values of 'X' in equation (6), which are shown in above table.

Table: 4.C.2.2: Trend Analysis of Total Tax Revenue:

Years	Total TTR(Y)	Trend Value (Y_c)	Variation ($Y-Y_c$)
2000/01	3886.50	1388.82	+2497.68
2001/02	3933.06	2713.25	+1219.81
2002/03	4089.60	4037.68	+51.92
2003/04	4817.30	5362.11	-544.81
2004/05	5410.47	6686.54	-1276.07

2005/06	5743.04	8010.97	-2267.93
2006/07	7112.67	9335.40	-2222.73
2007/08	8515.55	10659.83	-2144.28
2008/09	11705.19	11984.26	-279.07
2009/010	15629.49	13308.69	+2320.80
2010/011	17277.76	14633.12	+2644.64

From the table above, it is cleared that the trend of total tax revenue is also in negative effect. The trend of the revenue should grow by the rate of Rs.13244.30 million per year. But during the reference period 2000/01 to 2010/011 it is not found the revenue is growing as per its growth rate, there is quite fluctuation. In the year 2000/01 total tax revenue was collected only amounting Rs.38865.00 million whereas per trend Rs.13888.20 million should be collected. In the year 2001/01 to 2002/03 revenue collection is above the trend. But in the year 2003/04 to 2007/08 revenue collection is below the trend value. Similarly last three years of the study period i.e. 2008/09 to 2010/011 the revenue collection is above the trend value. In the year 2010/011 a total of Rs.172777.40 million revenue was collected through tax revenue resource which is Rs. 26446.40 million more than trend value. See table 4.C.2.1 and table 4.C.2.2 above for details.

Table 4.c.2.3: Future projection of Total Tax Revenue:

Years	X	a	b	Y_c=a+bX
2011/012	6	8010.97	1324.43	15957.55
2012/013	7	8010.97	1324.43	17281.98
2013/014	8	8010.97	1324.43	18606.41
2014/015	9	8010.97	1324.43	19930.84
2015/016	10	8010.97	1324.43	21255.27
2016/017	11	8010.97	1324.43	22579.70
2017/018	12	8010.97	1324.43	23904.13
2018/019	13	8010.97	1324.43	25228.56
2019/020	14	8010.97	1324.43	26552.99
2020/021	15	8010.97	1324.43	27877.42

The table 4.C.2.3 presented above refers to the future projection of total tax revenue collection from the year 2011/012 to 2020/021. As per the calculation growth rate the revenue collection through the tax mean will increase Rs. 13244.30 million revenue will be collected. Likewise in the year 2020/021 amounting Rs.278774.20 million revenue will be collected.

Note: **TTR= Total Tax Revenue**

4. C.3 Total Indirect Tax Revenue (TITR)

Table 4.C.3.1: Calculation of trend line of TITR:

Years	x	Total Indirect Tax Revenue(Y)	X=(x-6)	X^2	XY	Y_c=a+bX
2000/01	1	2870.57	-5	25	-14352.85	1119.89
2001/02	2	2872.43	-4	16	-11489.72	2066.48
2002/03	3	3001.41	-3	9	-9004.23	3013.07
2003/04	4	3626.04	-2	4	-7252.08	3959.66
2004/05	5	4103.29	-1	1	-4103.29	4906.25
2005/06	6	4346.23	0	0	0	5852.84
2006/07	7	5214.64	1	1	5214.64	6799.43
2007/08	8	6206.77	2	4	12413.54	7746.02
2008/09	9	8273.12	3	9	24819.36	8692.61
2009/010	10	11454.49	4	16	45817.96	9639.20
2010/011	11	12412.26	5	25	62061.30	10585.79
Total	N=11	∑Y=64381.25	∑X=0	$\sum X^2$=110	∑XY=104124.63	

To analyze the trend line of (TGR), using the regression equation Y=a+bX…….(1)

Where, Y=dependent variable (i.e. Total government revenue)

a=Y intercept or value of y when x=0

b= slope of trend line or amount of change in y per unit change in x

To find the value of ‘a’ and ‘b’, solving the two normal equations,

$\sum Y = na + b\sum X$…………(2)

$\sum XY = a\sum X + b\sum X^2$……….(3)

For the value of $\sum X=0$, above equations can be

$\sum Y = na$ and $\sum XY = b\sum X^2$

So the value of ‘a’ & ‘b’ calculated by using the following relations:

$a=\sum Y/n$…………..(4)

$b=\sum XY/\sum X^2$ ………..(5)

by putting the values from table,

a= 64381.25/11 =5852.84

b=104124.63/110 =946.59

Hence, the trend line equation is

Y_c=5852.84+946.59X ………(6)

The trend value is calculated by putting the values of ‘X’ in equation (6), which are shown in above table.

Table: 4.C.3.2: Trend Analysis of Total Indirect Tax Revenue (TITR):

Years	Total TITR(Y)	Trend Value (Y_c)	Variation ($Y-Y_c$)
2000/01	2870.57	1119.89	+1750.68
2001/02	2872.43	2066.48	+805.95
2002/03	3001.41	3013.07	-11.66
2003/04	3626.04	3959.66	-333.62
2004/05	4103.29	4906.25	-802.96
2005/06	4346.23	5852.84	-1506.61

2006/07	5214.64	6799.43	-1584.79
2007/08	6206.77	7746.02	-1539.25
2008/09	8273.12	8692.61	-419.49
2009/010	11454.49	9639.20	+1815.29
2010/011	12412.26	10585.79	+1826.47

In the government revenue structure of Nepal there is dominant role of indirect taxes. Major portion of government revenue is indirect taxes. In the above table performance of tax revenue has been tested using the trend analysis and comparing between trend and actual collection. As per the analysis above it is cleared there is cyclic variation in the revenue collection.

During the reference period for the years 2002/03 to02008/09 there were negative collection variation amounting Rs,116.60; Rs.3336.20; Rs.8029.60; Rs.15066.10; Rs.15847.90; Rs.15392.50 and Rs.4194.90 million respectively. On the other hand for the years 2000/01, 2001/02, 2009/010 and 2010/011 there were positive collection variation amounting Rs 17506.80; Rs.8059.50; Rs.18152.90 and Rs. 18264.70 million respectively. As per record and analysis it is found that indirect tax revenue has positive variation in 2010/011. See detail in the above table 4.C.3.1 and table 4.C.3.2.

Table 4.C.3.3: Future projection of Total Indirect Tax Revenue:

Years	X	a	b	Y_c=a+bX
2011/012	6	5852.84	946.59	11532.38
2012/013	7	5852.84	946.59	12478.97
2013/014	8	5852.84	946.59	13425.56
2014/015	9	5852.84	946.59	14372.15
2015/016	10	5852.84	946.59	15318.74
2016/017	11	5852.84	946.59	16265.33
2017/018	12	5852.84	946.59	17211.92
2018/019	13	5852.84	946.59	18158.51
2019/020	14	5852.84	946.59	19105.10
2020/021	15	5852.84	946.59	20051.69

The table above is for the future projection of indirect tax revenue using the calculated value of 'a' and 'b' i.e. constant variable and growth rate future projection of indirect tax revenue has been conducted. If the revenue grew as per growth rate of Rs.9465.90 million per year the revenue will be amounted Rs.115323.80 million in the year 2011/012. And it will goes up to Rs.200516.90 million in the year 2020/021.

Note: **TITR= Total Indirect Tax Revenue**

4. C.4 Total Excise Duty Revenue (TEDR)

Table 4.C.4.1: Calculation of trend line of TEDR:

Years	x	Total Excise Duty Revenue(Y)	X=(x-6)	X^2	XY	Y_c=a+bX
2000/01	1	377.12	-5	25	-1885.60	-52.66
2001/02	2	380.70	-4	16	-1522.80	168.32
2002/03	3	478.52	-3	9	-1435.56	389.30
2003/04	4	622.67	-2	4	-1245.34	610.28
2004/05	5	644.59	-1	1	-644.59	831.26
2005/06	6	650.76	0	0	0	1052.24
2006/07	7	934.32	1	1	934.32	1273.22
2007/08	8	1118.96	2	4	2237.92	1494.20
2008/09	9	1622.09	3	9	4866.27	1715.18
2009/010	10	2430.61	4	16	9722.44	1936.16
2010/011	11	2654.29	5	25	13271.45	2157.14
Total	N=11	∑Y=11574.63	∑X=0	$\sum X^2$=110	∑XY=24307.51	

To analyze the trend line of (TGR), using the regression equation Y=a+bX…….(1)

Where, Y=dependent variable (i.e. Total government revenue)

a=Y intercept or value of y when x=0

b= slope of trend line or amount of change in y per unit change in x

To find the value of ‘a’ and ‘b’, solving the two normal equations,

$\sum Y = na + b\sum X$…………(2)

$\sum XY = a\sum X + b\sum X^2$……….(3)

For the value of $\sum X=0$, above equations can be

$\sum Y = na$ and $\sum XY = b\sum X^2$

So the value of ‘a’ & ‘b’ calculated by using the following relations:

$a=\sum Y/n$…………..(4)

$b=\sum XY/\sum X^2$ ………..(5)

by putting the values from table,

a= 11574.63/11 =1052.24

b=24611.71/110 =220.98

Hence, the trend line equation is

Y_c=1052.24+220.98X ………(6)

The trend value is calculated by putting the values of ‘X’ in equation (6), which are shown in above table.

Table: 4.C.4.2: Trend Analysis of Total Excise Duty Revenue (TEDR):

Years	Total TEDR(Y)	Trend Value (Y_c)	Variation ($Y-Y_c$)
2000/01	377.12	-52.66	+429.78
2001/02	380.70	168.32	+212.38
2002/03	478.52	389.30	+89.22
2003/04	622.67	610.28	+12.39
2004/05	644.59	831.26	-186.67
2005/06	650.76	1052.24	-401.48

2006/07	934.32	1273.22	-338.90
2007/08	1118.96	1494.20	-375.24
2008/09	1622.09	1715.18	-92.91
2009/010	2430.61	1936.16	+494.45
2010/011	2654.29	2157.14	+497.15

From the above table, it is cleared in trend of total excise duty also exist cyclical variations. As per the trend of excise duty it should grow by the rate of Rs.2209.80 million per year. But during the reference period 2000/01 to 2010/011 it is not found that the excise duty is growing as per its growth rate. In the year 2000/01 total excise duty was collected amounting Rs.3771.20 million whereas per trend negative effect was occurred. There is a positive trend of collection of excise duty form the year 2000/01 to 2003/04. After that there is negative trend was occurred from 2004/05 to 2008/09. Last two years of the study period, the trend of collection on excise duty above the trend value. For the detailed see table 4.C.4.1 and table 4.C.4.2

Table 4.C.4.3: Future projection of Total Excise Duty Revenue:

Years	X	a	b	Y_c=a+bX
2011/012	6	1052.24	220.98	2378.12
2012/013	7	1052.24	220.98	2599.10
2013/014	8	1052.24	220.98	2820.08
2014/015	9	1052.24	220.98	3041.06
2015/016	10	1052.24	220.98	3262.04
2016/017	11	1052.24	220.98	3483.02
2017/018	12	1052.24	220.98	3704.00
2018/019	13	1052.24	220.98	3924.98
2019/020	14	1052.24	220.98	4145.96
2020/021	15	1052.24	220.98	4366.94

The table 4.C.4.3 presented above refers the future projection of total excise duty collection for the year 2011/012 to 2020/021. As per the calculated growth rate the excise duty collection through the duty mean will increase by 2209.80 million per year. By which in the year 2011/012 amounting Rs.23781.20 million excise duty be collected. Likewise in the year 2015/016 excise duty amounting Rs. 32620.40 million and in the year 2020/021 amounting Rs.43669.40 million taxes will be collected. See table 4.C.4.3 above for detailed.

Note: **TED= Total Excise Duty**

4. C.5 Major Findings from Analysis of Secondary Data

On the basis of data presentation and analysis in above mention sub-chapter some important findings of the study are summarized below:

(1.) There are two categories of sources of government revenues i.e. tax-revenue and not tax-revenue.

(2.) Revenue mobilization increased by 11% in the FY 2067/068 as compared to FY 2066/067.

(3.) The study shows that the contribution of total tax revenue to total revenue was 86.5% and that of non-tax was 13.5% in FY 2067/068. It shows that taxation has been a major source of government revenue.

(4.) Nepalese tax revenue is composed of both direct and indirect tax revenue. There is major role of indirect tax revenue in Nepalese tax revenue. The contribution of direct tax and indirect tax to total tax revenue was 26.14% and 73.86% respectively in FY 2000/01, which became 28.16% and 71.84% respectively in 2010/011. It reveals that tax structure of Nepal is not justifiable on equity ground and progressiveness because indirect tax is considered regressive in nature.

(5.) The contributions of custom duty, excise duty, and VAT on total indirect tax were 43.73%, 13.14%, and 43.14% respectively in FY 2000/01 and the contribution of each tax reached to 28.82%, 21.42%, and 49.76% respectively in FY 2010/011. It shows that excise duty and VAT are in increasing trend and custom duty is in decreasing trend.

(6.) Excise duty has been considered as suitable sources for mobilizing internal resources. It can be used as a positive instrument to boost up government revenue collection, to develop the economic condition of Nepalese people and promote distributive justice, to maintain the social equality & protect from health hazard and to cure resource gap problem.

(7.) The total tax revenue/GDP ratio in FY 2000/01 was 9.40%, which increased to 13.86% in the FY 2010/011. But this ratio is not regarded as satisfactory increment.

(8.) The indirect tax/GDP ratio, contribution of indirect tax to total tax revenue and total revenue in FY 2000/01 were 6.94%, 73.86% and 58.71% respectively which reached to 9.94%, 71.72% and 62.02% respectively for the FY 2010/011, which is not satisfactory increment for the developing country like Nepal.

(9.) The excise duty/total government revenue, excise duty/total tax revenue, ratio were 7.71%, and 9.70% respectively in FY 2000/01 which, reached to 13.28%, and 15.36% respectively for the FY 2010/011. It is in the increasing trend but not in the satisfactory increment level.

(10.) The excise duty from internal sources/total excise duty and excise on import/total excise duty were in the ration of 96.01% and 3.99% respectively in the FY 2002/03 which is reached to 60.06% and 39.94% respectively for the FY 2010/011. Form this data it shows that contribution of excise duty from internal source to total excise duty goes on decreasing trend. But the contribution ratio of excise on import to total excise duty revenue goes on increasing trend.

(11.) Structure of excise duty is the composition of cigarette, Bidi, Liquor, Beer, Other industrial productions and excise duty on import. Out of them, highly contributing parts are excise on import and then cigarette and so on.

(12.) In the FY 2010/011, contribution ratio of Tobacco, Liquor, Beer, Excise on import and Excise from other industrial production were 19.42%, 19.90%, 11.80%, 39.94% and 8.16% respectively to total excise duty revenue.

(13.) The trend of total government revenue goes on increasing trend by the ratio of Rs. 14983.10 million per year in the study period. But increasing ratio are not at satisfactory level.

(14.) The trend of total tax revenue goes on increasing trend by the ratio of Rs. 13244.30 million per year in the study period.

(15.) Similarly, the trend of total indirect tax revenue goes on increasing trend by the ratio of Rs. 9465.90 million per year. But it is not at satisfactory level.

(16.) Excise duty goes on increasing trend by the ratio of Rs.2209.80 million per year, which are goes on slightly increasing trend.

4. D Empirical Investigation

An empirical investigation has been conducted in order to find out various aspects of excise duty imposition in Nepal. In this chapter analysis information collected from primary sources i.e. through questionnaire. The responses received from various respondents have been arranged tabulated and analyzed in order to facilitate the descriptive analysis of the study.

The questionnaire was asked either for a yes/no response or asked for ranking of the choice according to the number of alternatives where the first choice was the most important and the last choice was the less important. For analysis purpose choices were assigned weight according to the number of alternatives. If the number of alternatives were five, the first preferred choice would get five points and the last preferred choice would get one point. Any alternative which was not ranked didn't get any point. The total points available to each choice were converted into present with reference to the total points available for all choices. The choice with the present score was ranked as the most important choice and the one with the present score was ranked was as the last choice.

The respondents were requested to response on questionnaire by two ways:

- They were requested response simply by yes or no response.
- They could response by selecting one or more options.
- They could response by ranking the choices starting from 1 to most important as per number of choice.
- Respondents had also option to put their views by writing wherever necessary.

Table 4.D.1: Determinations of Respondents Code Used

S.N.	Denominations of Respondents	Sample Size	Code Used
1	Tax Administrators	15	A
2	Tax exports	12	B
3	Excise Duty payers	15	C
Total		42	

Source: As Research Design

4. D.1 Contribution of Excise Duty to Government Revenue at Satisfactory Level

To know the fact of contribution of excise duty to government revenue is at satisfactory level or not, a question was asked “Do you think the contribution of excise duty to government revenue is at satisfactory level”? The responses have been tabulated below:

Table 4.D.2: Contribution of Excise Duty to Gov. Revenue at Satisfactory Level

S.N	Respondents	Yes		No		Total	
		Number	%	Number	%	Number	%
1	A	8	53	7	47	15	100
2	B	4	33	8	64	12	100
3	C	9	60	6	40	15	100
Total		21	50	21	50	42	100

Source: opinion survey, 2012

From the above table it has been clear that contribution of excise duty to government revenue is neither in satisfactory level nor in non satisfactory level. Fifty percent respondents are in the side of satisfactory level and not satisfactory level respectively.

In order to know the reason of unsatisfactory contribution of excise duty to government revenue, another question was asked “If no, what may be the reason?”

Table4.D.3: Causes of unsatisfactory contribution to government revenue.

S.N	Measure causes	A	B	C	Total	%
1	Defective excise duty	1	0	2	3	14.29
2	High corruption	1	3	2	6	28.57
3	Weakness of Gov. economic policies	2	2	2	6	28.57
4	Evasion on excise duty by excise payers	3	3	0	6	28.57
5	Any other, please specify	0	0	0	0	0
Total		7	8	6	21	100

Source: opinion survey, 2012

It can be concluded that high corruption, weakness of government economic policies and evasion on excise duty by excise payers are most important cause of unsatisfactory contribution of excise duty to government revenue.

4. D.2 Effectiveness of Excise Duty Assessment method

To know the view of the respondents about the opinion on effectiveness of excise duty Assessment method under excise duty Act 2058, a question asked “Do you Think Excise Duty assessment methods under Excise Duty Act 2058 are effective”. The response of the respondents is as follows.

Table 4.D.4: Effectiveness of Excise Duty Assessment method under Excise Duty Act 2058.

S.N.	Respondents groups	Yes		No		Total	
		Number	%	Number	%	Number	%
1	A	12	80	3	20	15	100
2	B	8	67	4	33	12	100
3	C	10	67	5	33	15	100
Total		30	71	12	29	42	100

Source: Opinion Survey

From the above table it is clear that out of 42 respondents 30 respondents accepts the excise duty assessment method under excise duty Act 2058 are effective. But only 29% of respondent's response is seen in the side of ineffectiveness of excise duty assessment method under excise duty Act 2058.

Out of 12 respondents only few respondents give his/her suggestions for effectiveness of excise duty assessment method under excise duty Act 2058:-

- Clarify the provisions relating to assessment from the fiscal policy every year,
- Newly tools and techniques are adopted to assessment the excise duty, such provisions clarify by Act,
- Effective implementation of physical control system,
- Leakage of account system should be improved,
- Accounting process should be transparent,
- Excise duty personnel's should train and empowered. Etc.

4. D.3: Effectiveness of Service providing by Excise Duty Administration office to Excise Duty payers and other related people

Effective service providing by excise duty administration office is the sound problem. So to know the fact question was asked "Is the excise duty administration office providing effective service to the excise duty payers and other related people after the new Act 2058". The response of respondents is presented below.

Table 4.D.5: Effectiveness of Service providing by Excise Duty Administration office to Excise Duty payers and other related people, after the new Excise Duty Act 2058.

S.N.	Respondents groups	Yes		No		Total	
		Number	%	Number	%	Number	%
1	A	12	80	3	20	15	100
2	B	8	67	4	33	12	100
3	C	10	67	5	33	15	100
Total		30	71	12	29	42	100

Source: Opinion Survey, 2012

From the above table it has become clear that the service provide by excise duty administration office to duty payers and other related people was effective. This fact accepts by 71% of respondents. Only 29% respondents disagree about this fact.

In order to know the causes behind the ineffectiveness of excise duty service provide by excise duty administration to duty payers, the next question was asked "If no, why may be the reason?"

Table 4.D.6: Cause/ Reasons behind ineffectiveness of excise duty service provide by excise duty administration to duty payers and other related people.

S.N.	Reasons	A	B	C	Total	%	Ranks
1	Lack of training and career development	1	1	0	2	17	2
2	Lack of motivation	0	2	1	3	25	1
3	Lack of reward and penalties	1	0	2	3	25	1
4	Political effect	0	0	0	0	0	-
5	Lack of physical facilities	0	0	0	0	0	-
6	Lack of sufficient budget	1	0	0	1	8	3
7	Lack of sufficient field offices	0	0	2	2	17	2
8	Negligence of tax payer and tax authorities	0	1	0	1	8	3
9	If others (please specify)	0	0	0	0	0	-
Total		3	4	5	12	100	

Source: Opinion Survey, 2012

From above table it can be concluded that lack of motivation and lack of reward & penalties are the major reasons for ineffective service provide by excise duty administration office. In the second rank, lack of training & career development and lack of sufficient field offices. In the third rank, lack of sufficient budget & negligence of excise duty payers & excise duty authorities. And other is less responsible for ineffectiveness in service providing by excise duty administration office.

4. D.4 prescribed Rate of Excise Duty for Excisable Goods should be changed

It is said that prescribed rate of excise duty for excisable goods should be change a question was asked "Do you think the prescribed rate of excise duty for excisable goods should be change?" The responses received from the various respondents are tabulated as follows:

Table 4.D.7: prescribed Rate of Excise duty for excisable goods should be changed

S.N.	Respondents	Yes		No		Total	
		Number	%	Number	%	Number	%
1.	A	12	80	3	20	15	100
2.	B	8	83	2	17	12	100
3.	C	10	53	7	47	15	100
	Total	**30**	**71.43**	**12**	**28.57**	**42**	**100**

Source: Opinion Survey, 2012

From the above table it has been clear that prescribed rate of excise duty for excisable goods should be changed. Most of the responding through that the prescribed rate of excise duty for excisable goods should be changed.

In order to know the reason of change to prescribed rate of excise duty another question was asked, "If yes, what may be the reason?"

Table 4.D.8: Cause of Change Prescribed Rate of Excise Duty for Excisable Goods

S.N.	Measure of Reason	A	B	C	Total	%
1.	Excise rate should be appropriate.	1	0	2	3	10
2.	Excise rate should be reduced	3	4	4	11	37
3.	Excise duty should be increase	8	6	2	16	53
4.	Any other information please specify	0	0	0	0	0
	Total	**12**	**10**	**8**	**30**	**100**

Source: Opinion Survey, 2012

It can be concluded that excise duty rate should be increased is first one i.e. 53% of respondent suggested to increase excise duty for excisable goods. Than 37% respondents suggested excise duty rate should be reduced and 10% respondents suggested should be appropriate excise duty rate for excisable goods. From the above result it is seen that all respondents give his suggestion from the view point of social welfare.

4. D.5 Future Prospects to Increase Excise Duty Revenue in Nepal

It is said that the future prospects to increase excise duty revenue in Nepal. To know the fact question was asked, "Do you think what the future prospect to increase excise duty revenue in Nepal is?"

Table 4.D.9: Future Prospects to Increase Excise Duty Revenue in Nepal

S.N.	Future Prospects	A	B	C	Total	%
1.	Excise rate should be increased on excisable goods	1	1	0	2	5
2.	Adequate govt. economic policies	1	1	3	5	12
3.	Control on excise duty evasion	2	4	4	10	24
4.	Increase in no. of excisable goods	6	3	3	12	28
5.	Suitable excise duty law rules & regulations	5	3	5	13	31
	Total	**15**	**12**	**15**	**42**	100

Source: Opinion Survey, 2012

From the above table, we can see that out of 42 respondents 31% of respondents suggested that carrying of suitable excise duty law rules and regulations. Similarly 28% respondents suggested that increase in number of excisable goods. Then 24% of respondents suggested that control on excise duty evasion. Only 5% of respondents suggested that the excise rate should be increased in excisable goods. Only few respondents i.e. about 2% suggested carrying out the adequate government economic policies.

4. D.6 Facilities Provided by the Government to Excisable Goods Production Company

Government should generate more excise duty from excisable goods Production Company giving them more facilities. To know the fact questions was asked "What kind of facilities should the government provide to excisable goods Production Company to generate more excise duty?"

Table 4.D.10: Facilities Provided by the Government to Excisable Goods Production Company

S.N.	Facilities	A	B	C	Total	%
1.	Excise rate should be decreased	0	2	3	5	12
2.	Increase awareness of excise duty	7	3	1	11	26
3.	Favorable economic payers policy implementation	4	4	5	13	31
4.	Clarify excise duty rules, act and regulation	3	3	6	12	29
5.	Any other, please specify	1	0	0	1	2
	Total	**15**	**12**	**15**	**42**	**100**

Source: Opinion Survey, 2012

From the above 4.D.10 table, it is observed that out of 42 respondents 31% of respondents suggested that the government should implementation favorable economic policies. Similarly, 29% of respondents suggested that clarify excise duty rules, act and regulations. Than 16% respondents suggested that, increase awareness of excise duty payers. The highest percentage respondents (i.e. 31%) suggested that favorable economic policy implementation.

4. D.7 Problems in Excise Duty Administration

To know the view of the respondents about the problem in excise duty Administration a question was asked "In your opinion, what are the problems in each duty administration?" the response received from the respondents are tabulated as follows:

Table 4.D.11: Problems in Excise Duty Administration

S.N.	Problems	A	B	C	Total	%
1.	Lack of trend and competent personal	4	1	4	9	21.43
2.	Complicated in excise duty law &	6	4	3	15	35.71

	policy					
3.	Corruption	0	5	4	9	21.43
4.	Lack of proper communication & direction	3	2	2	7	16.67
5.	Unnecessary political pressure	2	0	0	2	4.76
6.	Any other please specify	0	0	0	0	0
	Total	**15**	**12**	**15**	**42**	**100**

Source: Opinion Survey, 2012

The excise duty Administration of Nepal is not sound. There are many problems in excise duty Administration in Nepal. To know the problems of Excise duty Administration of Nepal a question was asked "in your opinion, what are the problems in Excise duty Administration?' The responses of the respondents are as follows:

From the above table it is observed that the major problems of Nepalese excise duty administration have been identified among them. Complicated in excise duty law and policy. Ranks first one is 35.71% of the respondents suggested to reviewing the provisions regarding in the prevailing law and policies relating to excise duty. Then after ranks second one is lack of trend and competent personal and corruption, 21.43% of the respondents suggested to giving training to excise duty officer and supervision and strong provision against the corruption were acted rapidly. And lack of proper communication and direction ranks third that is 16.67% respondent accept this problems. Unnecessary political pressure is ranks in forth position is 4.76% accept this problem.

4. D.8 Problems in Excise Duty Act 2058 in Nepal

Excise duty collection in Nepal is main problem. To know the fact question was asked "Do you think that there are problem in excise duty Act 2058 in Nepal?"

Table 4.D.12: Problems in Excise Duty Act 2058 in Nepal

S.N.	**Respondents**	**Yes**		**No**		**Total**	
		Number	%	Number	%	Number	%
1.	A	15	100	0	0	15	100
2.	B	9	75	3	25	12	100

3.	C	12	80	3	20	15	100
	Total	**36**	**86**	**6**	**14**	**42**	**100**

Source: Opinion Survey, 2012

From the above table it has become clear that there has problem in excise duty Act 2058 in Nepal. Most of the respondents i.e. 86% thought that there were problem in excise duty Act 2058 in Nepal.

In order to know the problem of excise duty Act 2058 in Nepal, the next question was asked "If yes, what may be the reason?"

From the given table it can be concluded that in the opinion of respondents, there are problems in excise duty Act 2058 in Nepal. Basically, Lack of educated people, Political problem, Ineffective enforcement of fine and penalty, Complicated language, Illegal business activities, Tax evasion and avoidance, due to the lack of strong supervision, increasing habit of excise duty evasion, inadequate economic policy and complexity in excise duty act, rules and regulations were the major problems in excise duty Act 2058 in Nepal.

Table 4.D.13: Causes in problem of Excise Duty Act 2058 in Nepal

S.N.	Major problems	A	B	C	Total	%
1.	Lack of educated people	3	2	2	7	19
2.	Political problem	2	0	1	3	8
3.	Lack of strong supervision	4	6	5	15	42
4.	Ineffective enforcement of fine and penalty	4	1	4	9	25
5.	Complicated language	2	0	0	2	6
	Total	**15**	**9**	**12**	**36**	**100**

Source: Opinion Survey, 2012

4. D.9 Corrupt Practice Exists in Excise Duty Administration of Nepal

Corruption in the field of excise duty collection in Nepal is main problem. To Know the fact question asked "Do you think corrupt practice exists in Excise Duty Administration of Nepal?" the responses of respondents were presented in table below.

Table 4.D.14: Corrupt Practice Exists in Excise Duty Administration of Nepal

S.N.	**Respondents**	**Yes**		**No**		**Total**	
		Number	%	Number	%	Number	**%**
1.	A	10	67	5	33	15	100
2.	B	9	75	3	25	12	100
3.	C	11	73	4	27	15	100
	Total	**30**	**71**	**12**	**29**	**42**	**100**

Source: Opinion Survey, 2012

From the above table it has become clear that there has corrupt practice exists in excise duty administration of Nepal. Most of the respondents i.e. 71% thought that there were problem of corruption practice exists in excise duty administration of Nepal. In order to know the corruption practice exists in excise duty administration of Nepal, another question asked "If yes, what are the major causes of corruption in excise duty administration of Nepal?".

Table 4.D.15: Major causes of corruption in excise duty administration of Nepal

S.N.	Major causes	A	B	C	Total	%	Ranks
1	Dishonest excise duty payers	4	3	1	8	27	1
2	Dishonest excise duty personnel	1	2	3	6	20	3
3	Political uncertainties and political pressures	2	2	3	7	23	2

4	Lower remuneration of excise duty personnel	2	1	2	5	17	4
5	Weaknesses of acts, rules and regulations	1	1	2	4	13	5
6	Other (please specify)	0	0	0	0	0	-
Total		10	9	11	30	100	

Source: Opinion Survey, 2012

From the given gable, it can be concluded that in the opinion of respondents, there are corruption practices exists in excise duty administration of Nepal. Basically the causes ranked by respondents are in the order of Dishonest of excise duty payers, Political uncertainties & political pressures, Dishonest of excise duty personals, lower remuneration of excise duty personals and weakness of acts, rules & regulations.

4. D.10: Way of minimizing the corrupt practice existed in Nepalese excise duty administration

To minimize the corrupt practice exists in excise duty administration government regulates various ways. To know the fact questions was asked "How can corrupt practice existed in Nepalese excise duty administration be minimize?" The responses of respondents were presented in the table below.

Table 4.D.16: Way of minimizing the corrupt practice existed in Nepalese excise duty administration.

S.N.	Way of minimizing corrupt practice	A	B	C	Total	%	rank
1	Strong action against corruptors	4	3	3	10	23	1
2	Development of check and balance system	4	2	3	9	21	2

3	Moral education to duty personnel's	2	3	3	8	19	3
4	Reduction of duty officers discretionary power	1	2	1	4	10	5
5	Additional incentives to duty personnel	2	0	2	4	10	5
6	Regular supervision of tax personnel	2	2	3	7	17	4
7	Other (specify please)	0	0	0	0	0	-
Total		15	12	15	42	100	

Source: Opinion Survey, 2012

From the above table it is seen that the best way to minimize the corrupt practice existed in Nepalese excise duty administration is strong action taken against the corruptors. This option specify by 23% respondents. In the second rank 21% of respondents specify the way of development of check & balance system. Similarly in the third and fourth rank specify the way of moral education to excise duty personnel and regular supervision of excise duty personnel by 19% & 17% of respondents respectively. Lastly only 10% of respondents were specify the way of minimizing the corrupts practice are reduction of tax officers discretionary power and additional incentives to duty personnel's.

4. D.11 Comments and Suggestions from the Respondents

An open question was asked to the respondents to know their comments and suggestions regarding effective administration of Excise Duty Act 2058. The responses received from them are presented below:

Comments from the Respondents:

1. Do correct practices by all,

2. Excise Duty paying culture should be expanded,
3. Excise duty payers can check the undesirable practices by excise duty officials,
4. There are very few excise duty brackets. Tax brackets should be more,
5. Lack of clear-cut definition and language accuracy in Excise Duty Act 2058,
6 Difficult to understand language,
7 There is no sufficient facilities and no encourage for excise duty payers company,
8 Administration is poor and the practice of excise duty is not effective,
9 Inconsistent policies due to unusual situation of the country,
10. Don't give priorities to the relatives, friends, and commission players,
11. Due to the political problems of nation as well as poor implementation of rules and regulations of excise duty, assessment methods are not being effective,
12. Excise duty evasion and reduction exist,
13. Most taxpayers oriented no address on human resource post, structural problem and power centralization,
14. Complicated language,
15. Lack of effective training and motivation, excise duty payer's education, and morality to both duty payers and excise duty personnel,
16 Lack of proper utilization of collected excise duty,
17. Lack of reward and punishment to both excise duty payers and excise duty personnel,
18. Lack of political stability, so it effect to the proper administration of Excise Duty Act 2058,

19. There is not clear in law, excise duty officer is not well knowledge about excise duty Act and being boss not service oriented,
20. This act provision cannot reduce the illegal business activities, excise duty evasion and avoidance,
21. There is ineffective enforcement of fine and penalty so corrupt practice exists in excise duty Administration of Nepal,

Suggestions from the Respondents:

1. It is necessary to build a strong information system and public awareness,
2. Excise Duty Act should be compatible with international practices,
3. Performance based incentive system should be applied,
4. Revenue authority board should be set up,
5. Fully functional system should be adopted,
6. Excise duty administration should run in electronic system,
7. Free from political interfere,
8. Strong commitment by political leaders, which must reflect in result,
9. More information to be given to the Excise duty offices and authorities in time and again,
10. Training and logistics should be provided to excise duty offices sufficiently,
11. Hard penalties needed for excise duty related fraud,
12. Excise duty administration should be supported by adequate information about business,
13. Excise duty payer's education is to be strengthened,
14. Private organizations and civil societies are to be supportive to better tax compliance,

15. The system is not scientific. So make it scientific and progressive,
16. Widening the excise duty base or expanding the excise duty network,
17. Controlling the mal practices and excise duty evasion,
18. Severe penalties to the concerned excise duty corruptors,
19. There should be clear definition, and not be two-way languages in the act,
20. Sound excise duty policies should be necessary and simplification of procedures,
21. Behavioral change in excise duty personnel,
22. Define various sources and level of excise duty payers,
23. Concerned department and group should be identified,
24. Develop ethnicity in auditor or define source to excisable goods and services,
25. Effective implementation of code of conduct,
26. Develop proper check and balance system through electronic media to control excise duty related malpractices, etc.

4. E Major Findings from Empirical Study

On the basis of data presentation and analysis some important findings of this study are summarized below:

- Excise duty collection on internal source in 2001 and 2010 are 96% and 55.25% respectively. Excise duty on import in 2001 and 2010 are 4% and 44.05%. In the study period excise on internal source should be decline trend and excise on import should be rapidly increasing trend.

- Structure and excise duty cigarette and beer contribute maximum amount to excise duty. Then liquor and other industrial production contribute. In current year excise on import will rapidly increase to excise duty. Bidi share on excise is decline in current year.

- Excise rate of beer is increasing for studying period. Excise rate of beer is increasing Rs. 47 per when for study period i.e. 142.5%
- Excise rate of cigarette also increasing for studying period. Excise rate of cigarette increasing slowly in 2001 to 2007, therefore, it is increasing rapidly in 2008 to 2011. The excise rate of cigarette will increase 65% to 90% for study period individually.
- Excise rate of liquor product also slowly increasing 2001 to 2007, therefore, it increasing rapidly in 2008 to 2011. The excise rate of liquor will increase more than 60% to 500% on study period individually.
- According to the excise officer there was lack of trend and competent personal and beverage and liquor company's staff and other company's owner and staff said there was high corruption in excise duty administration.
- According to excise duty officer and other company's staff and owner conclude that there was lack of trend and competent personal in excise duty administration in Nepal.
- All respondents are said that the contribution of excise duty to government revenue is not satisfactory level.
- According excise officer, excise duty payers evade excise duty but beverage and Liquor Company's staff says there is no evade in excise payer.
- All respondent's are said there was the problem in excise duty collection in Nepal.
- All respondents are said government should be increase no. of excisable goods and change the rate of excise duty to excisable goods.
- According to excise duty officer government control excise duty evasion and other respondent are said control corruption in excise duty office.
- All groups of respondents check their weak points and causes of weakness said to each other.
- Experts said there is problem in administration and excise duty payers, but administrators said that excise duty payers are the major responsible to all kind of weakness in excise duty act practices.

- But, excise duty payers said that tax administrators and government should responsible for corruption and leakage of revenue.
- Tax exports and tax payers said that tax administrators should not give the proper service to the related people and excise duty payers.
- Various comments and recommendations are given by the respondents for the better implementation and solving the problems of excise duty Act.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Undoubtedly, taxation and economic development are two closely interrelated concepts. Taxation has an important role in country's economic development. In recent decades, many developing countries around the world have begun to focus their poorly designed tax structures as an integral part of their development efforts. Such reform has established some new trends. One of such trends is the increasing acceptance of excise duty as an important part of their tax reform program.

Nepal has been under going through several fiscal crises due to limited sources of revenue and increasing government expenditure. The trend of gap between revenue expenditure shows that, it is even conducive to increase in future leading the country to a debt trap situation. In the wake of such a crisis Nepal has adopted a Excise duty.

Excise duty is the very old innovation in the field of taxation for 16^{st} century. It was first implemented in 16^{th} and 17^{th} century by the Holland government. Then after more than 190 countries of the world are being attracted towards this system. In Nepal, excise duty was seriously considered during the first civil code of 1910 BS. Some studies held in that period concluded that excise duty was applicable to Nepal but its effective implementation through efficient administration was identified as a serious challenge. Adequate preparation suggested for its success in future. The excise duty is collected from producer and users who use and provide excisable goods.

In each and every country, lots of fund is required to meet the additional financial requirements for the development activities. In developing countries, lack of financial resources is the main constraint for the nation's development. The government has responsibility to fulfill fundamental needs of the country. To fulfill these fundamental needs government collects the revenue in terms of direct tax and indirect tax, Nepal has been unable for proper mobilization of internal sources. Therefore, fiscal deficit of Nepal has been increasing. Excise duty should play important role to solve the problem of fiscal deficit. But in Nepal, Excise duty contribution to government revenue is more than its estimated forecast.

The structure of government revenue of Nepal is composition of tax revenue and non tax revenue. Tax revenue is the composition of customs duties, Excise duties, Sale tax, VAT, income tax, house and land rent tax and other direct and indirect taxes. The tax revenue plays vital role in contributing to government revenue. In average, tax revenue contributes about 80.75% and non-tax revenue contributes 19.25% in total government revenue of the Nepal. From this point of view, tax revenue has been playing vital role to government revenue.

Excise duty contribution to total government revenue is 13.5% in 2010/011. The excise duty contribution to total tax revenue is 15.36 % in 2010/011. So, excise duty is main source of government revenue.

The main objective of the research was to study the structure of excise duty, prescribed rate of excise duty in excisable goods and it is contribution to government revenue in Nepal. As per the nature of the study secondary as well as primary data was collected and analyzed. The source of primary data was from the analysis of respondents' response. Response was collected from respondents representing excise administrators, tax exports and excise duty payers. Questionnaire were distributed and collected and information was also has been tabulated. The secondary data were collected from ministry of finance, IRD's annual report, Economic Survey as well as Budget Speech various year.

There are 520 companies, who produce excise goods and no. of excisable goods are 50 in Nepal. There are 22 offices in Nepal for collection excise duty.

In Nepal, the history of Excise duty is so long. It started on 1854. the civil code 1854 has given legal basis for imposing excise duty on liquor, mining of iron, animal bones, hashish, timber wood etc. the introduction of Excise Act 1959 and the related excise regulation replaced the 1854 civil code. It is reported that the selected excisable products numbered 14 in 1964. The Excise Act 2002 authorized the government to raise revenue from selected import products.

5.2 Conclusion

It is clear that, the tax is most essential source of the government revenue. Tax can be classified as two categories; direct tax and Indirect tax. 3/4 portion of total is occupied by Indirect tax. Excise duty is a major source of national revenue. It covers almost 13.5% share of total revenue. Thus the conclusion is that the prospects of excise duty entirely depend on its implementation aspect. Excise duty has bright prospect in Nepal only when it can be implemented in a successful way further, the successful featuring depends up on the strong, fair, capable, honesty, taxpayer friendly and efficient administration.

Trend of excise duty collection is increasing from the past. Government also adopted excise duty as a foundation of revenue. This fact is shown in 10th plan, budget speech and strategies of Inland Revenue department. Nepal adopted open and liberal economy. In liberal economy the rate of custom duty should be reduced. Contribution of custom duty in total revenue is gradually declining in recent years. Income level of Nepalese people is low, lack of industrialization. So, at present income tax can't contribute to national revenue because of above reason. High income rate discourage saving and investment. But contribution of excise duty is not sufficient because lack of industrialization. Besides this, excise duty is broad-based tax system. It has many attributes that increase the potentiality of excise duty in Nepal. Strong political commitment, co-operation between customs offices and revenue offices, Co-operation between private sector and the government bodies, systemization of the open brooder, high public consciousness level, transparency and improvement of rules and regulation accordingly overtime. Thus excise duty can be entrenched as an integral part of the Nepalese tax structure in the long run if the issues mentioned above are taking seriously.

The objectives of the excise duty was to mobilize revenue, to discourage the consumption of health hazard products, to provide protection to the domestic industry by imposing countervailing duty, and the protection of environment. In 2006 the number of excisable products was 30. The number has further increased to 50 in 2011. The reason for the increase in the number is the excise duty imposed on the plastic packing, fruit juices, iron rods and other imported machinery, marble, glaze tiles, noodles, fried meat, cement, paints, ceramic brick (except domestic product), vehicles, printing equipment, telecommunication equipments, televisions and other selected electric equipments etc.

The structure of excise duty would be cigarette, liquor, beer, bidi, excise on import and other industrial product. The structure of excise duty reveals the significance of revenue generated from three excisable items - Cigarette, Liquor and beer- in total excise duty. Excise duty on import is contributing significantly in current year. The excise duty from the cigarette is the single largest contribution of the total excise duty. Other industrial production also contributes 11.2% to total excise duty revenue.

Total tax revenue is the composition of direct tax and indirect tax revenue in Nepalese tax revenue. The contribution of indirect tax revenue to total revenue was 74.97% in 2001 and it is 76.81% in 2010. The contribution of direct tax was 25.03% in 2001 and it is 23.19% in 2010. The contribution of indirect tax to government revenue is also found in fluctuating trend.

Indirect tax revenue is the composition of customs duty, VAT, Excise duty and other tax. The contribution of custom duty to indirect tax revenue was 43.70% in 2001 and it is 30.65 in 2010. The share of custom duty is in decreasing trend. The contribution of VAT to indirect tax revenue was 43.10% in 2001 and it is 48% in 2010. The share of VAT is slowly increased. And contribution of excise duty to indirect tax revenue was 13.10% in 2001 and it is 21.25% in 2010. The share of excise duty to indirect tax revenue is in increasing trend.

Excise duty contribution to total government revenue is 13.15%. It is increasing every year. Excise duty contribution to tax revenue is 20.76% in 2010 in excise duty collection ratio (internal and excise o imports). Internal excise duty was 96% in 2001 and it is 55.95% in 2010. Internal excise duty is in decreasing trend. And excise on import was 4% in 2003 and it is 44.05% in 2010. Excise on imports is in rapidly increasing every year.

One of the reasons for the growth in the annual collection of revenue is attributed to the excise duty in liquor, beer and cigarette. Excise duty is considered to be the excise duty to apply as the number of manufactures is limited in number and the burden of such duty is passed on to consumer. It is illustrated with a few examples. The duty on beer was Rs 33 per liter in 2001, the ratio of which increased almost every year. Now it stands at Rs 80 per liter.

In the opinion survey, it has been found that there is poor taxpaying habit of Nepalese people for which lack of incentives for regular taxpayers is the main reason. There is problem in excise duty administration. However, Excise Duty Act 2058 is modern and effective that the previous Act. But, contribution of excise duty on national revenue is not satisfactory. There is corrupt practice in the excise duty administration. On the opinion of the respondents the most powerful reason for corrupt practice is dishonest excise duty personnel and political uncertainty.

At last, in conclusion, it can be said that so many problems should be managed timely and implemented properly, the problems can be solved in some extent and excise duty will lead to substantial increase revenue and the Nepalese tax administration has been attempting to modify itself to meet the pressing challenges brought by change in technology and economic policies and then we can solve the problem in administration of excise duty Act 2058 in Nepal.

5.3 Recommendations

To achieve the result according to our expectations from excise duty, it is essential to change our attitude and behaviors towards excise duty. In accordance with the findings of the study, I personally, forward the following recommendations:

1. Considering our culture and economic situation, we should adopt the international taxation system and technology.
2. We are facing political uncertainties. Policies are well designed but very poorly implemented in Nepal. So, to promote industries, political problem should be solved at first i.e. one stable government is required at least for coming 20 years so that they won't change the policies time and again and implement them very minutely.
3. The contribution of excise duty on national revenue should be increased by the following ways:

   a) Corruption should be minimized

b) New sources of revenue should be found out

c) Effective excise duty collection tribunals should be established

d) No political placement and pressure in revenue department.

e) Over staffing is to be controlled.

4. To solve the administration problem in excise duty, following ways are to be adopted:

   i) There must be political stable environment for the business activities.

   ii) Illegal business activities must be controlled.

   iii)Tax evasion and avoidance must be eradicated by effective implementation of fine and penalties and charging severe actions to such people.

   iv) Provide effective training to excise duty personnel time and again.

   v) Ensue public awareness by conducting various programs.

5. Excise duty assessment under excise duty Act 2058 are effective however there are lots of trouble during excise duty assessment and no clear language (dual meaningful) in this Act. The following recommendations are made to make more effectiveness of assessment methods:

   i) In physical control and self control system accounts should be carried by auditors.

   ii) Excise duty assessment methods under excise duty Act-2058 are an average so further treatment needed.

   iii)Assessment must be made timely and without using discretionary power.

   iv) Management assessment procedure should be clearly defined.

   vi) Whether the assessed files his/her excise duty return to the revenue office, the office should assess his/her excise duty without any hassles and harassment.

6. The revenue administrative and revenue tribunal offices should be easily accessible by the excise duty payers, wherever they go with their problems; such problems are to be solved very quickly. These offices should give appropriate working environment to the excise duty payers. No procedural delay or filing works are to be added to the excise duty payers.
7. Following recommendations may be useful to improve the effectiveness of excise duty administration:
    a) Training and career development should be provided to the tax personnel time to time.
    b) There should be reward and punishment system to the excise duty officers.
    c) There should be sufficient field offices.
    d) Excise duty personnel should be given necessary physical facilities to minimize the corruption.
    e) Excise duty administration should be free from political pressure.
    f) Weakness of excise duty Act, rules and regulations should be amended by the government time to time.
    g) There should be sufficient excise duty offices. Especially in the industrial area there should be more offices.
8. In the opinion of the respondents' corruption is the major problem on excise duty administration in Nepal. Corruption is unethical or wrongdoing. A closer look in human behavior in economic life reflects corruption, poverty more than that of normal it reflects a lack of ethics. The following recommendations are put forward to minimize the corruption:
    a) Check and balance system should be developed in excise duty offices.
    b) There should be adequate salary and the facilities to the excise duty personnel.

c) Dishonest excise duty personnel and excise duty payers should be punished severely.

d) The political scenario of the country should be clear and stable.

e) Nepalese government should bring thousands of activities to uplift the living standard of the people.

f) Consciousness should be developed to hate corruptors.

g) Every citizen of the nation should be aware that measure income of the nation in tax and should be ready to pay own part honestly.

The Excise Duty Act 2058 is facing different types of administrative problems. If the above recommendations are managed/ implemented minutely, the problems can be solved in some extent and we can collect more excise duty revenue to the country.

- The government of Nepal has not stimulated the vision for the excise duty. The government revenue policy has not even mentioned about the excise duty except in broad terms like administration and legal reforms and the controlling of leakage of the tax system as a whole. Indeed the policy of excise duty seems to have not been an integrated part of the national revenue policy. It is the third largest single source of revenue which is raised from a limited number of manufacture and the importers in selected products. It appears to have been taken for granted that the excise duty will continue to be a large source of income. In need, the accession to WTO has the implications of reduced tariff rate and the loss of revenue over the next years. It is most likely that the excise duty has to contribute a larger portion of the compensation of the loss of revenue. It is therefore necessary to recognize that different aspects of excise duty should be integrated in a forward working plan for government policy. It is suggested to formulate government policy which may indicate annual target strategy to achieve the target, and review mechanism covering policy, legal, institutional, administration components.

- The Amendment of the excise act and the Liquor Act should be initiated with a view to respond to the changing socio-economic situation. The discretionary authority of the officials should be curtailed. The disqualification clauses of the applicant should be stipulated so as to make it more transparent to the applicant who should know the expectation of the government while approving the application. The juvenile drinking should be made more stringent and supplier should be liable for severe punishment in case of infringement of the Act. The penalty should be more severe and if proven guilty of violating the provisions of the Acts, the accused must serve jail sentence corresponding to the degree of criminal offence.

- The definition and classification of excisable products as per the excise act are not compatible in most of the products with the Harmonized code used in the customs. For example, while applying excise duty on soft drinks, it has defined soft drinks as containing up to 1% alcohol, which is incompatible with the HS code nomenclature which defines soft drinks containing up to 0.5% alcohol. The excise Act has not defined fruit juice in a way that is compatible with HS code. HS code has classified fruit juice in terms of raw materials used i.e. orange, apple, grapes etc.

- Efficient government can solve the problems of excise evasion. The government has to be transparent on collection of excise duty and control the corruption on Inland Revenue office.

- To collect more excise duty, the government should provide more facilities to excisable goods Production Company and promote these industries. The government should increase the number of excisable products to generate more revenue.

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Appendix-I

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 Trend and Issues of Excise Duty in Nepal**" 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

Narayan Phullel

QUESTIONNAIRE

A STUDY ON TREND AND ISSUES OF EXCISE DUTY IN NEPAL

(The Questionnaire asked with the Respondents)

1. Name of Respondents: ……………………………..

2. Position: …………………………………

3. Office/ Department: ……………………………

4. Tenure of Services: ……………………………….

5. Sex: Male (   ) Female (   )

Please tick ( ) the answer of your choice and put the alternatives in order of preferences.

1. Do you think the contribution of excise duty to government revenue is at satisfactory level?

   I. Yes [   ] II. No [   ]

   If no, what may be the reasons?

   a. Defective excise duty [   ]

   b. High corruption [   ]

   c. Weakness of government economic policies [   ]

   d. Evasion on excise duty by excise payers [   ]

   e. Any other, please specify……………….

2. Do you think Excise Duty Assessment methods under Excise Duty Act 2058 are effective?

a. Yes (........) b. No (..........)

If no, what suggestion you can give? Please specify.

....

3. Is the excise duty administration office providing effective service to the excise duty payer and other related people after the new Act 2058?

a. Yes (........) b. No (..........)

If no, why may be the reasons? (Please rank your answer in the order of priority)

a) Lack of training and career development [.......]

b) Lack of motivation [.......]

c) Lack of reward and penalties [.......]

d) Political effect [.......]

e) Lack of physical facilities [.......]

f) Lack of sufficient budget [.......]

g) Lack of sufficient field offices [.......]

h) Negligence of tax payer and tax authorities [.......]

i) If others (please specify) ....

4. Do you think the prescribed rate of excise duty for excisable goods should be change?

I. Yes [ ] II. No [ ]

If yes, what may be the reasons?

a. Excise rate should be appropriate [ ]

b. Excise rate should be reduced [ ]

c. Excise rate should be increased [ ]

d. Any other, please specify………………

5. Do you think what are the future prospects to increase excise duty revenue in Nepal?

a. Excise rate should be increased on excisable goods [ ]

b. Adequate government economic policies [ ]

c. Control on excise duty evasion [ ]

d. Increase in no. of excisable goods [ ]

e. Suitable excise duty laws, rules and regulation [ ]

6. What kinds of facilities should the government provide to excisable goods Production Company to generate more excise duty?

a. Excise rate should be decreased [ ]

b. Increase awareness of excise duty payers [ ]

c. Favorable economic policy implementation [ ]

d. Clarify excise duty rules, act and regulation [ ]

e. Any other, please specify………………

7. In your opinion, what are the problems in excise duty administration?

a. Lack of trend and competent personal [ ]

b. Complicated in excise duty law and policy [ ]

c. Corruption [ ]

d. Lack of proper communication and direction [ ]

e. unnecessary political pressure [ ]

f. Any other, please specify………………………….

8. Do you think that there is problem in Excise Duty Act 2058 in Nepal?

a. Yes (........) b. No (..........)

If yes, what are the major problems in implementation of Excise Duty Act 2058 in Nepal? (Please, rank your answer in order of priority)

a) Lack of educated people [.......]

b) Political problem [.......]

c) Complicated language [.......]

d) Ineffective enforcement of fine and penalty [.......]

e) Illegal business activities [.......]

f) Tax evasion and avoidance [.......]

g) Low responsibility of tax payer and tax authorities [.......]

h) Lack of appropriate assessment procedure [.......]

i) Inappropriate rate and exemption limit [.......]

k) Inadequate economic policy [.......]

l) Other (Please specify) ....

9. Do you think corrupt practice exists in Excise Duty Administration of Nepal?

a. Yes (........) b. No (..........)

If yes, what are the major causes of corruption in Excise Duty Administration of Nepal? (Please rank your answer in the order of priority)

a) Dishonest excise duty payers [.......]

b) Dishonest excise duty personnel [.......]

c) Political uncertainties and political pressures [.......]

d) Lower remuneration of excise duty personnel [.......]

e) Weaknesses of acts, rules and regulations [.......]

f) Other (please specify) ....

10. How can corrupt practice existed in Nepalese Excise Duty administration be minimized? (Please rank your answer in the order of priority)

a) Severe actions to corruptors [.......]

b) Development of check and balance system [.......]

c) Moral education to tax personnel [.......]

d) Reduction of tax officer's discretionary power [.......]

e) Additional incentives to tax personnel [.......]

f) Regular supervision of tax personnel [........]

g) Other (please specify) ....

11. Do you have any comments and suggestions for addressing or solving the problems of Excise Duty Act 2058, Excise Duty Rules 2059, please specify.

Comments: a) ....

b)…………………………………………….

Suggestions: a) ....

b)……………………………………………

Thank you very much for your kind help and cooperation.

APPENDIX - II

LIST OF RESPONDENTS

Excise Administrator (Tax)

1. Bal Bdr. Bsihwakarma
2. Indra Bahadur Nepali
3. Chaudamani Devkota
4. Rajendra Paudel
5. Deepak Gautam
6. Phanindra pd. Pokhrel
7. Ishwor Prasad Koirala
8. Tulis Bhattarai
9. Gita Lamsal
10. Badri Prasad Gautam
11. Tankamani Sharma
12. Nagendra Tharu
13. Udaya K.C.
14. Chhabi Lal Koirala
15. Mina Sigdel
16. Manidev Bhattari
17. Ramhari Gyawali
18. Ditak Acharya

Excise Duty payers Company's and Staff

1. Dugar Food and Beverage Pvt. Ltd
2. Tirth Raj Shakya
3. Bishnu Chaudhary
4. Suman Khawaju
5. Sujal Plastic Industry Pvt.Ltd
6. Sunil Shakya
7. Rajeeb Rajchi
8. Ratna Magar
9. Arjun Maharjan
10. Karan Singh
11. Shanghai Plastic Industry Pvt.Ltd 'A'
12. Anita Maharjan
13. Shangahi Plastic Industry Pvt.Ltd 'B'
14. Tanchankanya Group
15. Baju Plastic Industry Pvt.Ltd
16. Parkash Shrestha

17. General manager Shanghai Plastic Industry
18. Roshan Chand Thakuri
19. Bigee Iron and Steel Industry Pvt.Ltd
20. Sanukrishna Maharjan
21. Chandi Steel and Iron Industries
22. Nama Raj Koirala
23. Bhairabnath Iron Industries
24. Indra Kadel

Tax Experts and Officers

SN	Name and Designations of the Respondents
1	Tanka Mani Sharma, Director, Inland Revenue Department, Laximpat, Kathmandu
2	Bishnu Prasad Upadhyaya, Tax Officer, Inland Revenue Office
3	Dasi Ram Khanal, Registered Auditor, D. R. Khanal & Company, Naxal.
4	Dilip Kumar Chaudhary, Registered Auditor, D. K. & Company,
5	Dinesh Sharma, Tax Officer, Inland Revenue Office,
6	Ghan Shyam Panthi, Section Officer, Inland Revenue Department,
7	Gopal Shrestha, Registered Auditor, Shrestha & Company,
8	Laxman Budhathoki, Tax Officer, Inland Revenue Office,
	9. prof. Dr.Kamal Deep Dhakal, Campus Chief, Shankar Campus
10	Mohan Singh Basnet, Tax Officer, Inland Revenue Office,
11	Nirmal Hari Adhikari, Deputy Secretary,
	12.Romakanta Bhattari, Lecturer, Shankar Dev Campus
13	Rajendra Prasad Chudal, Tax Officer, Inland Revenue Office,

14 Ram Prasad Ghimire, Tax Officer, Inland Revenue Office,

15 Sagar Man Singh, Registered Auditor, Sagar & Company, Kathmandu, Nepal

16 Sharad Kumar Pradhan, Tax Officer, Inland Revenue Office, .

17 Sharad Kumar Pradhan, Tax Officer, Inland Revenue Office,

18 Tanka Nath Poudel, Tax Officer, Inland Revenue Office,

19 Tej Bahadur K. C., Tax Officer, Inland Revenue Office,

20 Umesh Shrestha, Tax Officer, Inland Revenue Office,