

CHAPTER-I

INTRODUCTION

1.1 General background of the Study

In Nepal after the use of democracy, deliberate planning process began only after 1956(2013 B.S.) and the huge amount of revenue was required for the planning process. To fulfill the planning expenditure and for the process of development of nations a lot of capital was needed. Government could get it by two financial sources. One is by external sources and other is internal sources. The external sources like foreign aids and borrowing are not enough for the economic development programmers. Foreign aids are guided by social political motives of the donor countries rather than the need project by the recipients countries. Borrowings also involves a withdrawal made in return for the governments promise to repay at a future date and to pay interest in the interim. Among internal sources taxation seems to be the most effective way to mobilizing internal sources.

The sources of Government revenue can be broadly classified into two categories of tax revenue. The Government receives tax revenue as a compulsory payment whereas non-tax revenue is conditional one. In general, tax can be grouped in two groups, direct tax and indirect tax. If person bearing and paying tax is same, it is called a direct tax. In the word of Dalton, a direct tax is really pad by the same person on whom it is legally imposed. Direct tax includes: Income tax, Property tax, Vehicle tax, Gift tax and Interest tax which is different. Again in the word of Dalton, an indirect tax includes: Value Added Tax, Sales tax, Entertainment tax and Hotel tax, Excise Duty, Import and Export Duties etc. The indirect tax is a commodity tax, which partly or fully passed on by forward and backward shifting process (Tiwari, 2052).

It is unanimous that all government needs resource mobilization from internal resource or external resource to fulfill their declared policies and programs. When the country depends upon foreign grant and loan assistance because of lacking in internal resource of revenue, the country has to increase its capability of resource mobilization for sustainable development and reduces dependency over foreigners. Considering this fact, Government of Nepal has introduced VAT Act, 2054 to obtain the objectives for increasing revenue mobilization by making effective the process of collecting revenues required for the economic development of the country. It is expedient to impose a value added tax on all transactions including the sales, distribution and delivery, importation of goods or services and to collect revenues effectively by regulating the process of collection.

The non-tax revenue comes to the fees, fines, penalties, dividend, interest, sales of goods and services, sales of royalty and government assets, donations gifts and miscellaneous income, derived from sale or lease of government assets and so on. There are some scope for generating more revenue through the rationalization of non-tax revenue sources particularly by improving pricing policy's and operational performances.

Lack of capital in one of the greatest problem to development of developing country like Nepal. In Nepal, rate of government expenditure is exceeding the rate of growth of revenue almost every year. It is due to significant increase in both regular as well as development expenditure of the government increasing cost of maintenance, increasing debt service burden, increasing government investment in public sector enterprises and raising rate of inflation etc.

In the context of alleviating poverty, enhancing economic growth and achieving a competitive environment, a sound revenue policy framework is essential. Policies related to revenue management, trade, investment,

employment, infrastructure development, and tourism should be addressed from a broader revenue collection perspective.

Non- tax revenue is basically user charges for government services. It also includes penalties and forfeitures. User charges constitute a major portion of revenue in non-tax revenue. The contribution of non-tax revenue, although erratic in growth rate, has shown substantial increase over the periods. The revenue from non-tax source is a sizable portion of the total revenue and its share in GDP has also shown increasing trend over the years.

Given the growing dependence of the government on foreign resources and the need to make strong revenue efforts, it is very much necessary to explore the prospects and constraints of sources of non-tax revenue.

1.2 Statement of the problem

In Nepal, rate of government expenditure is exceeding the rate of growth revenue almost every year growing financial resources gap (the difference between expenditure and revenue plus foreign aids) has been one of the underlying causes of distortions in the Nepalese revenue system.

Major sources of public financing are revenue mobilization, foreign grants and loans, internal loan and change in cash balance. Nepal is an underdeveloped country where most of the people live under the poverty line. Population growth rate of the nation is grater then GDP. The growth rate is increasing rapidly. In comparison government revenue is nominal than government expenditure. The government expenditure is increasing but government revenue is not growing equivalently as per the expenditure. There are many reasons for increasing expenditure. The main reasons are unstable political situation, unstable economic growth etc. Due to such reason, the government revenue is not satisfactory, as it has been expected. So the government face

deficit financing year by year. The deficit financing is increasing share of external as well as internal loan and foreign aids. For the payment of external as well as internal loan and financing the government expenditure, internal revenue is the main sources. Revenue is one of the most important sources of government revenue.

At this critical situation, the government introduces the Non-Tax revenue as positive process of revenue collection which helps to increase the government revenue. For easily operation of non-tax revenue, its implementation part must be strong. But we don't feel that situation before the implementation of non-tax revenue; our existing revenue system faces so many problems like unskilled manpower, political instability, weak administration, inefficient management and other problems.

Availability of information about Non-tax revenue is very essential to make people conscious about non-tax revenue.

The problems of the study are:

- 1) What is the structure of Non-Tax Revenue in Nepal?
- 2) How has Non-Tax Revenue been contribution to GDP and total revenue in Nepal?
- 3) Which are the effective measures for sound implementation of Non-Tax revenue system in Nepal?
- 4) Which are the major problems in Non-Tax Revenue implementation in Nepal?

1.3 Objective of the study

The general objective of the study is to examine effectiveness of Non-Tax revenue in Nepal and suggest and useful alternative solution to the wide range of problems.

The specific objectives:-

1. To analyze the structure of Non-Tax Revenue of Nepal government.
2. To examine the contribution of Non-Tax revenue in GDP, Total Revenue and Non-Tax Revenue.
3. To identify effective measures that government should introduce for effective implementation of Non-Tax revenue system in Nepal.
4. To identify the major problems of Non-Tax revenue implementation in Nepal and suggest possible corrective measures.

1.4 Significance of the study

Through the system of Non-Tax revenue in existing revenue system has widely been recognized and accepted but the success or failure of this system can be engaged after getting the feedback of its implementation. Theoretical sound will not only deserve criteria for the success.

Implementation of Non-Tax revenue itself will not be sufficient its performance is yet. The success or failure of non-tax revenue implementation could be known after the long period of its implementation. Implementation itself will not be sufficient, its sound application and performance is yet to be evaluated. Adoption and implementation of non-tax revenue is right step in the history of revenue as it checks revenue evasion and avoidance, it generating more revenue. So, the significance of the study is to find out whether its application and implementation has enabled the government to achieve the above mentioned objectives.

This study mainly concentrates on the analysis the impact of non-tax revenue application in Nepalese economic and the situation of non-tax revenue performance in Nepal. This study also gives suitable suggestions to making Non-Tax revenue more effective.

1.5 Limitation of the study

To examine the various issues of Non-Tax Revenue in Nepal and their option the existing evidence facts and general requirement for a Non-Tax Revenue have been examined in details and then the conclusion are made. The main limitations of the study are:-

- 1) The study covers the period from F/Y 2000/01 to F/Y 2009/10.
- 2) This study has been performed in limited time and resources.
- 3) This study based on published secondary data and information (from IRD and economic survey).
- 4) The sample size taken only 80, which may not fully represent Nepal as whole.
- 5) The reliability of secondary data is not examined.
- 6) The study has not considered the thesis paper after 2009.

1.6 Plan of the study

Keeping above objectives in mind, the present study has been organized in the following five chapters.

Chapter- I: This is introduction chapter this chapter includes:-

General back ground of the study, statement of the problems, objective of the study, signification of the study, limitation of the study and organization of the study.

Chapter-II: This is literature review chapter. This chapter includes:-

Concept of non-tax revenue, sources of non-tax revenue,
Review of previous studies and research gap.

Chapter –III: This is the research methodology chapter.

This chapter includes research design, population and sample sources

of data collection procedure etc.

Chapter –IV: Presentation and analysis of Data: -

Secondary data, primary data and major findings.

Chapter –V: The final or last chapter contains the summary of the whole Study.

The conclusions of the study have been presented and last suitable points are suggested in the form of recommendation. Bibliography and appendixes will incorporate in the end of the study.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Theoretical Background

2.1.1 Concept of Non-Tax Revenue

Non-tax revenue included all revenue other than taxes, occurring to the government. Non-tax revenue includes not only foreign aid and natural resource revenue attained through state-owned enterprises, but also borrowing (from abroad or the Central Bank) and all their revenue besides taxation (e.g. other state-owned enterprise revenue, fines, and so forth). Again, non-tax revenue is what the government can spend without having to tax its citizens. This is obviously quite a diverse category of revenue, and it should be noted at the outset that despite scholars' claims that aid and natural resource revenues might have something in common asserting that they can be considered examples of a broad class of revenue with similar effects constitutes a hypothesis in its own right.

Non-tax revenue in the narrow sense are revenue received as payment for the use of government resources or property or as compensation for services provided by the government to legal or physical persons. These include payment for the use of government resource such as forestry revenue and payments for peat extracted for fuel, income for the sale of property either belonging to the government, confiscated, ownerless or passed to the government by right of inheritance, revenue for the sale of unclaimed freight, and various type of fixed charges, such as those collected for government inspection of weight and measures or for registration of trademarks (G. L. Mariakhin 1977).

Non-tax revenue included all revenue other than taxes, occurring to the government. These are internally generated funds. The sources of Non-tax revenue are: -

-) Administrative revenue
-) Commercial revenue
-) Grants and gifts

Thus Non-Tax Revenue plays an important role in generating raising revenue.

Non-tax revenue is government revenue not generated from taxes. Examples include:

-) Aid from abroad (foreign aid).
-) Loans, or other borrowing, from monetary funds and/or other governments.
-) Revenue (including interest or profit) from investment funds (collective investment schemes), sovereign wealth funds, or endowments.
-) Revenues from sales of government assets.
-) Rents, concessions, and royalties collected by the government when it contracts out the right to profit from some good or service to a private corporation. An example are contracts for resource extraction (for such natural resources as minerals, timber, petroleum and natural gas, or marine resources) collected privately under license from state-owned lands.
-) Fines collected and assets forfeiture as a penalty. Examples include parking fines, court costs levied on criminal offenders.
-) Fees for the granting or issuance of permits or licenses. Examples include vehicle registration plate permits, vehicle registration fees, watercraft registration fees, building fees, driver's licenses, hunting and fishing licenses, fees for professional licensing, fees for visas or

passports, fees for demolition, rezoning, and land grading (which causes silt), and sometimes for increasing storm water runoff, destroying native vegetation, and cutting-down healthy trees.

-) User fees collected in exchange for the use of many public services and facilities. Tolls charged for the use of toll roads are an example.
-) Donations and voluntary contributions to the government.

The non-taxable revenue comes to the fees, fines, penalties, dividend, interest, sales of goods and services, sales of royalty and government assets, donations gifts and miscellaneous income, derived from sale or lease of government assets and so on. There are some scope for generating more revenue through the rationalization of non-tax revenue sources particularly by improving pricing policy's and operational performances. These sources are levied not for revenue purpose.

2.1.2 Sources of Non-Tax Revenue

The revenue obtained by the government from sources other than tax is called Non-Tax Revenue. These are internally generated funds. Nepalese government classified the sources of non-tax revenue are:-

(A) Duty and Fees:-

Fees are important sources of administrative non-tax revenue charged by government authority for rendering services to the members of the publics. There is no compulsion involved in case of fees.

License fee, arms registration, vehicle license fee, examination fees, passport and tourism fee, this sub head includes the fee charged for providing services to the general public.

The categories of fees are 12, which include firm and agency registration, export and import, Telephone ownership fees.

(B) Penalties, Fines and Forfeiture:-

These are other sources of administrative non-tax revenue. They are imposed on public as a form of punishment for not observing certain rules and regulations. They are not expected to be a major source of revenue to the government. Fine and penalties revenue related like: parking fees, court costs, levied criminal offenders, penalty to the contractors and other administration penalties, and forfeitures.

(C) Receipts from the sales of government property and services:-

The Government's primary focus of development activities was the construction and the maintenance of the social and economic infrastructure. The government seeks cost recovery from the beneficiaries of such infrastructure facilities. This head includes the receipts in lieu of services rendered to the people and sales and government commodity and property and receipts from the rental services. It is collected from Receipts from water resources, Postal services, Foods and Agriculture, Education, Forest, Transportation sector fee (aircraft landing and take off, highway road permits, rafting etc.) and the revenue held 'other' which included rental charges, film screening and license fee HMG printing press income, sale of Gazette and HMG publications, services of standard and metrology.

(D) Dividends:-

The government seeks appropriate rate of return from the share capital that it holds in the public enterprises. The dividend collect from Financial Institution,

dividend from Service oriented institution- e.g. Dividend from Nepal Telecom, Trading concerns, Industrial Undertaking and others.

(E) Interest:-

The government has invested heavily in the financial institutions, industrial enterprises, trading concern, and service oriented institutions. The government has received grants and official soft loans from the bilateral and multilateral agencies, which are partly invested in public enterprises. Such grants and loans are invested under the subsidiary loan agreement which sets rate of interest, grace period and the repayment schedule. The amount of interest received from public enterprises is deposited in this revenue head. This is a major source of revenue for the government. It is understood that the Telecom has front loaded its interest due and has paid the entire amount of its future liability because of its excessive liquidity. The Nepal Electricity Authority has deferred the payment of interest, as it is facing financial difficulty in the last few years. The prospect for this head seems to be bleak as a source of income unless the efficiency of the public enterprises is improved. Nepal Industrial Development Corporation, the Water Supply Corporation and the Civil Aviation Authority of Nepal have not paid fully the due amount.

The government has set up public sector enterprises that are involved in commercial activities. The surpluses of this enterprise are an important source of non-tax revenue.

(F) Royalties and Sale of Government Property:-

This sub head includes the royalties received from the survey, excavation and use of natural resources like mining, hydroelectricity etc. It also includes royalties from the casino. Under the sales subhead includes the sales receipts

from the sale of government property like land, house, machineries, vehicles, maps, botanical products etc. Royalty from the electricity and the casino and other royalties contributed largest amount of revenue.

(G) Grants, Gifts and Miscellaneous Incomes:-

) Grants are financial aids.

They are given so that a public authority is able to perform certain activities for social development. They are made by a higher public authority to a lower one for e.g. World Bank gives grants to certain to central government, central government to state government, etc.

) Gifts and Donations are voluntarily made by Individuals, Organizations or Foreign Government to the Central Government.

Such gifts are made out of patriotic feeling or at the time of crises or natural calamities. But gifts can not be considered as a regular source of revenue.

Grants from foreign countries are known as Foreign Aid. Developing countries received military aid, feed aid, technology aid, etc from developed countries.

(H) Principle Repayment:-

Principle repayment means this excess may be met by borrowings from the market, borrowings from abroad, by the central bank creating currency. In case of borrowing from abroad, there cannot be compulsion for the lenders, but in case of internal borrowings there may be compulsion. The government may force various individuals, firms and institutions to lend to it at a much lower rate than the market would have offered.

The repayment by the Nepal Telecom has contributed the most. The other public enterprises contributes have insignificant contribution.

The amount of principle repayment is due to the recover of due amount in the past.

2.1.3 Review of Previous Studies

Many books, dissertation, articles and reports had been reviewed for performing this research study. While reviewed the books it was found that most of the books were syllabus oriented and some of them had described the problems and prospects of income tax system and path for reform of taxation. Similarly many dissertation, articles and reports had described the problems of taxation system, laws, provisions, structure of tax and non-tax revenue. There is no detail study made on the topic study on effectiveness of Non-Tax revenue. All the researchers who made research were concise other topic. Nevertheless some books, articles and reports are more important and relevant for these studies which are follows.

According to Kayastha before 1951, Nepal did not have scientific economic policy which could facilitate the economy development of the country. According to him, the major problems of tax system of Nepal are tax evasion at high level. This problem has not solved yet effectively (Kayastha 1974).

Bhattari and Shrestha have described about tax act, rules and regulations. They tried to give details theoretical knowledge about legal aspect of tax rather than critical analysis. (Bhattari and Shrestha 1976).

Non-tax revenue in the narrow senses are revenue received as payment for the use of government resources or property or as compensation for services provided by the government to legal or physical persons. These include payment for the use of government resource such as forestry revenue and payments for peat extracted for fuel, income for the sale of property either belonging to the government, confiscated, ownerless or passed to the

government by right of inheritance, revenue for the sale of unclaimed freight, and various type of fixed charges, such as those collected for government inspection of weight and measures or for registration of trademarks (G. L. Mariakhin 1977).

Developing Nations, foreign aid has product bitter experiences and mixed consequences. The payment of principal and interest is providing to be a net burden for many developing countries. It can at the most occupy only a managerial and dwindling importance in financing of development. The option of deficit financing does not provide a viable long term solution because of its disability effect on the economy. Mobilization of resources from domestic sources is only viable non-inflationary solution as compared with foreign aid and deficit financing.

Therefore, greater importance needs to be placed on the mobilization of domestic resources for the financing of development efforts in Nepal. This has become urgent in view of the limited among of resources that is ordinarily possible to obtain from external sources. Foreign aids are likely to be meaningful only when it is complement to domestic efforts, not when it is treated as substitute for it (Agrawal, 1978).

External sources or funds are foreign grants and loans. The kinds of funds are received from foreign countries and international organizations. An external source of fund is more important for undeveloped countries. It is used for economic development, reconstruction, foreign exchange to recover from crisis conditions for productive use etc. But-external sources are uncertain, inconvenient and not good for healthy development of nation because they to be paid after a certain time. So, it is better to mobilize internal source rather than looking with beggar eye to the donor (Pant, 1996:1).

The principle states that the central government should be responsible for stabilization and distribution functions while both the central and local government should be responsible for allocation functions. Based on these general agreement public finance economists have traditionally reached the following conclusions concerning the assignment of revenue base and tax power authority to different levels of government (Kelly, 1998).

-) Taxes that are suitable for economic stabilization should be retained at the central level.
-) While local taxes should be cyclically stable Progressive taxes that are suitable for income redistribution should be retained at the central level unequally distributed.
-) Tax bases should be taxed at the central level to avoid exacerbating disparities.
-) Local governments should tax bases with low mobility between jurisdictions to avoid location distortions and tax exporting.
-) Benefit taxes and user charges should be used by all levels Government.

According to Saligram (2000:146), “Taxation is a compulsory contribution from a person on the government to defray the expenses incurred in the common interest of all without reference to special benefits conferred”.

The non-taxable revenue comes to the fees, fines, penalties, dividend, interest, sales of goods and services, sales of royalty and government assets, donations gifts and miscellaneous income, derived from sale or lease of government assets and so on. There are some scope for generating more revenue through the rationalization of non-tax revenue sources particularly by improving pricing policy’s and operational performances. These sources are levied not for revenue purpose (Khadka, 2000).

The constitution of the kingdom of Nepal has clearly directed Nepalese government for a self-reliant economic system encouragement to national enterprises. Preventing of economic system encouragement to national enterprises, preventing of economic exploitation as well as upgrading the standard of the people. In self-reliant economic system and sound infrastructure for the development, the government should generate sufficient its revenue. Government revenue is most important source of financing government expenditure. To achieve the national objectives, the government is required to make and implement is one of the most important function of the government (Pradhan, 2001: 1)

Phuyal (2001), in his article of tax revenue conclude that non-tax revenue as an integral part of fiscal revenues, fiscal reform has always been a priority and difficulty. Especially in recent years, as Nepal's public finance system, the gradual establishment of non-tax revenue management system, the problems have also been more and more attention. This paper sets out the Government non-tax revenue problems and causes, based on a comprehensive analysis, propose solutions to these practical problems of some specific measures and methods. Non-tax revenue, management system, public finances. The non-tax revenue enters takes the financial revenue a constituent, has been since reform of the financial system one key and the difficulty. Especially in the recent several years, along with our country public finance system's gradual establishment, the non-tax revenue entered the question which in the management system existed also to obtain more and more values. This article in elaborated that the government non-tax revenue enters the existence the question and in the reason foundation, undergoes the generalized analysis,

proposed that solves these realistic question some specific measures and the means.

Upadhaya (2002), in his study paper finds that Non-tax income refers to the government to achieve its functions, according to certain rules to take charges, funds and other non-tax forms, from governments respectively for a particular purpose-to raise financial funds, is the Government's fiscal revenue important component of is the Government's involvement in the national income distribution and redistribution of a form. At present, government departments at all levels, there are a large number of charges, funds and other non-tax revenue, all of the public revenue in the government account for a significant proportion of the micro-economic performance and national macroeconomic regulation and control have a significant impact. Establish and improve the public finance system in accordance with requirements of the Ministry of Finance will be full implementation of the national classification of government revenue and expenditure reforms, the non-tax revenue is divided into: government funds revenue, special revenue, lottery funds income, administrative service fees, income, confiscation of income, operating income of government-owned capital, and government-owned resources (assets) paid to use income, other income.

In 2002, Miss Shikha Sharma has concluded a study on “Income Taxation in Nepal; with special Reference to taxation on capital gain”. She has found out that Nepalese revenue structure consists of tax and non-tax revenue. Tax revenue has large share of contribution as compared to non-tax revenue in total revenue on an average, 78.22% of total revenue from F/Y 1993/94 to 2002/03. However, contribution of non-tax revenue in both relative and absolute terms is in increasing trend and vice-versa (S. Sharma, 2002:112).

In 2002, Miss Shikha Sharma has conducted a study on income tax in Nepal in taxation, with special reference to taxation on capital gain. She presents that non-tax revenue constitutes charges, fees, fines, and forfeitures, receipts from sales of commodities and services, dividends, royalties and sales of fixed assets, principles and interest payment and miscellaneous items of revenue. Its contribution was 21.50% on the total revenue in 1993/94 whereas in 2002/03, it has contributed 24.30% as compared to 22.00% in 2001/02. Main factors contributing to such increase were revenue from the sales of public goods and services, royalties and public property sale, fees, charges, penalties, and seizures. The average contribution of non-tax revenue over last 10 years seems to be 21.71% (S. Sharma, 2002:76).

After Non-tax revenue, Income tax has occupied fourth position on total revenue of Nepal. Its contribution was 9.81% in F/Y 1993/94. During 2002/03 revenue from Income tax fell by 15.80%. It has shown an increasing trend both in absolute and relative terms except for certain years. On an average, it contributes 14.64% on the total revenue of Nepal during the last 10 years.

In any country of the world capital plays a vital role in its development programs for the encouragement of the national capital is needed to conduct any development programs. The capital is raised from external and internal sources. The external sources are foreign aids and loans internal sources are tax revenue and non-tax revenue. The government receives as a compulsory payment when non-tax revenue is a conditional source fee, penalty fines and forfeitures received from rent of government property and services, dividend, interest, royalty and sale of government property, principle payment, donation and miscellaneous income etc. are the source of non-tax revenue. Income tax, sales tax/vat, custom duties, hotel tax, revenue from land registration etc. are the

source as well as the macro-economic fiscal instrument of the government (Paudel, 2002:1).

Tax revenue is major sources of government. So it is the best and suitable method. Before discussion of tax revenue, tax should be defined. "Tax is in simple terminology, a liability to pay an amount to the government. It is a compulsory contribution to the national revenue from tax payers according to law." (Bhattarai & Koiralav 2003:13).

Main factor contributing to such gradual decrease and increase of tax-revenue and non-tax revenue respectively during the period here; revenue from the sales of public goods and services, royalties and public property sales, fees, charges, penalties and seizures in F/Y 2002/03, revenue. From royalties and sale of goods increased by 17.3% and the amount collection from fees, charges, penalties and seizures increased by 11.7% (Economic survey, 2003/04 : 27).

In 2005, Bhattari has concluded in his study "Contribution of Income tax from Public enterprises to government revenue in Nepal". He has finding in his summary, in each country, a lot of fund is spend by the public authority for the protection of common people and for the creation of protection of summary people and for the creation of various socio-economic infrastructure protection expenditure includes the purchase of arms and ammunition, army and policies expense and administration of joints. The government activities are increasing day by day, because of demand of time, increasing price and national income government needs more money to run it successfully. The government collects revenue from various sources such as tax revenue from public enterprises, social assessment, fees, fine, grants and assistance income tax from other sources etc. Among them, tax is the main sources of government revenue.

Nepalese are always facing with the financial problems every year. There is a serious problem of resource gap which is in increasing trend. In Nepal, government accumulates required fund mainly from internal and external sources finance regular and development expenditure. Because of the inadequacy of the internal sources of development of the nation, Nepal comes under compulsion to rely foreign aids and grants.

Nepal has been unable for proper mobilization of internal sources. Therefore, fiscal deficit of Nepal has been increasing. Among the internal sources, income tax is pivotal one, income tax should play important role to solve in the problem of fiscal deficit. But, in Nepal actual collection of revenue through income tax is lower than its estimated foregoes. It is so because of the poor taxpaying habit of Nepalese taxpayers, poor administration system and wide spread evasion of taxation.

In 2005, Chapagain has concluded “A Study on Tax Structure of Nepal elasticity and Buoyancy measurement”. He has finding in summary, the trend of different sources of taxes shows heterogeneous share of them in total revenue. The share of tax revenue in the first period of the study was 80.51% of the total revenue. Which has decreased to 77.93% of the total revenue in the second sample period, similarly the contribution of non-tax revenue was 19.84% of the total revenue which increased to 22.07% in the second sample period. The overall built in-flexibility of non-tax revenue during the study period (1976/77-2000/01) is 1.01 but the same for the indirect tax is quite low at 0.55. This signifies the importance of user charges in the tax structure of Nepal.

A source of non-tax revenue reveals a changing scenario. The contribution of duty and fees and miscellaneous head (mainly revenue from special tax) has

substantially increased whereas the total contribution of dividend, interest and principal repayment, which had increased to 54 percent (1998), has declined to 37 percent (2004). Revenue from royalty (especially from electricity generation and production) and fee from passport have shown increasing trend. Tourism fee which was a major source until 2001 has shown a declining trend. Revenue from postal services has declined whereas the revenue from forest has fluctuated. Revenue from administrative penalties, fines and forfeitures that had crossed Rs.1 billion in 1992 has drastically declined over the years, and can be attributed to changes in gold import policy (Ghimire 2005).

Gautam (2005) prepared the thesis on “Income Tax in Nepal: A study of Deductions and Exemptions.” In his study, his major findings were the Government revenue in composition of external revenue and internal revenue. Internal revenue includes both tax and non-tax revenue. There is dominant share of total revenue in Nepalese Government revenue. But the contribution of total tax revenue shows the decreasing trend had contributed 81.73% in 2032/33 on total revenue but it was decreased to 77.39% in 2060/61.

And in his study he also finds that – The resources gap is the major problem of Nepalese economy. The total expenditure is always greater than total revenue, Borrowing foreign loan, foreign grants and internal loan fulfills the resource gaps. Borrowing from banking system and non- banking system may finance the internal loan. From the study of secondary data, resources gap of fiscal year 2002/03 shows that resource gap after foreign grants and foreign loan is decreasing trend, which is good signal for economic development of Nepal (Gautam, 2005:109).

It is a normal practice with a government to divide its receipts into “revenue” and “capital” categories. Broadly speaking, revenue receipts include “routine” and “earned” ones. For this reason, they do not include borrowings and

recovery of loans from other parties, but they don't include tax receipts, donations, grants, fees and fines etc. Capital receipts on the other hand, cover those items which are basically of non-repetitive and non-routine variety and change government's financial liabilities/assets (Bhatia: 2006).

Revenue receipts are divided into tax – revenue and non – tax revenue. Tax revenue itself is divided into three sections:

- a) Taxes on Income and Expenditure
- b) Taxes on Property and capital transactions
- c) Taxes on commodities and services

Non – tax revenue of Government is divided into three sections:

- a) Currency, coinage and mint
- b) Interest receipts, dividends and profits
- c) Other non-tax revenue

Capital receipts of the government take many forms. The most important one comprises of fresh borrowings which can be classified in terms of their origin and maturity etc. For example, on the basis of origin, public borrowings may be external (i.e. from outside country) or internal. In terms of maturity, there may be non-terminable (or perpetuities), long term, medium term, or short term loans with specific demarcation of boundaries for each. They may be marketable or non-marketable, interest free or interest bearing etc. The next category of receipts covers recovery of loans due from debtors to the government. Some capital receipts may be in the form of grants and donations, deposits and appropriation to various funds and so on (Bhatia: 2006).

Special purpose of non-tax revenue, often time, referred a 'other' or dedicated revenue, are funds generated from fee, fines, assessments or reimbursement that are dedicated to the district agency that collects the revenue to cover the cost of performing the function. The 'dedication' of the revenue to cover the

cost of performing the function. The deduction of the revenue to the collecting agency is what distinguishes this revenue from the general purpose non-tax revenue. The legislation that creates the fines, fee or assessment must stipulate its purpose-designation at the must also state whether any unspent funds are to retain designation at the conclusion of the fiscal year or revert to general-purpose funds. (Adrin M. 2008:31).

Non-tax revenues make up a substantial amount of government revenue around the world, though scholars usually focus on individual sources of such revenue for example, foreign aid and state-owned oil companies Using a theory of regime change that builds on recent models of the redistribution foundations of dictatorships and democracies, I generate hypotheses regarding all nontax revenue and regime stability I argue that an increase in nontax revenue should be associated with less taxation of elites in democracies, more social spending in dictatorships, and more stability for both regime types I find support for all three of these hypothes in a cross-sectional time-series analysis, covering all countries and years for which the necessary data are available Significantly, I show that the particular source of nontax revenue does not make a difference: they all act similarly with regard to regime stability and the causal mechanisms.(Kevin M. Morrison 2009).

Dahal (2009), in his dissertation “Taxation in Nepal: Structure, Issues and Reforms” conclude that in developing economies resource gap is critical and widening resulting to huge fiscal and budgetary deficits. The growing resource gap is frequently of by mobilizing internal and external borrowings and consequently shifting the burden of debt to posterity. Therefore, revenue mobilization is challenging proposition in an economy like Nepal where a majority of the people live in abject poverty and the people engaged in economic activities (Dahal, 2009:1).

Sharma (2011) in his study conclude that at a time when revenue mobilization has seen shortfall, a study revealed that the government has never focused on non-tax revenue. The study 'Trend and Structure of Non-Tax Revenue,' conducted by Revenue Administration Training Centre stated that the government's lack of focus and strategy has is courage growth rate of non-tax revenue, which, if properly focused could contribute more to the government coffer. In the last one decade non-tax revenue's contribution to the total gross domestic product (GDP) stands between 2.14 percent to 2.69 percent, where as the contribution of total revenue to the total GDP stands at 15 percent. However, non-tax revenue's average contribution to the total revenue comes between 16 percent and 22 percent contributing to less than a quarter. For a strong revenue administration it's a challenge as contribution of non-tax revenue should be more in the total revenue. "Going through the last 10 years revenue trend, some years it has been observed that non-tax revenue's growth rate was registered negative as well," said senior instructor at the Revenue Administration Training Centre Basu Sharma. The study that took three months to complete also revealed that the contribution of non-tax revenue to the total revenue has seen fluctuation due to lack of revenue administration's lack of focus and over concentration on tax revenue. "The government has to focus more on non-tax revenue," he said, adding that a long-term strategy has to be developed for the growth of non-tax revenue. Fines, penalties, service fees, judicial fees, registration fee comes under non-tax revenue as the revenue is categorized into tax and non-tax revenue. Value Added Tax (VAT), customs, excise and income tax come under tax revenue. The VAT is the largest contributor in the revenue followed by income tax in the current fiscal year, according to the Finance Ministry. This fiscal year, the government had

planned to mobilize Rs 216.67 billion revenue but it seems to shortfall by above Rs 10 billion due to also low non-tax revenue.

Baskota (2012) said that Revenue collection fell just short of the government target for the first 10 months of the current fiscal year. According to the Ministry of Finance, revenue collection grew 19.6 percent to reach Rs 190.08 billion. The target for the period is Rs 192.54 billion. The government needs to increase collection by 20 percent to meet the ultimate target. After a slow start, the growth rate of revenue collection reached 21.6 percent in mid-January, but the momentum didn't last long with the following months showing a slower growth rate. Receipts rebounded as of the first 10 months to an encouraging level. "I now have confidence that the revenue collection target will be achieved after seeing the surge in collection lately," said Finance Secretary Krishna Hari Baskota. "The recent measures taken by the government such as the campaign for increasing compliance with rental taxes, increase in the valuation rate at the customs and reforms in categorization of goods could help meet the revenue target."

According to the ministry, collection of the major sources of revenue value added tax (VAT), income tax and customs duty exceeded the target while collection of excise duty, land registration fee, vehicle tax and non-tax revenue remains insufficient to meet the set target. Baskota said that a decrease in the import of vehicles and perceived low sales of alcohol are major factors behind missing the target in the collection of excise duty. The collection of non-tax revenue such as royalty and dividend has become a tough challenge for the government as many public enterprises are incurring losses. The government has been compelled to bail out public enterprises like Nepal Oil Corporation by loaning it money to finance imports of petroleum products and other Public Enterprises who seek money from the government to pay their own employees.

With the realty sector in a slump, collection of land registration fees has been hit hard. Baskota said that the ministry was working closely with public enterprises to improve collection of royalties and dividends from them (The Kantipur daily-2012).

2.1.4 Research Gap

There is need of huge amount of financial resources to fulfill the growing expenditure requirement but it is scarce in Nepal. Most of the development expenditure programs have been carried on by the external resources-our country most have to make efforts at mobilizing the internal domestic resource. For this the following major factors have constrained domestic resources mobilization in Nepal.

-) Poor utilization of the natural resources base.
-) Poor performance of public sector enterprises.
-) Poor economic growth.
-) Lack of database.

These above are the causes which are studying as a problem in the process of domestic resources mobilization. Only foreign aid is not sufficient for our country to meet resource required events. So, our country should continue its efforts to mobilize resources through domestic borrowing Domestic resources can be mobilized either through tax or through Non-Tax resources. The contribution of Non-tax revenue is more then 20% in total governess, taxation are the most important resources of public revenue. It is a strong tool of our economy.

From the above review of literature, I got that the countries except Nepal are operating Non-Tax revenue in positive way contribution of Non-tax revenue in these countries are increase day by day. These countries have emphasized on

the positive impact. Positive thinking of these countries towards Non-tax revenue also has resulted positive. But in Nepal Non-tax revenue released persons, researchers and general people have been viewed to the impact of Non-tax revenue from negative side rather than its positive sides. There searchers and journalists (related with tax, non-tax revenue and VAT) have concluded many problems towards the implementation of tax and non-tax revenue in Nepal. These problems are: inefficient tax administration, lack of modern accounting system, lack of political commitment, lack of co-operation between taxpayers and tax officers, lack of co-operation between private sector and government bodies, lack of public consciousness etc. But no body has looked towards the factors creating the above problems. Nobody has focused on the contribution of non-tax revenue as a long term objective. We can't result about the success of failure of non-tax revenue introducing a short period of time.

This study will be distinct from others in such areas or subjects as first of all, this study views the impact of non-tax revenue from positive side emphasizes on the factor creating the problems on implementation of non-tax revenue in Nepal and recommends the best solutions of these problems. This research study will be fruitful to those interested persons, students, scholar, businessmen and government for academically as well as policy perspectives.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

The main objective of the research is to analyze and interpret the performance of Non-Tax Revenue in Nepal. Therefore the main concentration of this study is on the role of non-tax revenue, its structure, non-tax revenue coverage and planning, organizing and administrative requirement. However the major focus on performance, present practices and future prospects of non-tax revenue to implement effectively in Nepal.

The problems of delaying revenue assessment, revenue evasion and avoidance etc may be solved through efficient management system. After performing analytical system on this subject matter, it tries to recommend for revenue administration to execute policy of Non-Tax Revenue effectively. To achieve these objectives a research methodology has been designed in this chapter.

3.2 Research Design

This study describes situation and events occurring at present by accumulating the past information and facts. So, this study is descriptive and analytical types of research. The study attempts to show the present situation of Non-Tax revenue implementation in Nepal and predicts the prospects of Non-Tax revenue in future by the analysis of past information and records. So, descriptive and analytical research design has been adopted to conduct the research.

3.3 Nature and Sources of Data

In order to achieve the real results of this research, primary as well as secondary data were collected from different source.

3.3.1 Sources of Primary Data

The major tools for the collection of primary data are the administration of a questionnaire to responsive or person a set of questionnaire was developed and distributed to selected respondents in order to obtain accurate information.

The primary data were collected from the person representing from various sector conducting Non-Tax revenue. Likewise; revenue administration, revenue experts, bankers, intellectuals and general people discussion with business persons, revenue experts through opinion survey, questionnaire, field visit, visit on Inland Revenue office etc. In this study, the questionnaire has been distributed to 80 respondents in different sector.

Table 3.1

No of respondents from different sector (size and samples)

S. N.	Respondents	Number of respondents
1	Revenue Experts	20
2	Bank Officers	20
3	Revenue officers	20
4	Revenue Payers	20

3.3.2 Sources of Secondary Data

Future data needed for the study is collected from the secondary sources. These sources consists the followings.

- 1) Published reports, articles and dissertations on the concerned subject.
- 2) Publications and economic survey of various Fiscal Years of Ministry of Finance (MOF) HMG / Nepal.
- 3) Publications and annual reports of Internal Revenue Department (IRD).
- 4) Various books written by revenue officers and scholars.
- 5) Related articles and journals.

- 6) Publication of Revenue department.
- 7) Budget speech and economic survey of various fiscal years and
- 8) World Banks reports.

3.4 Data Collection processing and analysis procedure

A total 80 sets of questionnaire were distributed to the selected respondents in order to get actual and accurate information distribution work is done personally rather than sending by any means to get accurate and actual information in time.

The information received from primary and secondary sources are firstly tabulated into separate format symmetrically in order to achieve the desired objectives. After that these data are tabulated and analyzed. For the purpose of analysis generally simple statistical tools have used which are simple percentage method, ranking method, graphs, and charts.

3.5 Method of Data and Information Analysis

With reference to the research methodology, different tools and technique are used by the researcher to present and analyze the performance of Non-Tax revenue in Nepal. Basically the tools and techniques used to analyze and present are as follows.

- 1) Trend Analysis
- 2) Percentage
- 3) Bar-Diagram

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

For analysis of primary data, which are based on the questionnaire almost 80 questionnaire were distributed. The presentation of data is the basic organization and classification of the data for analysis. The analysis of data consists of organizing; tabulating and performing statistical analysis. Keeping in mind the objectives of the study, data have been presented and analyzed through the help of statistical tools i.e. tables and figures.

Presentation and Analysis of Secondary Data

4.1.1 Trend of Non-Tax Revenue Collection

Non-Tax Revenue is a most scientific, innovation and powerful revenue with the quality of universal application for both developed and developing economics. The biggest virtue of Non-Tax revenue is that it is revenue buoyant and highly instrumental for resource mobilization especially in an economy with actual shortage of resources. After implementation of non-tax revenue, the non-tax revenue collected figure is shown below.

Table 4.1

Status of Non-Tax Revenue Collection (Revenue Rs. In Millions)

Year	Non-Tax Revenue
2000/01	10030
2001/02	11110
2002/03	13642
2003/04	14158
2004/05	14725.82
2005/06	13334.82
2006/07	15487.19
2007/08	19783.84
2008/09	26422.58
2009/10	23650.9

Source- Annual Report of IRD 2066/67 (2009/10)

In the above table 4.1 shows that Non-Tax Revenue collection status of Fiscal year 2000/01 to 2009/10. The collection of revenue in 2000/01 it is Rs. 10030 millions and it increase 2001 /02 and reach Rs. 13642 millions in F/Y 2002/03. Continuously F/Y 2003/04 it is increases and reaches Rs. 14158 millions.

The collection of Non-tax revenue in fluctuation trends, it is only Rs. 14725.82 millions in fiscal year 2004/05 which is reached to Rs. 23650.9 millions in fiscal year 2009/10. The revenue collection trends is not satisfactory .Non- tax revenue collected Fees, Fine and penalties, Income derived from sale or lease of government assets, services or goods, Dividends, Sale of government assets and royalty, Donation, gifts and miscellaneous income and Principle returns items. The non-tax revenue collection trends are slightly increasing trends.

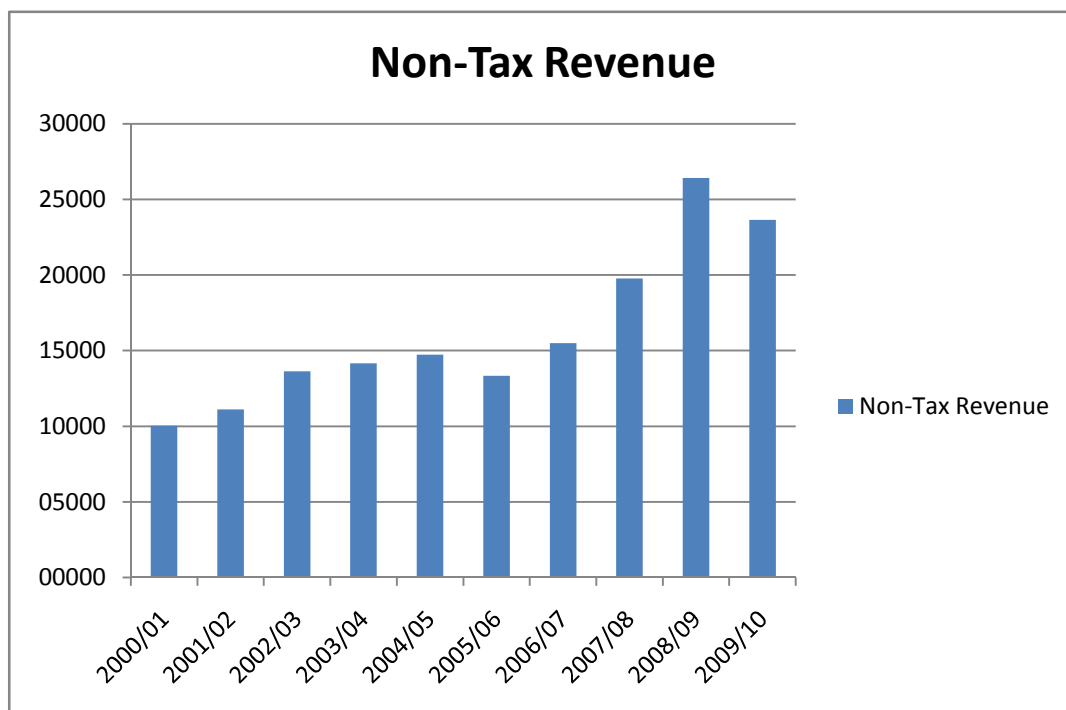
The interview business man revealed that the cause of non satisfactory level of revenue as expected are economic slow down, lengthy process of accounting

system lack of social recognition to the tax payers and awareness of people and revenue evasion.

With interview with tax expert revealed that the Non-Tax revenue can not collect smoothly due to lack of will power of government and revenue payer's nation building.

Figure 4.1

Status of Non-Tax Revenue Collection (Revenue Rs. In Millions)



4.1.2 Non-Tax Revenue Structure of Nepal

Not only to collect the large amount of revenue but also to maintain the economic stability and social justice through improvement the distribution of wealth area the primary objectives of taxation. In this way revenue structure stands as a mirror of the fiscal. The taxable capacity of government as well as ability of people to ability revenue is the major factor of designing the revenue structure. For the underdeveloped countries like Nepal the role of Non-Tax

revenue in the process of economic development is considerably significant. In this respect, the revenue structure has vital role in development.

Excluding foreign aid, revenue is the main income of nation's budgetary system. For self-reliance in economic growth of the country, the government has to extend the domestic and international revenue value generating the various resources and increase the per capital income of the people. For the developing countries like Nepal, the role taxation in the process of economy development are thus considerably significant. In this respect, the revenue structure has vital role in economic development. Government has introduced several revenues mainly to raise revenue. The trend and composition of Non-Tax revenue in the recent years is examined here in this chapter.

4.1.2.1 Trend and Composition of Government Revenue

Total revenue of Nepal can be decomposed into tax revenue and non-tax revenue. Tax revenue contributes about three quarters of total revenue while non-tax revenue represents about the quarter of total revenue. This is shown in table 4.2 and figure 4.2. During the study period, the amount of both tax and non-tax revenue in absolute term has increased. In fiscal year 200/01 the amount of tax and non tax revenue were Rs.38865 millions and Rs. 10030 millions respectively. The table shows that the growth rate of the non tax revenue has fluctuated in last 10 years. Non-tax revenue increase 2002/03 and reach 13642 millions.

In fiscal year 2004/05, the amounts of tax and non-tax revenue were Rs. 54053 million and Rs. 14726 millions. And in the fiscal year 2006/07 the share of tax revenue and non-tax revenue on the total revenue were Rs. 71127 millions and Rs. 15487 millions respectively. Similarly the contribution of tax

revenue and non tax revenue of Fiscal year 2009/10 were Rs. 156295 millions and Rs. 23651 millions respectively.

The contribution of Tax revenue in Total revenue is increasing trend but Non-Tax revenue also increase but slightly. In F/Y 2000/01 tax revenue contributes 79.49% but non-tax revenue contributes only 20.51%. The table shows that non-tax revenue contribute only 13.14% in fiscal year 2009/10 but tax revenue contribute 86.86% it shows that non tax revenue was decreasing and tax revenue is increasing.

In percentage term, the contribution of tax revenue and non-tax revenue on total revenue for FY 2004/05 was 77.19 percent and 22.03 percent respectively. These contributions were increase to 81.58 percent and 18.42 percent respectively in the FY 2008/09. And for the Fiscal Year 2009/10, their contributions were 86.86 percent and 13.14 percent respectively. The dominant role of tax revenue is thus, quiet satisfactory as its amount has been increased more significantly than non-tax revenue over the period 2004/05 to 2009/10. But, this increased revenue amount is not sufficient to meet the demand of expenditure side of current budget. The revenue management should be awarded not increase the tax rate, but explain the taxable area.

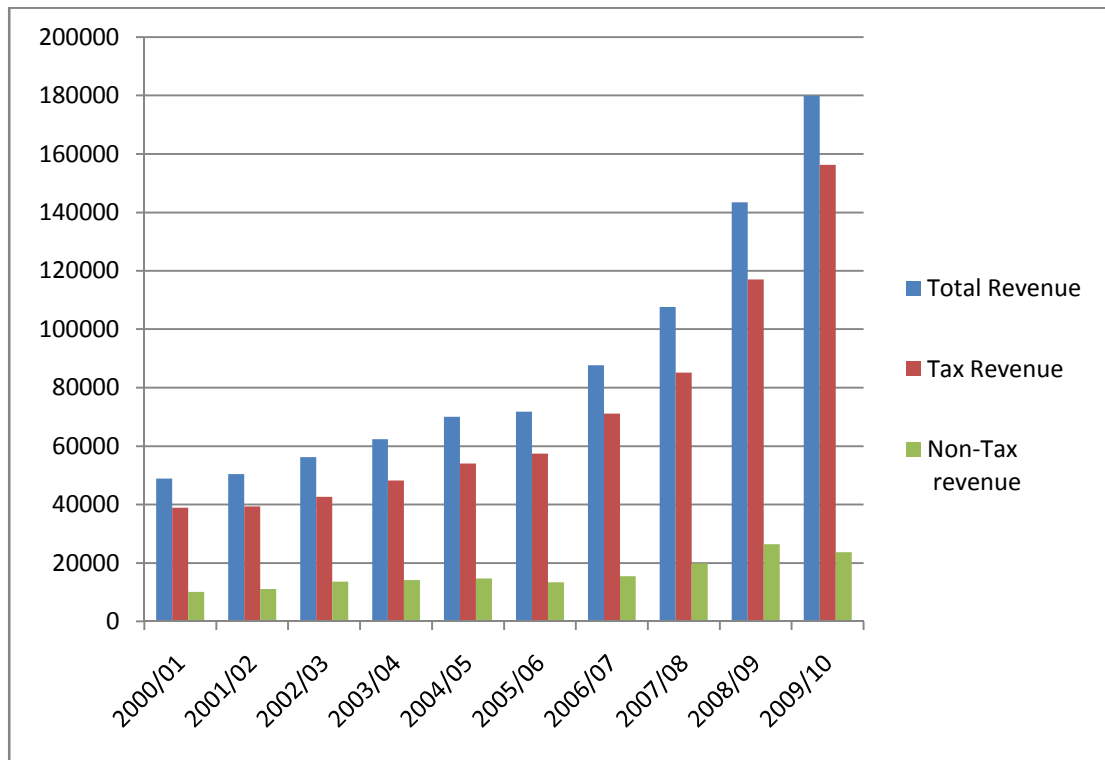
Table 4.2**Contribution of Tax and Non-Tax Revenue as Percentage of Total Revenue (In Millions)**

Fiscal Year	Total Revenue	Tax Revenue	% of Total revenue	Non-Tax revenue	% of Total Revenue
2000/01	48894	38865	79.49	10030	20.51
2001/02	50446	39331	77.97	11110	22.02
2002/03	56230	42587	75.74	13642	24.26
2003/04	62331	48173	77.29	14158	22.71
2004/05	70027	54053	77.19	14726	21.03
2005/06	71733	57430	80.06	13335	18.59
2006/07	87711	71127	81.09	15487	17.66
2007/08	107622	85155	79.12	19784	18.38
2008/09	143474	117052	81.58	26423	18.42
2009/10	179946	156295	86.86	23651	13.14

Source: - Economic Survey 2066/67(2009/10)

Figure 4.2

Comparison of Tax Revenue and Non-Tax Revenue as Percentage of Total Revenue



Economic year 2000/01 to 2009/10

4.1.2.2 Total Revenue, Tax and Non-Tax Revenue in GDP

In order to understand the growth pattern of taxation properly, it would be desirable to examine the share of total revenue, tax revenue and non-tax revenue in GDP table 4.5 in this connection presents an account of the total, tax revenue and non-tax revenues as percentage of GDP. In the GDP, tax revenue has been increasing slightly higher over the period 2004/05 to 2008/09 but there is a considerable decrease in non-tax revenue for the period 2004/10. While the share of tax revenue increased from 9.85 percentage of the GDP in FY 2005/06 to 11.80 percentages in 2008/09. While the share of non-tax revenue has slightly decrease from 2.92 percent of the GDP in FY 2004/05 to 2.66 percent in FY 2008/09, the share of non-tax revenue of the GDP were 2.0 percent

respectively in FY 2009/10. The relationship between tax and GDP is known as tax/GDP ratio. This is an indicator of the utilization of taxable capacity. The table shows rather disappointing scenario of tax/GDP ratios for the study period. However, the contribution of total revenue in GDP of 2004/05 13.89 percentages and 14.46 percentages in FY 2008/09. These contributions were increase to 14.46 and 15.22 percentages in FY 2008/09 and 2009/10 respectively. The ratio is still much lower than that of many other developing countries. By world standard, this is a very low level of taxation. This is not good for our nation.

Table 4.3

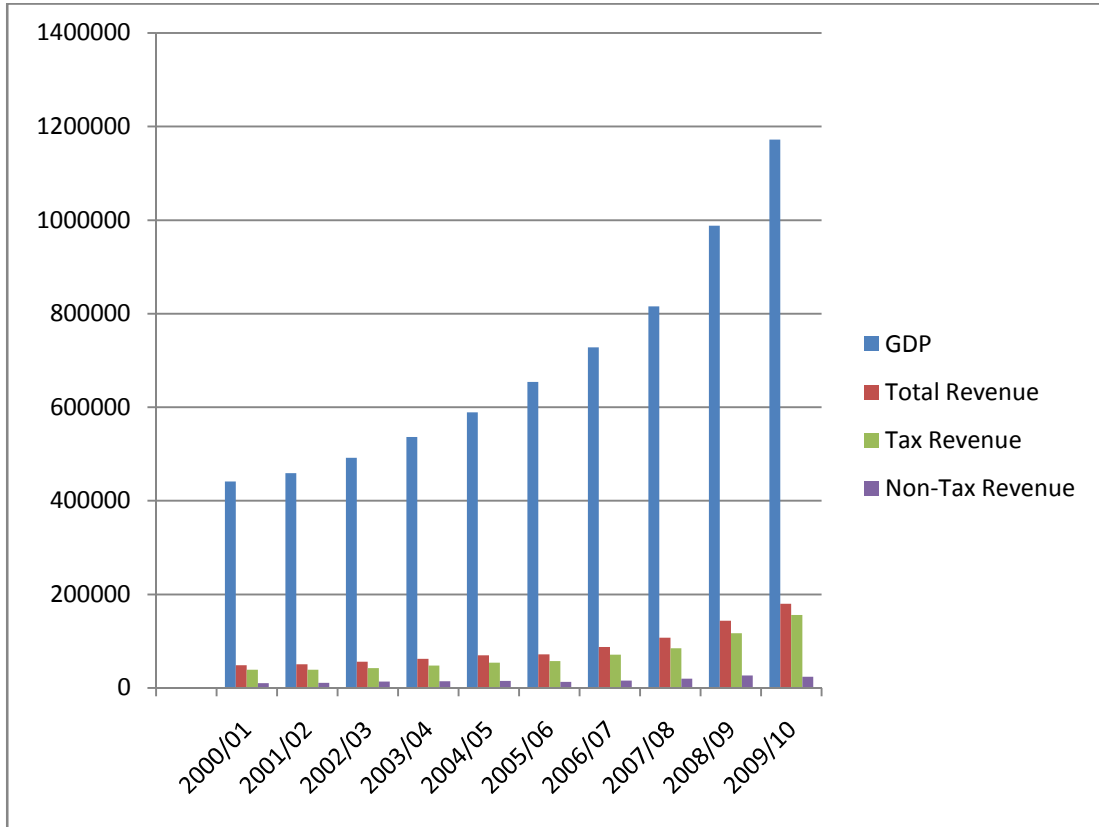
**Total Revenue, Tax Revenue, and Non-tax Revenue as Percentage of GDP
(In millions)**

Year	GDP	Total Revenue	Tax Revenue	Non-Tax Revenue	Percentage of GDP		
					Total Revenue /GDP	Tax Revenue /GDP	Non-Tax revenue/ GDP
2000/01	441518	48894	38865	10030	11.07	8.80	2.27
2001/02	459443	50446	39331	11110	10.98	8.56	2.42
2002/03	492230	56230	42587	13642	11.42	8.65	2.77
2003/04	536749	62331	48173	14158	11.61	8.97	2.64
2004/05	589411	70027	54053	14726	11.88	9.17	2.50
2005/06	654084	71733	57430	13335	10.97	8.78	2.04
2006/07	727830	87711	71127	15487	12.05	9.77	2.13
2007/08	815660	107622	85155	19784	13.19	10.44	2.43
2008/09	988050	143474	117052	26423	14.52	11.85	2.67
2009/10	1171900	179946	156295	23651	15.36	13.34	2.02
Total	6876875	878414	710069	162345	123	98	24

Sources: - Economic survey 2009/10

Figure 4.3

**Trend of Tax Revenue, Non-Tax Revenue and Total Revenue on GDP
(In millions)**



4.1.2.3 Composition of Non-Tax Revenue

Non-tax revenue has been dominant role in tax revenue. Similarly revenue like gifts, grants, revenue from public enterprises, registration fees, fine and penalties has dominant position in Non-tax revenue.

Table 4.4**Composition of Non-Tax Revenue in Nepal (In millions)**

Fiscal Year	A	B	C	D	E	F	G	H	Total
2000/01	1790654	139862	1184100	2336403	1440099	949563	130762	2057116	10028559
2001/02	1756734	230300	1142950	2512822	1220275	723872	1638818	1889132	11114903
2002/03	2201280	166914	1274439	2497644	924616	1945459	3092845	1539659	13642856
2003/04	3244124	133241	1322240	2661056	1656539	1464979	1825333	1850534	14158046
2004/05	3733718	173642	1258724	4589900	1466623	1931508	1571700	1247679	15973494
2005/06	4157420	552255	1150349	3394754	1734554	1196823	1148664	1516724	14851543
2006/07	5176186	248339	1297583	4937705	1059603	1019715	1748053	1026079	16513263
2007/08	5928966	236519	1287066	5025923	756875	5773649	774840	2683180	22467018
2008/09	9541178	283655	1610671	7197363	1086585	2541805	630917	3530408	26422582
2009/10	8447953	366257	1758393	7351930	447155	2948322	376919	1953951	23650880
Total	45978213	2530984	13286515	42505500	11792924	20495695	12938851	19294462	168823144

Sources: - Economic survey fiscal year 2009/10

NOTE:-

A= DUTY AND FEES

B= FINES AND PENALTIES

C= INCOME DERIVED FROM SALE OR LEASE OF GOVERNMENT ASSETS, SERVICES OR GOODS

D= DIVIDENDS

E= INTEREST

F= SALE OF GOVERNMENT ASSETS AND ROYALTY

G= DONATION, GIFTS AND MISCELLANEOUS INCOME

H= PRINCIPLE RETURN

In the table 4.4 illustrate the composition of Non-tax revenue. But after the implementation of non-tax revenue the revenue received as Fees has Rs.1790654 million in F/Y 2000/01 and F/Y 2002/03 it increase and reach Rs.2201280. It has actually increases from Rs. 3733718 million to Rs. 9541178 million fiscal year 2004/05 to 2008/09. But 2009/10 it is decreases and reaches Rs. 8447953 million. In this initial years dividend has the largest source of non-tax revenue. It is Rs. 2336403 million in F/Y 2000/01. It is increase and reaches Rs. 4589900 in fiscal year 2004/05 and increase and reaches Rs. 7351930 in 2009/10. It is good for our country Nepal and it is more significant source of revenue.

Another source of Non-tax revenue Interest, this is a major source of revenue for the government. Table 4.4 and Chart 4.4 show the increase in the amount of interest and in F/Y 2000/01 Rs. 1440099 million and it increase and reaches F/Y 2005/06 Rs. 1734554 million. But in fiscal year 2009/10 it has decrease and reaches Rs 447155 million it may be causes of political instability.

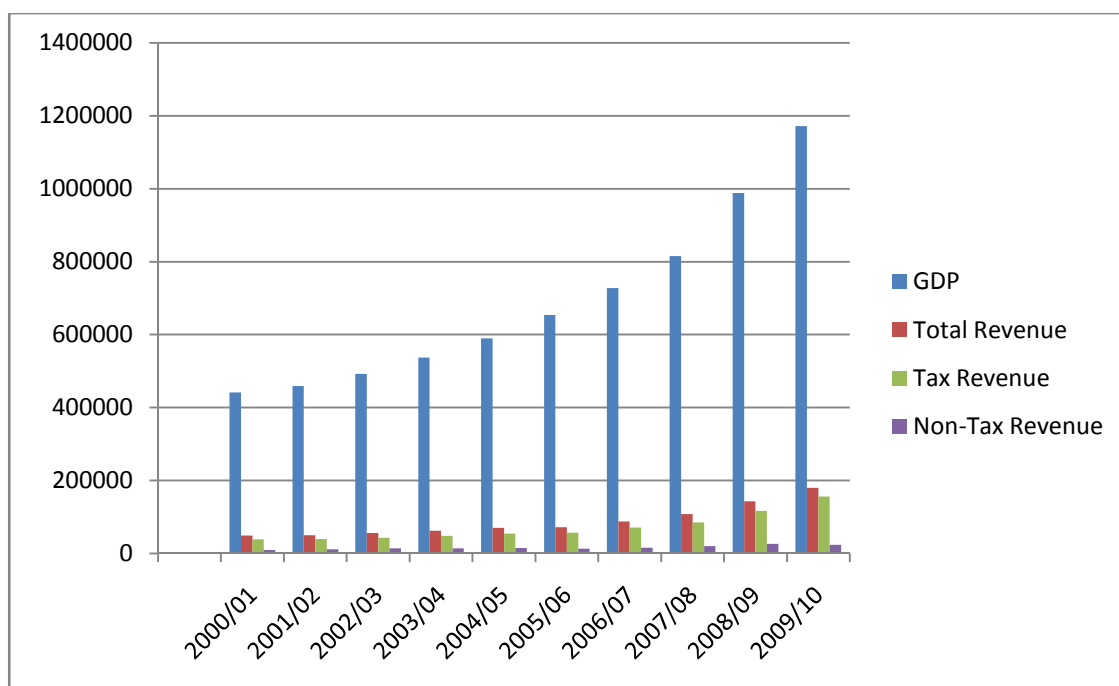
Contribution of Sale of Government assets and royalty in F/Y 2000/01 was Rs.949563 million it increase and contribute in F/Y 2005/06 Rs. 1196823 million and F/Y 2009/10 Rs. 2948322 million it is a important source of non-tax revenue.

Contribution of Donation, Gifts, Miscellaneous income and Principle Return are also major sources of non-tax revenue. They are also play important role in increase of non-tax revenue in Nepal. Table 4.4 shows that F/Y 2009/10 they are contributes continually Rs.376919 and Rs. 1953951 million.

Revenue collected from non-tax revenue is not satisfactory level because of revenue collection can be blamed to poor supervision and administration capacity of revenue office and not proper billing system from business man.

Figure 4.4

Composition of Non-Tax Revenue in Nepal



4.1.4.4 Contribution of Non-tax revenue in Total Revenue

Non-tax plays a vital role for revenue generation. The share of non-tax revenue in total revenue shown in the following table.

Table 4.5**Contribution of non tax revenue (in million)**

Fiscal year	Total revenue	non-tax revenue	% of non-tax revenue on total revenue
2000/01	48894	10030	20.51
2001/02	50446	11110	22.02
2002/03	56230	13642	24.26
2003/04	62331	14158	22.71
2004/05	70027	14726	21.03
2005/06	71733	13335	18.59
2006/07	87711	15487	17.66
2007/08	107622	19784	18.38
2008/09	143474	26423	18.42
2009/10	179946	23651	13.14

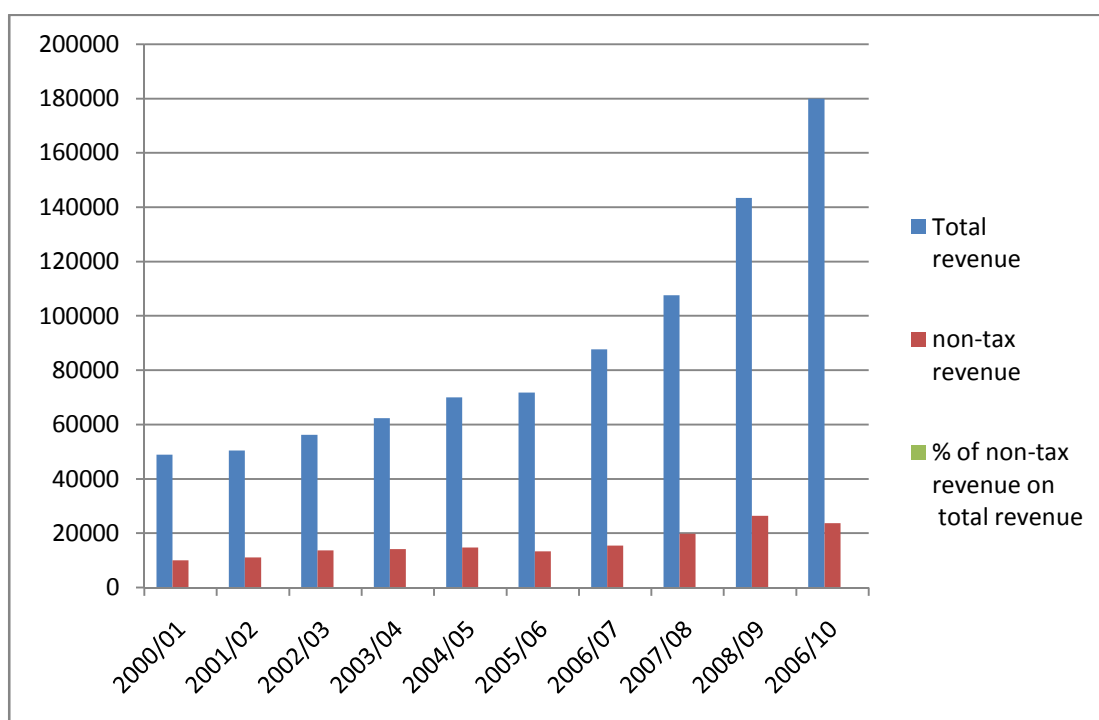
Source: - Economic Survey F/Y 2009/10

The above table shows the significant contribution of Non-tax Revenue. In spite of a slight fluctuation over some years, the contribution of non-tax revenue is increasing on the total revenue. The descending changes in the non-tax revenue percentage on total revenue have occurred during financial transaction from 2000/01 to 2009/10 and similarly to three consecutive financial years. The table 4.6 and chart shows that Contribution of Non-tax revenue in total revenue in F/Y 2000/01 20.51 percentages it increase and contribute 24.26 percentages in F/Y 2002/03. But table 4.6 shows that it seems

decreasing trends and reach 17.66 percentages in F/Y 2006/07. But it increase next year and reach 18.38 percentage. The contribution of non-tax revenue was very low percentage in total revenue and it contribute only 13.14 percentage in fiscal year 2009/10. The current financial year 2009/10 however has shown a significant decrease with figure 13.14 percentage.

Figure 4.5

Contribution of non tax revenue (in million)



4.1.4.5 Contribution of Non-Tax Revenue in GDP

Non-tax revenue also contributes GDP of nations. In terms of GDP, the share of non-tax revenue is not satisfactory level, from 2.27 percentages in FY 2000/01 to 2.77 percentages in 2002/03. After a sudden dip in 2002/03, the pace is continued from 2.04 percentages 2005/06 to 2.67 percentage in the FY2008/09. The data reveals to us the fact that non-tax revenue tax is in fact a significant source of GDP for the government.

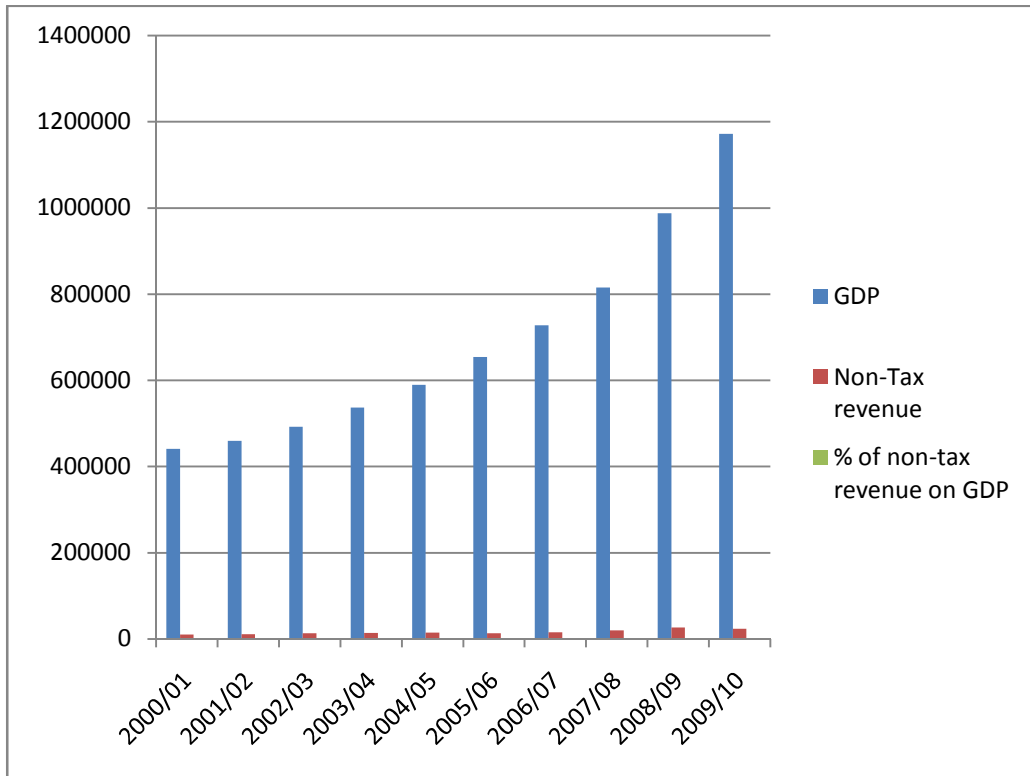
Table 4.6**Contribution of Non-Tax Revenue in GDP (In million)**

Fiscal Year	GDP	Non-Tax revenue	% of non-tax revenue on GDP
2000/01	441518	10030	2.27
2001/02	459443	11110	2.42
2002/03	492230	13642	2.77
2003/04	536749	14158	2.64
2004/05	589411	14726	2.50
2005/06	654084	13335	2.04
2006/07	727830	15487	2.13
2007/08	815660	19784	2.43
2008/09	988050	26423	2.67
2009/10	1171900	23651	2.02
Total	6876875	162345.2	23.88
Average	687687.5	16234.5	2.39

Source: - Economic survey 2009/10

Figure 4.6

Contribution of Non-Tax Revenue in GDP



4.1.4.6 Share of Non-tax Revenue in Total Tax Revenue

To examine the contribution of Non-tax revenue in total revenue, the following table examines the ratio of non-tax revenue to total revenue.

Table 4.7**Share of Non-tax revenue in Total Revenue (In million)**

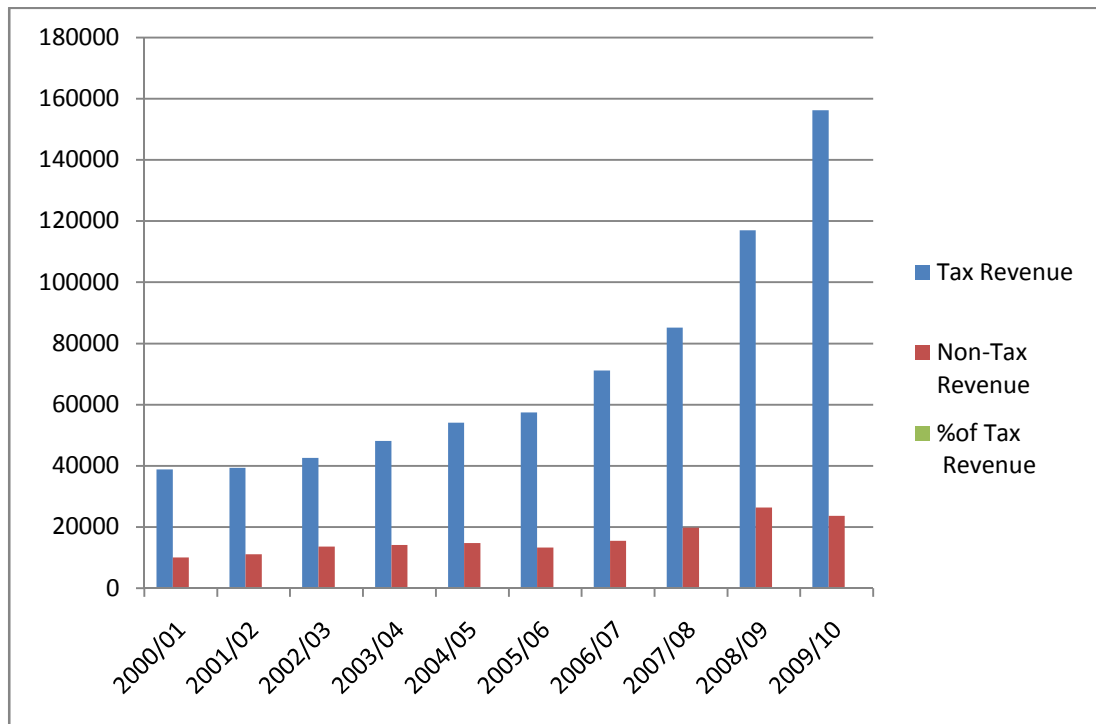
Fiscal Year	Tax Revenue	Non-Tax Revenue	%of Tax Revenue
2000/01	38865	10030	25.81
2001/02	39331	11110	28.25
2002/03	42587	13642	32.03
2003/04	48173	14158	29.39
2004/05	54053	14726	27.24
2005/06	57430	13335	23.22
2006/07	71127	15487	21.77
2007/08	85155	19784	23.23
2008/09	117052	26423	22.57
2009/10	156295	23651	15.13
Total	710069	162345	24.9
Average	71006.9	16234.5	24.9

Source: - Economic survey fiscal year (2009/10)

Table shows that the share of Non-Tax Revenue is average 24.9 percentages of the total revenue. This is not a significant contribution of revenue. The ratio of revenue collection with non-tax revenue has not collected to compare our expectation and planning because the lack of firm Government policies. It is 25.81 percentages in fiscal year 2000/01 but later it increase slowly and reach 32.03 percentage in F/Y 2002/03, continually 23.22 percentage in F/Y 2005/06. But later the table shows that it decrease and reach 15.13 percentages in Fiscal year 2009/10. This is not a good signal to our economy because the share of non-tax revenue is decreasing trends.

Figure4.7

Share of Non-tax revenue in Total Revenue (In ten thousand)



Empirical Investigation of Non-Tax Revenue in Nepal

4.2.1 AN EMPIRICAL INVESTMENT

INTRODUCTION

There have been various empirical studies conducted before and after the non-tax revenue implementation or Non-Tax Revenue system in Nepal. It is viewed that the system has not been implemented effectively as expected. There was a strong opposition from the business community during the earlier period of Non-tax revenue implementation. In that time, there was a negotiation between private sector and government on the different aspects and provisions of revenue. In the beginning period of non-tax revenue implementation, there was lack of skilled and trained manpower and setup properly. But currently different informative programmers', seminars and meeting were held to make the businessmen. In such situation an empirical study is done to know the

views of person of different field on different aspects of revenue. For the purpose of survey, different questionnaire were prepared to know the opinion of the various persons of different field (i.e. revenue experts, revenue officers, bankers, revenue payers). The responses received from various respondents have been arranged tabulated and analyzed in order to facilitate the descriptive analysis of the study.

The survey result has been conducted to find out the various aspect of Non-tax revenue in Nepal. The structured questionnaire was prepared and distributed for this purpose. The opinion of the various 80 respondents associated with distinct denominations i.e. revenue administration, revenue expert and revenue payers were collected. The questionnaire has covered role of non-tax revenue, major problems of non-tax revenue system problems facing by revenue payers, the most important factor for the effectiveness of non-tax revenue in Nepal. (see the format of questionnaire in appendix). The respondents were asked either to response Y/N or for ranking of choices according to no of alternatives where first choice was the most important and last choice was last important. No of each dominant is equal i.e. 20. Information received from the respondents are tabulated and analyzed in the proper way. Following table shows the groups and no. of respondents.

Table 4.8
Group of Respondents and No. from each Group

S.N	Group of Respondents	No
1	Revenue Exports	20
2	Bank officers	20
3	Revenue Officers	20
4	Revenue Payers	20
	Total	80

Result of Empirical Investigation

4.2.1 Non-tax revenue as a suitable means of Raising Government Revenue

To know whether non-tax revenue as a suitable means of raising government in Nepal, a question was asked “Do you consider that non-tax revenue as a suitable means of raising government revenue in Nepal? The respondent’s responses are tabulated as follows.

Table 5.1**Non-tax revenue as a suitable means of raising revenue**

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	19	95	1	5	20	100
Bankers	15	75	5	25	20	100
Revenue Officers	20	100	0	0	20	100
Revenue Payers	18	90	2	10	20	100
Total	72	90	8	10	80	100

Source: Opinion survey, 2012

From the opinion survey, it is found that 95 percentage revenue exports, 75 percentage bank officers, 100% Revenue officers and 90 % revenue payers recognize non-tax revenue as a suitable means of raising government revenue. Only 5% revenue exports and 25 % bank officers and 2% revenue payer does not recognize. In aggregate, 90% respondents recognized and 10% does not recognize non-tax revenue as a suitable means of raising government revenue in Nepal.

4.2.2 Need of Public Awareness Program

To know the respondents view towards public awareness program the questions was put “Do you think public awareness program is necessary in Nepal for raising government revenue?” Opinion result is summarizes in the table

Table 5.2
Need of Public Awareness Program

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	20	100	0	10	20	100
Bank Officers	20	100	0	0	20	100
Revenue Officers	20	100	0	0	20	100
Revenue Payers	18	90	2	10	20	100
Total	78	97.5	2	2.5	80	100

Source: opinion survey, 2012

All of the same of revenue expert, bank officers and revenue officers approved public awareness program is necessary in Nepal for raising government revenue. Only 2.5% of revenue payers does not approved public awareness program is Nepal. Thus, it can be concluded that public awareness program is necessary for raising Nepalese government revenue.

4.2.3 Contribution of Non-Tax Revenue to National Revenue

Non-tax revenue has contributed nearly 20% to public revenue in Nepal. It is blamed that contribution of non-tax revenue to national revenue is not satisfactory. To know the fact, the question was asked to respondents “In your opinion, is contribution of Non-tax revenue to national revenue if Nepal is satisfactory?” opinion result is presented in the table 4.11

Table 5.3**Satisfactory contribution of Non-tax revenue**

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	8	40	12	60	20	100
Bank Officers	9	45	11	55	20	100
Revenue Officers	6	30	14	60	20	100
Revenue Payers	5	25	15	75	20	100
Total	28	35	52	65	80	100

Opinion survey, 2012

75 percentage revenue payers agree that contribution of non-tax revenue in national revenue in Nepal not satisfactory. But 25 percentages revenue payers approved that non-tax revenue to national revenue is satisfactory. But 60 percentage of revenue export, 55 percentages of bank officers and 60 percentages of revenue officers are approved that non-tax revenue contribution to national revenue is not satisfactory. In aggregate, 65 percentage respondents argue that Nepalese non-tax revenue contribution is not satisfactory.

4.2.4 Mobilize internal sources rather than External sources

To know the respondents view towards mobilize internal source rather than external sources the question was put “Do you agree that it is better to mobilize internal sources rather than external sources to healthy development of nation?” opinion result is summarized in the table.

Table 5.4**View towards Mobilize internal sources rather than External sources**

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	20	100	0	0	20	100
Bank Officers	20	100	0	0	20	100
Revenue Officers	20	100	0	0	20	100
Revenue Payers	20	100	0	0	20	100
Total	80	100	0	0	80	100

Source: opinion survey, 2012

All above sample cent percent revenue exports, bank officers, revenue officers and revenue payers are agree mobilization of internal resource rather than external sources. Cent percent approve that internal source is good for healthy development for our nation. It means they recommended to the government to use internal resource as much as for development of Nepal.

4.2.5 Attitude to wards Provision of Fines and Penalty

Fine and penalty also play significant role to reduce the tax evasion and illegal activities and make morality to the tax payers. To know the views of respondents about the fine and penalty, the respondents were requested to tick yes/no option. The question was, “Are the provision of fines and penalty under Nepalese revenue system reasonable?” the opinion of respondents is as follows.

Table 5.5**Attitude towards Fines and Penalty**

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	12	60	8	40	20	100
Bank Officers	15	75	5	25	20	100
Revenue Officers	14	70	6	30	20	100
Revenue Payers	10	50	10	50	20	100
Total	51	63.75	29	36.25	80	100

Source: Opinion survey, 2012

63.75 percent respondents are in the favor of present provision of fines and penalty but 36.25 percentage respondents are against the provision of fines and penalty. Out of total revenue payer 50 percentages are against the present fine and penalty. According to revenue exports 60 percentages exports are positive towards fine and penalty and 40 percentages (8 experts among 20) are against towards the provision of fines and penalty. The respondents bank officers 75 percentage are positive and 25 percentage against the provision of fine and penalty.

4.2.6 Attitude towards Non-Tax Revenue Administration

The revenue payer and revenue collectors both have to be well known and conscious about the record keeping and process of revenue system. Through 10 years have been already passed, but still it has a great challenge in this aspect.

To know the respondents view regarding effectiveness of non-tax revenue administration in Nepal, a question “Do you agree that Nepalese Non-tax revenue administration is effective?” we asked. The responses are tabulated as follows.

Table 5.6

Attitude towards Non-Tax Revenue Administration in Nepal

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	9	45	11	55	20	100
Bank Officers	7	35	13	65	20	100
Revenue Officers	11	55	9	45	20	100
Revenue Payers	5	25	15	75	20	100
Total	37	40	43	60	80	100

Source: Opinion survey, 2012

From the above table it has clear that Nepalese non-tax revenue administration is not effective. Most of respondents i.e. 60 percentage of respondents recognize it ineffective. Then Nepalese government needs to improve the administration. For asking question to the revenue exports only 45 percentages are positive and 55 percentage give answer negative it means they are not happy about revenue administration. Only 35 percentage of bank officer are positive and 65 percentage are recognize there is problem in revenue administrative in Nepal.

4.2.7 Most Important factor for Effectiveness of Non-Tax Revenue

According to internal experience Non-Tax Revenue mobilization and strong revenue administration. However, it can't be said properly that it is advantageous and effective in future until effective implementation. In Nepalese context the smuggling trade level is at peak point revenue leakage is at higher magnitude, the revenue collection is at the lower level, the effectiveness and administration is weak so without proper implementation there is big doubt whether NTR will be effective in future or not.

The respondents were requested to rank their choice from A to D according to their preference to know the opinion of the respondents view regarding to important factors for effectiveness of non-tax revenue in Nepal. A question was, "In your opinion, what is the most important factor for effectiveness of Non-tax revenue in Nepal to raising government revenue? Was asked Responses are summarized in the table 5.7.

Table 5.7**Most important factors for Effectiveness of Non-tax Revenue**

Methods	Percentage					Percent	Rank
	Revenue exports	Bank officer	Revenue officers	Revenue payers	Total		
A)Clear act, rules and regulations	25	15	10	23	73	22.82	3
B)Conscious and honest revenue officer	18	13	15	12	58	18.12	4
C)Conscious and honest revenue payers	20	27	30	25	102	31.88	1
D)Effective revenue administration	17	25	25	20	87	27.18	2
Total	80	80	80	80	320		

Source: opinion survey 2012

From the opinion survey the conclusion that the important factor for effectiveness of Non-Tax revenue in Nepal to raising the government revenue according to the preference of the respondents were as follows:

- A) Clear act, rules and regulations
- B) Effective revenue administration
- C) Conscious and honest revenue officers
- D) Conscious and honest revenue payers

From the opinion survey 31.88 percentages respondents support or rank and said that Conscious and honest revenue payers is necessary for raising government revenue. It was ranked first and effective revenue administration is also play most important role for generate more revenue in Nepal then respondents ranked it second position. Then most effective factor for effectiveness of non-tax revenue can be conscious and honest revenue payers.

4.2.8 Attitude toward making system dynamically and statically more progressive

Fine and penalty also play very important role in generating more revenue. To know the view of respondents about the heavier fine and penalty, the respondents were requested to tick agree or disagree option. The question was, “It is said that heavier fine and penalty will make the system dynamically and statistically more progressive. Do you agree with it? The opinion of respondents is as follows.

Table 5.8

Attitude toward making system dynamically and statically more progressive

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	8	40	12	60	20	100
Bank Officers	5	25	15	75	20	100
Revenue Officers	12	60	8	40	20	100
Revenue Payers	4	20	16	80	20	100
Total	29	36.25	51	63.75	80	100

Source: Opinion survey, 2012

63.75 percentage respondents are in Unflavored of the making system dynamically and statistically more progressive to use heavier fine and penalty, only 36.25 percentage respondents are favor of heavier fine and penalty.

4.2.9 View towards Non-Tax Revenue Administration

Non-Tax Revenue should be introduced after a considerable level of the preparation creating infrastructure organizing a proper and the efficient administration and providing minimum required level of revenue payer's education in Nepal. If the non-tax revenue is Administration hurriedly on presumptive basis without making the full presumptive basis without making the full and adequate preparation of revenue system could be distractive and counter productive in least development country like Nepal.

In order to know reason of unreasonable heavy fine and penalty system, the next question asked, "Do you consider that the Non-Tax revenue administration in Nepal is sound?" views of respondents are tabulated below.

Table 5.9

View towards Non-Tax Revenue Administration

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	8	40	12	60	20	100
Bank Officers	7	35	13	65	20	100
Revenue Officers	9	45	11	55	20	100
Revenue Payers	8	40	12	60	20	100
Total	32	40	48	60	80	100

Source: Opinion survey, 2012

From the above table it has been clear that Nepalese non-tax revenue administration is not effective. Most of respondents' i.e. 60 percentage of respondents recognize it ineffective. And only 40 percentages of respondents recognize it is effective. Then the table 5.9 shows that towards non-tax revenue administration in Nepal is not good or sound.

According to the question respondents view is no, then

What are the causes, which are responsible for the creation of unsound Non-tax revenue administration? Please rank the answer (1 to 4)

- A) Defective rules and regulation ()
- B) Lack of public participation ()
- C) Lack of trained employee ()
- D) Lack of co-operation by revenue administration ()

Table 5.10**Most responsible factor for creation unsound Non-tax revenue administration**

Methods	Percentage					Percent (%)	Rank
	Revenue exports	Bank officers	Revenue officers	Revenue Payers	Total		
A)Defective rules and Regulation	17	20	23	23	83	25.94	2
B)Lack of public participation	18	16	19	15	68	21.25	4
C)Lack of trained employee	20	23	16	21	80	25	3
D)Lack of co-operation by revenue administration	25	21	22	21	89	27.81	1
Total	80	80	80	80	320		

Source: Opinion survey, 2012

From the table, the major reasons for unsound non-tax revenue ranked in order of preference of the respondents are as follows

- A) Defective rules and regulation (2)
- B) Lack of public participation (4)
- C) Lack of trained employee (3)
- D) Lack of co-operation by revenue administration (1)

4.2.10 Attitude towards problems in Revenue System in Nepal

To know the problems facing by the revenue system in Nepal, the respondents were requested to rank their choice from A to D according their preference. The question was, “Do you think there are problems in revenue system in Nepal?” More respondents answered YES then finding the major problems answers are ranked below table.

Table 5.11

Attitude towards problems in Revenue System in Nepal

Methods	Percentage					Percent (%)	Rank
	Revenue exports	Bank officers	Revenue officers	Revenue Payers	Total		
A)increasing habit of revenue evasion	30	25	27	35	117	36.56	1
B)lack of conscious of revenue payers	18	20	14	18	70	21.87	3
C)Lack of training facility	10	12	19	21	62	19.37	4
D)Lack of appropriate assessment procedure	22	23	20	6	71	22.19	2
Total	80	80	80	80	320		

Source: Opinion Survey, 2012

From the above table, the major problems of taxation system in Nepal ranked in order of preference of the respondents are as follows.

- A) Increasing habit of revenue evasion /illegal business activities
- B) Lack of appropriate assessment procedure
- C) Lack of consciousness of revenue payers
- D) Lack of training facility and sufficient incentive to the employer.

From the above table shows that increasing habit of revenue evasion/illegal business activities is the major problem of revenue system in Nepal.

4.2.11 View towards Duty and Fees are important source of Non-Tax Revenue

Duty and fees are also play important role to reduce the government revenue. To know the view of respondents about the duty and fees the respondents were requested tick the agree or disagree option. The question was “Do you agree that duty and fees are important sources of collection Non-Tax revenue in Nepal? The opinion of respondents is as follows.

Table 5.12**View towards duty and fees are important source of collection Non-Tax revenue**

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	15	75	5	25	20	100
Bank Officers	13	65	7	35	20	100
Revenue Officers	14	70	6	30	20	100
Revenue Payers	12	60	8	40	20	100
Total	54	67.5	26	32.5	80	100

Source: Opinion Survey, 2012

75 percentage revenue exports agree that duty and fees are important sources of non-tax revenue. 67.5 percentage of respondents are agree and only 32.5 percentage respondents were disagree that fees and duties is not a important source of generating more revenue in Nepal. According the table 5.14 we say that fees and duties are important source of generating revenue in Nepal.

4.2.12 View towards Royalties and Sale of Government property

To know the respondents view towards royalties and sale of government property the question was put “Do you agree that revenue from ‘Royalties and sale of government property is an effective tool to reduce the gap between Tax revenue and Non-tax revenue? Opinion result is summarized in table 5.13 below.

Table 5.13**View towards Royalties and sale of government property**

Respondents	Yes		No		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
Revenue Exports	7	35	13	65	20	100
Bank Officers	5	25	15	75	20	100
Revenue Officers	8	40	12	60	20	100
Revenue Payers	6	30	14	70	20	100
Total	26	32.5	54	67.5	80	100

Source: Opinion survey, 2012

Most of bank officers 75 and revenue payers 70 percentages disagree that revenue from royalties and sale of government property is not an effective tool to reduce the gap between tax and non-tax revenue. And finally 67.5 percentage respondents are disagree about the question only 32.5 percentage agree that it reduce the gap between tax and non-tax revenue. Thus, it can be concluded that Royalties and sale of government property is not an effective tool to reduce the gap between tax and non-tax revenue.

4.2.13 Contribution of Non-Tax Revenue

Non-tax revenue includes fees, fines and penalty, dividend, interest return and many more. The contribution of non-tax revenue in national revenue is about 20 percentages.

To know whether the contribution of non-tax revenue to national revenue is satisfactory, moderate or unsatisfactory, a question was asked, “What do you think contribution of Non-tax revenue in national revenue of Nepal?” The responses are tabulated as follows:

Table 5.14
Contribution of Non-tax revenue

Respondents	Satisfactory		Moderate		Unsatisfactory		Total	
	No	%	No	%	No	%	No.	%
Revenue Exports	4	20	6	30	10	50	20	100
Bank Officers	6	30	3	15	11	55	20	100
Revenue Officers	5	25	7	35	8	40	20	100
Revenue Payers	7	35	4	20	9	45	20	100
Total	22	27.5	20	25	38	47.5	80	100

Source: Opinion survey, 2012

Only 27.5 percentage respondents recognized that contribution of non-tax revenue in total revenue is satisfactory. 25 percentages respondents approved that contribution of non-tax revenue in total revenue moderate and among 80 respondents 38 (47.5) percentage respondents view that contribution of non-tax revenue is unsatisfactory. From this opinion, it can be concluded that the contribution of non-tax revenue is unsatisfactory.

4.2.14 Attitude towards revenue evasion

Any revenue system may not provide the expected yield when there exist revenue evading loopholes. Evasion of Non-tax revenue not only loses the

revenue but also creates economic distortions, market imperfect etc. However revenue evading practice is a general phenomenon in any country and it cannot be solved perfectly but it must be minimize as far as possible. Generally business enterprises may not take responsibility for revenue evasion but it is not true in all the cases and time. There are other groups such as revenue payer, revenue administration who may be supporting, helping or encouraging business enterprises for revenue evasion, for their direct and indirect benefit and thus may be more responsible for revenue evasion.

To know the most responsible group of revenue evasion, the respondents were requested to rank their choice A to D according to their preference. The question was, “Who is the most responsible group of the revenue evasion?” Respondents received from respondents are tabulated as below.

Table5.15

Responsible group of the revenue evasion

Methods	Percentage					Percent (%)	Rank
	Revenue exports	Bank officer	Revenue officers	Revenue Payers	Total		
A)Business enterprise	40	35	27	29	131	40.94	1
B)Revenue administration	25	30	36	32	123	38.44	2
C) Consumer	6	9	5	8	28	8.75	4
D)All	9	6	12	11	38	11.87	3
Total	80	80	80	80	320	100	

Source, Opinion survey, 2012

From the above outcomes 40(50%) respondents of revenue exports, 35(43.75%) bank officers supported that the most responsible group for revenue evasion is Business enterprises. Similarly revenue administration groups are second responsible group of revenue evasion.

From the above table, the major responsible groups of revenue evasion ranked in order of preference of the respondents are as follows.

- A) Business enterprises
- B) Revenue administration
- C) Consumer
- D) All

From the view of respondents business enterprises are major responsible for revenue evasion nearly 41 percentage respondents agree that and continually Revenue administration is second position in revenue evasion.

4.3 Major Findings of the Study

On the basis of previous chapter and data presentation and analysis some important findings can be drawn. The major findings are viewed below.

From Secondary Data

- 1) Non-tax revenue is decreasing trend. The contribution of Duty and Fees is the highest among other non-tax revenues it is Rs 45978213 million. Second position is taken by Dividend it is Rs. 42505500 millions. There is highly fluctuation in the contribution non-tax. Growth rate has showed increasing order and after sometime it is seemed to be decreasing.
- 2) The contribution of revenue collection from Income Derived from Sale or Lease of Government Assets, Services or Goods is very low. There is less contribution of revenue collection from Interest and Donation, Gifts

and Miscellaneous Income. The contribution of Duty and Fees, Dividend has seemed to be in satisfactory position.

- 3) The contribution percentage of Revenue paid by the Non-Tax Revenue to Total Revenue has seems very low. The contribution to total revenue is not satisfactory and also contribution of GDP is very low.
- 4) Non-Tax Revenue is becomes a major source of government revenue. The contribution of non-tax revenue will be effective if the collection process was made properly. And the collection must be used in proper place. The present system of revenue in Nepal is not efficient, because the revenue office does not impose same rule for all kinds of revenue payers.
- 5) The problem related to revenue management was found less consciousness for revenue payers and legal consideration i.e. the law should be very clear and understandable to the people, increasing habit of revenue evasion, remove the its lengthy process of revenue payment, some problem of the lack of identical accounting system, remove the misuse of power and authority and to fulfill lack of training facilities to the employees.
- 6) Negative attitude and unfriendly behavior of revenue authority to revenue payers are also the problems to the revenue payers. They are not seen like civil servants. They make delays in issuance of revenue clearance certificate.

From Primary Data

- 1) Non-Tax Revenue is a major source of collection revenue in Nepal. Most of respondents thought that public awareness programs are necessary to increase government revenue.

- 2) The contribution of non-tax revenue to total revenue is not satisfactory level. And all respondents agree that it is better to mobilize of internal resource rather than external source to healthy development of Nepal.
- 3) The reasons for insufficient are political instability, lack of awareness of revenue payers, effective revenue policy, much confusing on revenue laws and misuse of collected revenue.
- 4) The non-tax revenue administration in Nepal is not sound. The reasons for insufficient are: lack of co-operation by revenue administration, defective rules and regulation, lack of trained employee and lack of public participation.
- 5) The most important factor for effectiveness of non-tax revenue in Nepal to raise government revenue are, conscious and honest revenue payers, effective revenue administration, clear act, rules and regulations and conscious and honest revenue payers.
- 6) There is problem in taxation system in Nepalese revenue system they are increasing habit of revenue evasion/illegal business activities, lack of appropriate assessment procedure, lack of conscious of revenue payers, lack of training facility and sufficient incentive to the employer.
- 7) Revenue from Royalties and Sale of Government Property is not help to reduce the gap between tax revenue and non-tax revenue in Nepal. And contribution of non-tax revenue of Nepal is unsatisfactory.
- 8) The most responsible group of revenue evasion in Nepal is business enterprises, revenue administration, all and consumers.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

In each and every country, a lot of fund is spent by the public authority for the protection of the people and for creation of various socioeconomic infrastructures. Protection expenditure includes the purchase of arms and ammunitions, army and police expenses and administration of jails. The government expenditures are increasing day by day because of demand of time, increasing price and national income and the government needs more money to run it successfully. Lack of sufficient financial resources is the main constraint for economic development of Nepal. A lot of funds are required to meet the objective of economic development. But Nepal is not being able to collect necessary fund. Due to poor performance on internal revenue collection and mobilization, Nepal has been heavily relying on foreign loans and grants. The dependence is increasing which is not desirable for any economic. Thus, it is more essential to mobilize the internal fund to the optimum level. The government collects non-tax revenue from various sources such as tax, revenue from public enterprises, special assessment, fees, fines, grants, gift, donations assistance etc. among which tax is the main source of government revenue.

5.1 Summary

The major sources of government are tax revenue and non-tax revenue from which government can mobilize the sector of economic and social development. Non-tax revenue included all revenue other than taxes, occurring to the government. Non-tax revenue includes not only foreign aid and natural resource revenue attained through state-owned enterprises, but also borrowing (from abroad or the Central Bank) and all their revenue besides taxation (e.g. other state-owned enterprise revenue, fines, and so forth). Again, non-tax

revenue is what the government can spend without having to tax its citizens. This is obviously quite a diverse category of revenue, and it should be noted at the outset that despite scholars' claims that aid and natural resource revenues might have something in common asserting that they can be considered examples of a broad class of revenue with similar effects constitutes a hypothesis in its own right.

The growth of Non-tax revenue in Nepal is not so long. In comparison with other developing or developed countries, the administration and policies system in Nepal is far behind. Nepal has to wait for a long time to come this present revenues collection position.

Currently, non-tax revenue system of Nepal encompasses eight revenue topics, i.e. fees, fines and penalties, income derived from sale or lease of government assets, services or goods, dividends, interests, sale of government assets and royalty, donation gifts and miscellaneous income, principle returns. Among them, contribution of Fees is highest and continually dividend has second largest contributor of non-tax revenue in Nepal.

Trend of collection of Non-Tax Revenue generation shown in table 4.4 reveal Non-Tax Revenue in past years. It shows collection of revenue as Rs. 1002856, 1111490, 1364286, 1415804, 1597349, 1485154, 1651326, 2246702, 2642258 and 2365088 million in the year 2000/01, 2001/02, 2002/03, 2003/04, 2004/05, 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 is seen that revenue is regularly increasing the every year.

Non-tax revenue system of Nepal has been blamed as not efficient enough. Being various problems relating to non-tax revenue, revenue collection from non-tax revenue is low compared to other developing countries like India, Srilanka, Pakistan, etc. Nevertheless, if we analyzed the data relation to it we can find out it is neither bad nor worse but continually improving. However,

non-tax revenue law and administration in Nepal are to be deeply scrutinized and properly implemented. The provisions made on act have to be mentioned clearly and language has to be made clearly. Some reforms in revenue administration are needed. If the problems relating to income revenue system in Nepal can be solved and resources are effectively utilized then only the prospects of revenue collection from non-tax revenue will be bright and the economic development of Nepal will be achieved. However, people are suspended (hide) the real revenue. They enjoy the weakness of revenue law and escape from tax administration there are some corrupt staff in Inland Revenue Department and Officers, who encourage the revenue payers to evade revenue liability. Similarly, the Department can not find out the actual number of revenue payers.

There is no proper supervision over the staff member of revenue collection department in Nepal. Behavior of revenue officers is also not satisfactory. Lack of Honest and conscious revenue payers are the main problem for raising more government revenue. Lack of co-operation by revenue administration is the main problem of unsound revenue administration n. It seems that non-tax revenue is become difficult. There is no reliable and sufficient data for revenue purpose and lack of information and co-ordination between different Department and Inland Revenue Department.

5.2 Conclusion

The study has primarily focused on the non-tax revenue collection and practice adopted by the sample with a view to provide valuable suggestion which may be helpful to the formulation of optimal non-tax revenue collection and contribution of revenue payers to the government revenue for the development. The main objective of the study is to gain an insight into the non-tax revenue

collection from Nepalese people and give appropriate suggestions to improve the non-tax revenue system so that the government can collect more revenue and use them in the process of nation development. The study will not only help the government to collect more revenue but also make the concerned people aware of the revenue policy.

Non-Tax Revenue has becoming most important source of the nation revenue for the economical and social development of the country, which requires huge amount. Any progressive activities should be taken each year to give minimum requirements of people. Proper management is required to collect the targeted revenue. Therefore, non-tax revenue management also should be sound for the planning, directing, and collection of revenue. Collection of revenue is difficult task and the objectives of non-tax revenue management is also the achievement of the goal of non-tax revenue system. Non-tax revenue management also needs to recognize its tax payers, and their net income. It needs to plan and anticipate the non-tax revenue collection in future to make implement the policy formulation by the revenue department and needs to control the defects of policy formed and collection.

Only revenue policies and programs are not successful devices for achieving the ultimate goal of an organization. For the achievement of targeted goals, the policies and plans must be implemented in deficient and effective manner. Revenue administration is important is an important sub-system of revenue system, which is needed for successful implementation of tax policies and laws. Policy making is relatively easy but more difficult to administer. Policies are formulated by top level while the lower lever revenue officers implement them.

The success and failure of any policy depend upon the effectiveness of the revenue administration. Non-tax revenue is administrated directly by the Inland

Revenue Department, Ministry of Finance. Other administration such as customer administration, revenue investigation administration and training centers are also involved in the non-tax revenue administration the revenue division of the Ministry of Finance is responsible for formulating revenue policy and setting up appropriate administration to implement the revenue policy.

Nepal has been collecting its revenue from different sources. The structure of the government revenue in Nepal is composition of tax revenue and non-tax revenue. The government revenue is the mix contribution of the tax revenue and non-tax revenue which consists of various sources.

The custom duty is one of best items of indirect tax group. The excise duty is also the indirect tax which is imposed in the liquor production and other industrial production. The land tax that includes land registration fee is also a kind of direct tax. Miscellaneous indirect taxes include contract tax, entertainment tax, hotel tax, air flight tax. They are also contributing to the national receipt. Even though they have been contributing small rate. Thus, the tax revenue is the highly contributing source of total government revenue. But non-tax revenue has been also contributing in considerable rate among the other individual revenue items. The composition of government revenue has different types of tax and non-tax revenue items.

National exchequer is the composition of tax revenue and non-tax revenue. Tax revenue includes direct and indirect taxes. Non-tax revenue of the government is also important revenue source that includes different types of fees, charges, dividend, royalty and principle with interest from companies and corporation. Sale of fixed assets and mint are also components of non-tax revenue. The tax revenue is more contributing than that of non-tax revenue.

Resource mobilization through non-tax revenue is very important instrument in Nepal. There are existing trend deficit and resource gap each year. That is way; the government has to borrow foreign loans. For the improvement of these constraints, the government must be able to increase its internal resources. Non- tax revenue as the component of internal resources has been contributing in the government revenue in the increasing trend. But it is also not improved as expected due to various reasons: weakness in non-tax revenue administration, lack of revenue morality in revenue payers, illegal business activities are primarily responsible for insufficient realization of non-tax revenue in Nepal. However, most of government enterprises manipulate the accounts, and their financial performances are also bad. On the other hand, family managed private companies' practices revenue evasion. It has many problems relating to non-tax revenue collection.

Non-tax revenue contributes was 20.51 percentage on the total revenue in F/Y 2000/01 and now nearly 10 years later it's contribution decrease and reach 13.14 percentage it is not a good result of Nepalese economy. Contribution on GDP 2.27 percentage in F/Y 2000/01 and it contribute 2.02 percentages F/Y 2009/10. Main factors contributions to such decrease where revenue from sales of public goods and services, royalties and public property sale, fees charges and penalty. The average contribution of non-tax revenue over all 10 years seems to be 24 percentages in total tax revenue.

5.2 Recommendations

Based on the major findings in the study, some recommendations are explained below. This recommendation will clearly be proved as the milestone to overcome existing issues in this field. This thesis topic left open to an all

furtherer researcher. The researcher is able to gain lots of experience through this thesis. This type of thesis helps to build the confidence of researcher. The researcher is endowed with opportunities.

1. Non-Tax Revenue related information should be published regularly through journals, magazines. Newspapers, pamphlets, radios, television and cinema, interview programs with professors' researcher, revenue experts economists. It should be conducted and published through media. Similarly, the students at school as well as campus level should be given the knowledge about non-tax revenue. The school as well as campus level curriculum should include revenue education and social obligation of paying revenue.
2. Non-Tax Revenue laws should be effectively implemented timely revision should be made on unpractical acts, rules and regulation on the basis if experience gained.
3. Non-tax revenue has its lengthy process of non-tax revenue payers. Revenue payers never want the lengthy and time consuming assessment. That is why, management has to try to make it faster and short process of non-tax revenue assessment.
4. The development of revenue officers and human resources professionals in revenue administration as a priority in an effort to motivate to staff at all levels to participate in shaping and managing in an increasingly decentralized, local, knowledge- base network.
5. In the case of low income developing countries like, the reactive revenue administration must be reformed drastically in order to translate revenue theory in to practical. The following measures are recommendation for the effectiveness of revenue administration of low income development country like Nepal.

- A. To make conscious and honest revenue payers
 - B. Modern revenue administration technique
 - C. Effective system of appeals
 - D. Make clear act and rules and regulation
6. The government and political conflict in the country should be stopped. Peace should be maintained for the better economic development of the country.
 7. The government is vital in all sorts of economic system. It is a very powerful institution which can create a favorable business environment. The government should play the vital role in economic growth, social obligation, control monopoly, providing patent and stimulate private sector. The government should regulate and promote to the economic activities of private sector.
 8. The success of effectiveness of any system entirely depends upon implementation provisions, which is the major responsibility of administration in Nepal. One of the most important reasons for unsound non-tax revenue system is inefficient and unscientific non-tax revenue administration. Following suggestions are made for the improvement of non-tax revenue administration in Nepal:
 - a. The performance, responsibility, authorities and duty should be clearly defined.
 - b. Effective rewards and punishment system should be established.
 - c. Working environment of the revenue offices should be improved and necessary machinery should be provided.
 - d. The administration should try to increase effective public participation to minimize the revenue evasion.

- e. Revenue experts/profession should be increase in revenue administration.
 - f. The cost of collection is one of the determinants of administrative efficiency. So, the concerned authority should pay the attention on it.
 - g. There should be a co-operation between the private sector and government sector for the successful implementation of non-tax revenue in Nepal.
9. Revenue system should be simple, fair, equitable, efficient and effective. Revenue administration has to motivate the revenue payers to paid revenue so that; they have to give knowledge about non-tax revenue to the public.
10. Finally the effective and efficient implementation and development of Non-Tax Revenue is only possible when there is fair understanding between the government revenue administration, revenue payers and other concerned parties. So they must have commitment, dedication, and self-motivation to implement non-tax revenue in the future prospect. Apparently non-tax revenue cannot deliver the intended results unless these problems are addressed seriously.

D) All()

15. You have any other comments and suggestions about Non-Tax Revenue

in Nepal? Please

specify.....

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(Thank you for your kind co-operation)

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