

REMUNERATION TAX AWARENESS AMONG NEPALESE EMPLOYEES

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RECOMMENDATION

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NEPALESE EMPLOYEES**

has been prepared as approved by this department in the prescribed format of
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And found the Thesis to be the original work of the student written in accordance with the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master’s Degree of Business Studies (M.B.S).

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**Remuneration Tax Awareness Among Nepalese Employees**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work as partial fulfillment of the requirements of the degree of Master in Business Studies (M.B.S), this is prepared under the supervision of Mr. Dipak Prasad Pandey, Lecturer, Lumbini Banijya Campus, Butwal, Rupandehi.

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LIST OF ABBREVIATION

B.S.	: Bikram Sambat
A.D.	: Anno Domini
ITA	: Income Tax Act
IRD	: Inland Revenue Department
IRO	: Inland Revenue Office
MBS	: Master in Business Studies
PAN	: Permanent Account Number
TDS	: Tax Deduction at Source
VAT	: Value Added Tax
T.U.	: Tribhuvan University
No.	: Number
H.N.A	: Highly Non Awareness
N.A	: Non Awareness
A	: Awareness
H.A	: Highly Awareness

CHAPTER I

INTRODUCTION

1.1 Background of the study

Great Britain is the first country in the world to introduce the modern income tax. It introduced income tax in 1799 A.D. to finance the war fought with France. USA introduced income tax in 1862 A.D. to generate revenue to finance civil war. In India, while income tax in its modern form was adopted in 1860 A.D., several experiments were made from 1860 A.D. to 1866 A.D. and finally the systematic income tax legislation was enacted in 1886 (Bhattarai & Koirala, 2010). During the mid-twentieth century, developing country slowly started planned development system and started imposing income tax to collect necessary revenue for development activities. The main objective of income tax was not only to collect revenue but also to control unequal distribution of wealth. So, to make it progressive, different rates of tax were experience by different countries. 1960s and 1970s experienced the varieties of tax rate and in late 1980s tax rate were reduce to decrease the burden on people. USA amended the law in 1986, which took a new turn in the field of income tax.

Taxation is one of the important elements in managing national income, especially in developed countries and has played an important role in civilized societies since their birth thousands years ago. Tax is defined as ‘a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return’ (Lymer and Oats, 2009). However, not all payments to government are considered tax payments. For example, charges, tolls and other levies are paid to obtain a specific service and are not strictly tax payments.

Although the taxes were collected in various forms in ancient era, the history of modern income tax is not very old in Nepal. The idea of introducing income tax in Nepal originated in the early 1950s when a multi-party democratic political system was introduced. In 1951 A.D., the Finance Minister in his budget speech declared the intention of the government to introduce income tax. Attempts were made to introduce income tax in subsequent years. In 1954, an income tax with Rs. 10000

basic allowance and progressive taxes ranging from 5 to 25 percent was purposed. Due to political instability, it could not be introduced until 1958 A.D. The first elected government in 1959 A.D. finally introduced Business Profits and Salaries Tax Act, 1960 in Nepal. At that time, income tax was levied only on business profits and salaries. After about three years experience of income tax, the government replaced the prevailing tax Act by income Tax Act, 1962. The coverage was then extended in the Act. In 1974 A.D., Income tax Act, 1974 A.D. was enacted. The Act classified income sources into five groups (a) Agriculture (b) Industry, Trade, Profession or occupation (c) Remuneration (d) house and Compound Rents (e) Others Sources. However, agricultural income was kept outside the tax net except few years through the Finance Acts. The parliament of Nepal enacted Income Tax Act, 2002 A.D. (2058 B.S.), with effective from 1st April 2002A.D. (Chaitra 19, 2058 B.S.) to enhance revenue mobilization through effective revenue collection procedure for the economic development of the nation, and to amend and integrate the Laws relating to Income tax (Bhattarai & Koirala, 2011).

A government requires sufficient resources to carry out development plans, handle day to day administration, maintain peace and security and launch other public welfare activities. The government collects the required resources mainly from two sources: debt and revenues. The debt can be collected either from internal or external sources. The internal debt is collected either from internal or external sources. The internal debt is collected within the country while external debt is collected from outside the country. The debt financing of the government is deficit financing. The revenues on the other hand, come basically from two sources: tax and non- tax. Non tax sources include different revenues like gifts, grants, revenues from public enterprises, administrative revenues such as registration fees, fines and penalties. Tax sources include customs duty, excise duty, VAT, income tax (Kandel, 2001).

Several options are available for raising fund for bidding resources away from other sectors of the economy and from other claimants to undertake their activities. The options include taxes, non- taxes revenue such as fees, levies, charges, property and investment income, domestic and foreign borrowing including loans from the multinational institutions and foreign grants. Thus, a major source of funds for any government is the tax revenue (Asher, 2001).

Taxes can be classified into two main types: direct and indirect taxes. Direct taxes mean the burden (incidence) of tax is borne entirely by the entity that pays it, and cannot be passed on to another entity; for example, corporation tax and individual income tax. Indirect taxes are typically the charges that are levied on goods and services (consumptions) (Barjoyai, 1987), for example VAT (Value Added Tax), sales tax, excise tax and stamp duties. Indirect taxes are not levied on individuals, but on goods and services. Customers indirectly pay this tax in the form of higher prices. For example, it can be said that while purchasing goods from a retail shop, the retail sales tax is actually paid by the customer. The retailer eventually passes this tax to the respective authority. The indirect tax actually raises the price of the goods and the customer's purchase by paying more for that product. Unlike indirect tax, direct taxes are based on 'ability to pay principle but (by being very obvious to the taxpayer) they sometimes work as a disincentive to work harder and earn more because that would mean paying more tax.

In general, tax can be defined as a levy or other type of financial charges or fee imposed by state or central government on legal entities or individuals. It is a compulsory levy from individuals, households and firms to central or local government. It is a kind of money of which it is the legal duty of every citizen of the country to pay honestly. It may be levied on income, property and even at the time of purchasing a commodity. Tax is computed and paid as prescribed in the law. If a person defies the tax payment, he may be punished in the court of law. A taxpayer is not entitled to compel the government, while paying taxes, to give something to him in return of the amount he has paid. Taxation can be considered as a convenient method of raising revenue which in turn is linked with the welfare of the people directly or indirectly. Adam Smith defined tax as " a contribution from citizens for the support of the state" Prof. Seligman defined tax as " a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefit conferred. " According to Plehn " taxes are general contribution of wealth levied upon persons, natural or corporate to defray expenses incurred in conferring common benefits upon the residents of the states " (Bhattarai & Koirala, 2011).

People feel trouble and they become dishonest to show their all sources of income. They search different loopholes for the reduction of their tax burden. The second option "removing the income tax evasion" seems to be equitable in the situation of Nepal. It will reward the honest people and penalize the dishonest people. Resources can be mobilized more effectively and efficiently, so, proper economic development could be possible, if income tax evasion is controlled. Income tax evasion is a serious problem in Nepal and seems a national character. Because of this, resources have not been mobilized efficiently and resource gap is increasing each year in the Nepalese public finance. Because of income tax evasion practices in Nepal, the shares direct tax could not be improved and the burden of indirect tax has been increased. The contribution of income taxes is very low in the composition of tax revenue in Nepal. Because of its low contribution, it couldn't play an important role in reducing the inequalities of income and wealth, poor taxpaying habit of Nepali people and poor recording system of tax offices which are the problems of economic development of Nepal. In addition to tax education, knowledge about tax laws also plays a major role in determining taxpayers' compliance behaviour (Eriksen and Fallan, 1996). Therefore a step ahead, for example continuous education programmes and effective monitoring mechanisms must be taken into account by tax authorities to ascertain that taxpayers have a good and reasonable knowledge and understanding of tax matters. However, the awareness and attitude of the taxpayer himself is more important since the effectiveness of tax education depends on the readiness, acceptance and honesty of taxpayers.

Countries such as the US, Canada, Japan, New Zealand, Australia, the UK and Malaysia have all been implementing a continuous tax education for taxpayers and children (as future taxpayers). Apart from these programmes to educate taxpayers directly and instill public awareness regarding tax matters, various countries such as the USA, the UK and Australia also have developed interactive websites, disseminated leaflets together with tax returns, opened call centers, created advertisements or supplied reminders via television and radio (e.g. to remind taxpayers of deadline dates for filings). In addition to tax education, knowledge about tax laws also plays a major role in determining taxpayers' compliance behaviour (Eriksen and Fallan, 1996). Therefore a step ahead, for example continuous education programmes and effective

monitoring mechanisms must be taken into account by tax authorities to ascertain that taxpayers have a good and reasonable knowledge and understanding of tax matters. However, the awareness and attitude of the taxpayer himself is more important since the effectiveness of tax education depends on the readiness, acceptance and honesty of taxpayers. Various programmes in the US, including the Public Information Programme, were introduced to educate school children, small business owners and other self-employed individuals. Through workshops or in-depth tax courses, instructors provided training on filing tax returns, starting a business, recordkeeping, preparing business and personal tax returns, self-employment tax issues, and employment taxes. Tax knowledge also affects the taxpayers' attitude towards the accuracy of the tax return. Since there is no formal tax education being given in secondary school or at the higher level except for accounting students, it can be presumed that the majority of taxpayers are relatively tax illiterate. Specific tax education programmes for taxpayers have been implemented in most SAS countries including the US (including via online education), Canada and the UK. Tax education can constitute any informal or formal programme organized by the tax authority or independent agencies by which to facilitate taxpayers in completing tax returns correctly and also to cultivate awareness of their responsibilities in respect of the tax system (Eriksen and Fallan, 1996).

Employment is a contract between two parties one being the employer and the other being the employee. An employer is a person or institution that hires employees or workers to get mental or physical services against a regular payment of salary, wages and other benefits. The employer has the power or right to control and direct the employee in the material details of how the work is to be performed. An employee, on the other hand, is a person in the service of another under any contract. The employee provides services on a regular basis to the employer and in return gets certain amounts or benefits. Specially, an employee is any person hired by an employer to do a specific job. Among the three income generating activities labour, capital and mix of labour and capital, employment is concerned with labour activities. Income Tax Act, 2002 has not given specific definition of employment. But it has used the term broadly to include past, present or prospective employment.

Income from employment is basically remuneration received or accrued periodically for service rendered as a result of expressed or implied contract. It is the payment or benefits received either in cash or kind from the employer or his associate in exchange of labour service. It is the remuneration from the employment of an individual. It includes all types of remuneration received from employment such as salary, fees, wages, overtime pay, holiday, bonuses, commissions, tips, gratuities or other non-monetary benefits (i.e. vehicle facility, quarter facility). From tax perspective, the employment income can be defined in terms of whatever compensation an employee receives for a service that the government will tax.

Remuneration tax is a compulsory tax. If employees are working in Nepal under a permanent contract, many employers will handle their tax under the PAYE (pay-as-you-earn) system. This means that they calculate and process taxes in Nepal and then send a net wage. Employee income tax, public health insurance, social security and other deductions will all be covered by this payment. This is the easiest way to handle income tax in Nepal, but contractors may not be offered this service because of their short stay with each employer. Permanent employees are fortunate because their employers will usually process their Nepal income tax through the PAYE system. If employee are contracting in Nepal, they'll probably have to calculate and make your tax payments them self. They'll have to read up on tax laws, fill in myriad forms and spend hours hunched over a calculator working everything out. There is an easier way for contractors to pay their income tax in Nepal and it almost entirely removes the admin work. Payroll tax in Nepal is very similar to income tax but it's paid by employer as you earn. Social security fees, public health insurance and other deductions are all included in this payment and other deductions in Nepal are dependent on employee income. (www.contractortaxation.com).

Every person must pay remuneration tax if he/ she earn remuneration. Some people pay more remuneration tax then needed and some pay low tax because of lack of awareness about remuneration tax. There are various common reductions as Donation, Contribution to retirement fund, life insurance policy, Remote area allowances, Medical tax credit which can be deducted from payable remuneration tax; because of lack of awareness of Nepalese employee most of them have not deducted those amounts while paying tax.

There are three ways of earning income- by labour, by capital and by mix of capital and labour. Among these three, the first one is remuneration income. Remuneration means amount given for providing services. In case of remuneration, there uses to be one person getting services and other person providing services. Oxford Dictionary defines employment as the act of employing. The person getting service is called employer and the person providing service is employee. Certain conditions that are required to come under remuneration are:

- There should be employer employee relationship between two persons. The relation should be of master and servant between the payer and payee.
- The amount paid should be of regular nature. The payee should receive the amount in week or month or half yearly basis.
- The person getting remuneration should be natural person. However, the employer can be a natural person or proprietorship or partnership or company or local body, an institution or a foreigner.
- The person getting remuneration should work as per the direction of the employer.

1.2 Statement of the problem

Most of the personal tax payers do not reveal the income sources even they earn significant amount. Literatures indicate that tax evasion is a serious problem. But, the problem could not be solved even after introducing effective rules and regulations. Going one step ahead this study surrounds and leads another significant hindrance of remuneration tax, level of taxpayer's awareness. To overcome the basic problem, this study will be focused on the following specific problems:

- Are the Taxpayers fully informed about the incomes included in remuneration income?
- Do the Taxpayers have an idea about the common deduction while calculating remuneration tax?
- Are the Taxpayers enjoying exemptions provided to various areas?

1.3 Objectives of the study

The main objective of the study is to determine the awareness level of taxpayers with regard to the existing tax policy for remuneration tax. The specific objectives of the study can be outlined as below:

- To explore the level of awareness of Taxpayers about amounts included in employment income.
- To examine the level of awareness of Taxpayers about common deduction such as Retirement Contribution and Donation.
- To explore the level of awareness of Taxpayers on exemptions provided to various areas.

1.4 Significance of the study

Nepal is a least developed country due to poor mobilization of available resources. It is one of the lowest taxed economy countries as well in the world as per tax / GDP ratio, and is also the lowest among the SAARC countries. This shows the weak performance of income tax management in the country. A country needs lot of resources to implement plans or programs. Taxation is one of the means to mobilize domestic resources for economic development of a country. Taxation is not only the means for raising resources but it may bring about remarkable change in the social and economic structure of the economy as well as change in social attitude of the people. The responsibility of the developing countries is higher than the developed countries because more money is needed for economic development of a nation so, it is necessary to inquire different resources of taxes to fulfill such purpose. Remuneration tax may help government to raise revenue.

To know about the common deductions while computing remuneration tax and to calculate remuneration tax by himself/ herself awareness of remuneration tax is needed for every employee. For collecting the accurate remuneration tax awareness on remuneration tax among employee is essential. Therefore, Awareness of Remuneration Tax among Nepalese employees has been chosen as a relevant topic for the present study. This study will be able to provide the valuable information and will

be helpful for the economist, planner, tax officers and tax administrator of government officers. Similarly this study can also be helpful to the students, teachers, researchers, and other individual who are interested towards the awareness level of remuneration tax of Nepalese employee.

1.5 Limitation of the study

There are some limitations of the study, which can be outlined below:

- This study is limited to the Butwal Municipality only, hence the result arrived from this study may not be applicable to other areas.
- Most of the data, information, and findings used in this study are based on Primary Data.
- In case of analytical tool, only simple percentage, simple average, graph, charts and diagrams will be used.

1.6 Organization of the study.

The first introduction chapter includes statement of problem objectives of the study, need and significance of the study, limitations of the study and organization of study.

The second chapter Review of literature is done to know what research had been done in the related topic in previous days and what is to be done at present or in future this chapter has been divided into main aspects (1) Conceptual framework and (2) Review of related materials i.e. review of books, review of thesis, review of newspapers, magazines, journals etc.

Research methodology is mentioned in the third chapter it includes research design population and sampling, sources of data, procedure of data collection and tools used for analysis.

Presentation and analysis of data have been made in the fourth chapter the data collected from various sources have been tabulated in thesis sequential order and data have described and analyzed.

The fifth chapter consists of brief summary conclusions and recommendation of the study. Lastly essential appendix and bibliography have been presented at the end of the study.

CHAPTER-II

REVIEW OF LITERATURE

Review of literature refers to identifying already existing literature in the area of Tax payers awareness, to find out the contribution has already been made so that it can serve a valuable base for further expanding the literature. The researcher while choosing the relevant literature of this study has taken extreme care not to omit any literature pertaining to the self assessment of tax. This chapter is basically concerned with review of literature relevant to the topic whether they are conceptual or empirical. It is the way to discover what other research has uncovered in the area of our problem. Every research is based on previous knowledge. The past knowledge or the previous studies provide necessary information to the present study so that it cannot be ignored. The purpose of literature review is to find out what other studies have been conducted in ones chosen field of study. It provides the foundation for developing a comprehensive research framework from which required statistical tools can be developed for analysis. Therefore, this chapter has its own importance.

2.1 Conceptual Framework

2.1.1 Concept of Tax

Tax is, in simple terminology, a liability to pay an amount to the government. It is a compulsory contributions to the national revenue from the taxpayers according to law. Prof. Seligman defined tax as a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefit conferred. Taxes are general contribution of wealth levied upon persons, natural of corporate to defray expenses incurred in conferring common benefit upon the residents of the states (Bhattarai and Koirala, 2011).A tax is a compulsory contribution to the State form a person. The tax is paid to State to perform the function of the government. The taxpayer does not have any right to receive direct benefit from the tax paid. The taxpayer does not receive the equivalent benefit from

the government. Amount of tax is spent for common benefits and interest of the people and the tax collection form a natural and artificial person.

As the blood and cell are basic unit of living organization. Money runs government bodied and money that activates the unit of organization. Government collects money as revenue from different sources like income tax, price of goods and services provided by government revenue can divided into two part i.e. tax and non- tax. Tax is a major source covering most part of the government revenue. It is a type of money paid by every citizen of the nation. Almost all the economists agree that tax is a compulsory duty to pay to the government without any expectation of some specified return. A tax is compulsory contribution imposed by a public authority irrespective of the exact amount of services recorded to the tax payers in return and not imposed as penalty for any legal offenses.

Income tax is a tax levied on the earning of the person or legal entity. Generally, income tax is imposed on net income. Net income comes after deducting the cost of production from gross income. In practice, the expenses incurred in earning the income and appropriate exemptions and deductions are deducted to find out taxable income. Net income may be real income or money income. Real income is more comprehensive and includes not only money income but also other incidental advantages. Real income should, therefore, be the true index of ability to pay. So, income tax should be charged on real net income of an individual and not on his net money income.

The main objective of imposing certain taxes on the public is to generate revenues for the government for public expenditure (Singh, 1999). However, there are other functions of taxes as suggested by Lymer and Oats (2009) including to reduce inequalities through a policy of redistribution of income and wealth so that income gap between the rich and the poor is not as significant. Tax systems are also designed for social purposes, such as discouraging certain activities which are considered undesirable and protecting the environment. For instance, the excise taxes on alcohol and tobacco are exercised to decrease consumption and thus encourage a healthier lifestyle. Taxes are also expected to ensure economic goals through the ability of the taxation system to influence the allocation of resources

including transferring resources from the private sector to the government to finance the public investment programme, the direction of private investment into desired channels through such measures as regulation of tax rates and the granting of tax incentives. In addition, import duties could be used to protect local industries from foreign competition. This has the effect of transferring a certain amount of demand from imported goods to domestically produced goods.

Taxes can be classified into two main types: direct and indirect taxes. Direct taxes mean the burden (incidence) of tax is borne entirely by the entity that pays it, and cannot be passed on to another entity; for example, corporation tax and individual income tax. Indirect taxes are typically the charges that are levied on goods and services (consumptions) (Barjoyai, 1987). For example VAT (Value Added Tax), sales tax, excise tax and stamp duties. Indirect taxes are not levied on individuals, but on goods and services. Customers indirectly pay this tax in the form of higher prices. For example, it can be said that while purchasing goods from a retail shop, the retail sales tax is actually paid by the customer. The retailer eventually passes this tax to the respective authority. The indirect tax actually raises the price of the goods and the customer's purchase by paying more for that product.

Tax is a compulsory levy and those who are taxed have to pay it without getting corresponding benefit of services or goods from the government. The taxpayer does not have any right to receive direct benefit from the tax paid. Due to this compulsory nature, people have expressed different views in satirical ways about the taxation. Here it should be noted that not all compulsory payments are taxes. For example, fines and fees are also compulsory payments without having direct benefit to the payer but it is not tax because its objective is not to collect revenue but to curb certain types of offences. Secondly, taxpayer cannot receive any quid pro quo for the payment of tax. The taxpayer does not receive equivalent benefit from the government. Tax is not a price paid by one, for which he can claim goods and services. The charge of price for goods and services by public authority is not a tax. Thirdly, the tax have to be paid to the government for running it, fourthly, in case of tax the amount spent for common interest of the people. Fifthly, a natural as an artificial person pays the tax. In conclusion, it can be said that the tax is a liability to

pay an amount to the state. The basis for the payment is that the assesses have income of a minimum amount from certain specified sources or that they own certain tangible or intangible property of that carry on certain economic activities which have been chosen for taxation. Taxation has been a very essential element of a government from the very beginning to the state system. However, the main objective of taxation has been different for different epochs. In ancient times, the major objective of taxation was strengthening the muscle of a state by providing resources. Since the time of Adam Smith, the chief motive of collecting the revenue was to provide resources to the government for providing security to an individual and society against violence, invasion and injustice and maintaining public institutions. In the modern day, the main objective of taxation has been shifted from security perception to the economic development. The modern objective of taxation is not only to maintain peace and security but also to conduct development activities.

2.1.2 Concept, Meaning and Definition of Income Tax

Generally income means the inflow of cash to the person of firm most of the people do not take the kind as income; it is a best measure of economic well being of a person as well as of nation. Higher income denotes the high living standard and lower income from rendering various types of services selling goods and producing clops for their own use. Thus, income may be cash or kind that is received by a person for live hood. Economists define the term income in a broad sense. It is an economic gain or receipt to a person during a particular by way of wages, interest, profit and rent. The money income of the people is generally used for two purpose part of income is spent on consumption and part is saved this definition can be pressed in the formula as follows.

Symbolically, $Y = C + \Delta W$

Where, Y = Income

C = Value of consumption

ΔW = Net Increase of Personal Wealth Respectively

But the purpose of taxation the definition of income is somehow different from the aforesaid definition. According to Income Tax Act, 1974 income means the

income earned or received in cash or kind from the sources mentioned". They were as follows:

1. Agriculture
2. Industry, Business, Profession or Vocation
3. Remuneration
4. House and land rent
5. Other sources.

The exiting income tax Act, 2002 , which has been enacted since 2058 Chaitra (1st, April, 2002) has defined income as person's income from any employment business as calculated in accordance with this act (ITA, 2002). It includes all sorts of income received for the provision of labor or capital or both of whatever form or mature in the taxable income.

Tax is in simple terminology, a liability to pay an amount to the government. It is a compulsory contribution to the national revenue from the tax payer according to law. In the word of Seligman, taxation is the compulsory contribution from a person to the government to destroy expenses in curried in the common interest of all without reference to specific benefit conferred"

Income tax refers to the tax levied on the income of a person and profit of corporation for the specific time period particularly one year. Income tax is levied on the taxable income of a person or a company after, deducting allowable expenses. Accounting profits may differ from taxable profits for the computation of taxable income, generally incomes are added and expenses are subtracted and losses, which are allowed to deduct under the provision of income tax act are also subtracted then. Tax is compulsory contribution from people to government to undertake work of public good. Many tax experts have given the definition of tax in their own words. They have focused the different aspect of tax according to their own view .According to Prof Seligman "tax is compulsory contribution from a person to the government to destroy the expenses incurred in the common interest of all without reference to special benefit conferred (Dhakal, 2002).According to Plehn," taxes are genre contribution of wealth levied upon persons, natural or corporate to destroy expenses incurred in conferring common benefit upon the resident of the states"(Dhakal,

2002).According to layer "A tax is a compulsory payment to the government without expectation of direct benefit in return to the payer" (Amatya, 2004).

From the above definitions it is clear that tax is imposed on the person by the government according to the law of the country the person on whom tax is imposed must pay taxes. Otherwise the law punishes him. The government doesn't provide any corresponding benefit to the tax payer for the amount of tax he pays. It is used for the common goods of the country. This means the government of the amount of tax paid by tax payer provides no special benefit. , tax is a compulsory levy and those who are taxed have to pay it without getting corresponding benefit of services or goods from the government. The taxpayer does not have any right to receive direct benefit from the tax paid. Due to this compulsory nature, people have expressed different views in satirical way about the taxation. Some say, "Nothing is certain in this world but death and taxes". Some say, "Death means stopping to pay tax". In conclusion, it can be said that a tax is a liability to pay an amount to the state that is spent for the betterment of state and its people. Thus, income tax, as the word itself refers to a tax levied on income. In a broad sense, income tax is a levy based upon the production or receipts or gain of the tax payers within a definite period of time, from the beginning, income tax has been always regarded as a tax based on the canon of ability. The tax could be adjusted as to exempt the lowest income groups from the operation of the tax and make the richer groups bear the burden of the tax according to their income status. Apart from such consideration as revenues productivity, income tax has been regarded as the ideal tax from the point of view of equality.

Tax economists have a view that an income tax is a levy imposed upon the incomes of an individual after the exemption limit. Only the taxable income is subject to tax. Otherwise, the objectives and principles of taxation will not be fulfilled. Income tax is imposed on excess income over exemption limit. All income above the tax exemption level is subjected to income tax that is based on the income tax acts of the concerned country. Different countries may have different concept on income tax. In Nepal income is levied on the net income derived after deduction all allowable deductions. According to income tax act 2002 "Income means a persons' income from any employment, business or investment and the total of that income as calculated in accordance with this act and tax imposed under this act is known as income tax.

2.1.3 Importance of Income Tax in the Process of Economic Development:

Income taxation is a major source to generate nation's income. It plays a significant role in the tax structure of many developing countries. Increasing per-capita income is essential for the economic development of each and every nation. But it is not the only means of economic development. Generally it is agreed that as per capital income increase, ratio of taxes to GDP increase and the taxes on foreign trade tend to decline relatively while direct taxes on personal and business income rise relatively. As we know that capital plays pivot role in the process of economic development particularly in under developed countries. The central fact of economic development of any country is rapid capital accumulation because capital plays a crucial role in the overall process of economic development. There is cumulative process in economic development of any under-developed countries. Increase in the income is possible only if the rate of capital formation is high and increase in capital formation is possible if the rate of the growth of income is high. In Nepal, growth rate of population is higher than the growth rate of GDP. So maximum capital formation is needed to raise living standard and per-capita income of the people within short period of time then the rate of saving higher then economic growth is possible.

In developed countries, income taxation has come to occupy a position of dominance in the tax structure. But the role of income taxation is limited in developing countries. In developing countries taxation plays a more positive role in the process of capital formation. Nepal's tax ratio to GDP is the lowest among the developing countries. For this, several factors can be held responsible such as low percentage of experts and import of GNP and lack of effective administration and information of tax laws.

An inducement to invest in private sector in developing countries is low due to low return as the initial stage of development. So, it is necessary to mobilize the resources by public sector, mainly on the development of agriculture, education, economic, social and so on. To develop these essential sector governments needs a

large volume of revenues and this can be obtained through taxation for this all purpose. A government can finance by other ways, such as money creation, deficit financing and foreign aid, but these are fear of increasing inflation so, in many developing countries, government should bring re-promotion in this tax system and structure to make increase in proportion to tax revenue to national income. Due to administrative and economic factor, the government of most of the developing countries are emphasizing heavily on indirect taxes because they can collect most part of the tax revenues by indirect taxes. There is no wide use of direct taxes like income tax. But after a certain stage of development, role and ratio of direct taxes over indirect taxes go on increasing undoubtedly in the long run. Income tax under, direct tax occupies a major and important source of revenues for government expenditure. Income tax has particular attraction as an important and suitable weapon for mobilizing the increasing output of developing nation. This tax is based on the principles of ability to pay. The lower groups can be completely exempted with the burden of income tax and it can be increased progressively upon the higher groups. This tax seems to fulfill the current national objective of equity and justice.

2.1.4 Administrative Aspects of Income tax in Nepal

Tax administration is a major factor to raise government revenues. It is an important sub-system in the total tax system that can either carefully tend or mercilessly kill the goose that lays golden eggs. It is the essence of implementing tax policies and laws. Too much pre-occupation with what to do in terms of tax policies and laws alone is no good unless attention is given to how to do it in terms of tax administration (Agrawal, 1980).

Tax administration is an important part of tax system that supports to point out the impact of tax policies and helps to implement them for the betterment of the nation. It is the tax administration that provides feedback about the effectiveness of the administration, good tax policy and bad tax policy may end up looking remarkable alike. Effective tax administration paves the way for effective tax policies and laws.

Improved tax administration widens the choices available to policy makers and law formulators. It is easy to advise a policy but difficult to administer it effectively.

The main objectives of tax administration should be the efficient assessment, collection and enforcement of taxes legally due, without undue cost and harassment to the government or taxpayer in terms of money, time, inconvenience and mental worry. The administration should not only be fair, efficient and responsive but should also be recognized and accepted as being such (Agrawal, 1980).

Income tax management covers the whole income tax system. It includes tax policy maker (N/G), law maker (Parliament) and tax administration (Inland Revenue department and Inland Revenues office) as its lower level management. Income tax administration implements the objectives of income tax law and policy in to practice. In this connection, income the administration is most important element in income tax system.

2.1.5 Sources of Income

Income Tax Act 2002 has classified the sources of income for the purpose of assessment under the following heads:

- Income from Business.
- Income from an Employment
- Income from an Investment
- Casual gain

i. Income from a Business

Business is an activity undertaken by a commercial enterprises engaged for the purpose of making profit on a continuous and representative basis. In other words business means, the use of factor of production for the purpose of earning profit. Income Tax Act, 2002 has defined business as an industry, a trade, a profession, or the like isolated transaction with a business charter and includes a past, present, or

prospective business. The terms business does not include employment. A person's income from a business for an income year is the person's profit and gains from conducting the business for the year.

ITA, 2002 has defined the term 'business' broadly. It includes a past, present or prospective business. So, preliminary or pre-operation expenses incurred prior to the commencement of a business should be claimed in the year of incurrance, which will be the loss due to not conducting of business transactions. Such loss should be carries forward to adjust against profit of coming years.

ii. Income from an Investment

Income Tax Act, 2002 has defined investment as an act of holding or investing one or more assets of a similar nature that are used in an integrated fashion. It excludes the act of holding assets, other than non- business chargeable assets, primarily for personal use by the person owing the assets or investment amount on such assets. It also excluded employment or business. For the purpose of computing income of any persons income from an investment for an income year is the person's profit and gain from conducting investment for the year.

iii. Income from Employment

Income Tax Act, 2002 has defined employment as a past, present or prospective employment. This definition is so broad that includes all the employment that was done in the past, is being done at present or to be done in future. It can be said that remuneration means the income received by any natural in respect of any employment or service render by the person from the employer in any income year. An individual's income from and employment for an income year is the individuals remuneration from the employment of the individual for the year.

iv. Casual gain

Casual gain refers to lottery, gift, prize, winnings and other gains received causally. The income from above heads can be obtained either from domestic sources or foreign sources. An income is said to have a domestic source if it is earned or

generated in Nepal. Income from foreign source on the other hand, is earned or generated abroad. All domestic incomes irrespective of who earn that income (i.e. whether resident or non-resident) are subject to income tax in Nepal. But in case of foreign income only resident's such income is taxed in Nepal.

2.1.6 Income Tax Assessment

Assessment of income tax is the most important function of income tax management. The amount of income tax collection depends upon the quality of income tax assessment, and the quality of tax assessment largely depends upon the quality of tax personnel, taxpayers, law and policy (Kandel, 2003). The corruption and evasion can be reduced with an efficient and effective income tax assessment procedure by which more and more financial resources can be generated through income tax. It is believed that more financial resources can be generated with efficient income tax assessment procedure with the present laws and policies. The assessment procedure can be made more efficient with the improvement in management.

The meaning of 'assessment' is to determine something for specific purpose. "The word assessment is used in a number of provisions in a comprehensive sense and it can comprehend the whole procedure for ascertaining and imposing liability upon the taxpayer and the machinery for enforcement thereof. In Income Tax Act the term 'assessment' is used with different aspects in different places. Sometime it is used as a meaning of 'the computation of income and sometimes the determination of tax liability.

Income Tax Act 2002 provides the following major methods assessing income tax:

a) Self-assessment of Tax: The act has fully applied the self-assessment of tax system. It has made taxpayer more responsible. This system reduces the compliance cost. Taxpayer himself determines his tax liability with fine and penalty, if any. If tax authority doubts the income of taxpayer, tax authority can investigate it; otherwise, that becomes the final.

b) Jeopardy Assessment: Under the sec. 100 of the act, the provision of jeopardy assessment is made. The department will make jeopardy assessment when the person becomes bankrupt, is wound up, goes into liquidation, the person is about to leave Nepal indefinitely, the person is otherwise to cease activity in Nepal, or the department otherwise considers it appropriate. Whereas assessment is made under

the jeopardy assessment with respect to full income year, the assessed person will not file return of income for the year. However, with respect to part of an income year, the assessed person is still required to file a return for the income year. Where the department makes a jeopardy assessment, it should serve the assessment on the person.

c) **Amended Assessment:** Tax Department may amend an assessment made by the taxpayer. The department may not amend assessment if the assessment has been amended or reduced pursuant to an order of the Revenue Tribunal or Court of Competent Jurisdiction except where the order is reopened.

2.1.7 Tax Assessment Procedures

The revenue collection from income tax is also based upon the income tax assessment procedure followed. An efficient and effective assessment procedure reduces the corruption and evasion and increase the morality which assists to generate additional financial resources through income taxes.

The income tax assessment procedure generally proceeds through four stages.

- a. Return of income statement.
- b. Assessment of taxable income.
- c. Determination of tax liability.
- d. Collection of net proceeds after deducting taxpayers advance tax payment.

2.1.8 Tax Accounting

2.1.8.1 Methods of Tax Accounting

On the basis of this act, the financial transactions of a firm are recorded either on a cash basis or in an accrual basis. Income Tax Act 2002 has specified the method of tax accounting in section 22 when a person derives an income or incurs an expense is made according to the generally accepted accounting principles. In calculating the individual's income from an employment or investment for tax purpose, the accounting should be done on cash basis.

Table-2.1
Use of Tax Accounting

Person	Income Head	Accounting Method
Individual	Employment, Investment	Cash Basis
Sole Trader/Proprietor	Business	Cash or Accrual Basis
Company	Business, Investment	Accrual Basis
Other Entity	Business, Investment	Cash or Accrual Basis

Source: Income Tax Act, 2002

Cash Basis of Accounting

A person who keeps tax account on a cash basis in calculating the person's income from employment, business or investment should:

- Treat an amount as derived and include in income only when the payment is received or made available to the person.
- Treat an expense as incurred and deduct in that calculation only when the payment is made.

Accrual Basis of Accounting

A person who keeps tax account on an accrual basis in calculating the person's income from business or investment should treat an amount as derived and include in income when the person becomes entitled to the payment for the purpose of deductions, the following expenses is treated as incurred:

- When the person is obliged to make the payment
- The value of obligation can be determined with reasonable accuracy
- The other payment has been received.

In case of accrual basis accounting, an appropriate adjustment should be made at the time the payment is received or made so as to account for the inaccuracy that may happen in both income and expenditure including by reason of a change in currency valuations.

2.1.8.2 Fees, Fines and Penalties

Income Tax Act 2002 has made provision for fine, fees and penalties in different cases.

1. Penalties for Failure to Maintain Documentation or File Statements or Return of

Income: A person who fails to maintain proper documentation for an income year or file return for an income year is liable to pay fees for each month and part of month during which the failure continue. The rate of fees would be as the higher of 0.1 percent per annum of the person's assessable income with a gross of any deductions or Rs.1000 per month whichever is higher. A withholding agent who fails to file a statement as required is liable to pay a penalty at 1.5 percent per annum applied to the amount of withheld for each month and part of the month during which the failure continues.

2. Interest for Understating Estimated Tax Payable by Installment:

A person who understates estimated tax payable by installment basis is liable to pay interest for each month and part of a month from the date the first installment is payable until the date the tax is payable on assessment. The amount of interest is calculated at the standard interest rate.

3. Interest for Failure to Pay Tax:

A person who fails to pay tax on or before the date on which the tax is payable is liable to pay interest for each month and part of a month for which any of the tax is outstanding calculated the standard interest rate applied to the amount outstanding.

4. Penalty for Aiding and Abetting:

A person who knowingly or recklessly aids or abets another person to commit an offence related to failure to comply with this act, failure to pay tax, makes false or misleading statements, intends tax administration to counsels or induces another person to commit such an offence is liable for penalty equal to 100 percent of the underpayment of tax.

5. Penalty for Making False or Misleading Statements:

A person who makes a statement to the department that is false or misleading in a material particular or omits from a statement made to the department any matter or thing without which the statement is misleading in a material particular is liable for a penalty as follows.

- a. Where the statement is happened to be false or misleading without knowingly or recklessly, 50 percent of the underpayment of tax; or
- b. Where the statement is made false or misleading knowingly or recklessly, 100 percent of the underpayment of tax.

2.2 Remuneration Income

Employment is a contract between two parties one being the employer and the other being the employee. An employer is a person or institution that hires employees or workers to get mental or physical services against a regular payment of salary, wages and other benefits. The employer has the power or right to control and direct the employee in the material details of how the work is to be performed. An employee, on the other hand, is a person in the service of another under any contract. The employee provides services on a regular basis to the employer and in return gets certain amounts or benefits. Specially, an employee is any person hired by an employer to do a specific job. Among the three income generating activities labour, capital and mix of labour and capital, employment is concerned with labour activities. Income Tax Act, 2002 has not given specific definition of employment. But it has used the term broadly to include past, present or prospective employment. Income from employment is basically remuneration received or accrued periodically for service rendered as a result of expressed or implied contract. It is the payment or benefits received either in cash or kind from the employer or his associate in exchange of labour service. It is the remuneration from the employment of an individual. It includes all types of remuneration received from employment such as salary, fees, wages, overtime pay, holiday, bonuses, commissions, tips, gratuities or other non-monetary benefits (i.e. vehicle facility, quarter facility). From tax perspective, the employment income can be defined in terms of whatever compensation an employee receives for a service that the government will tax.

There are three ways of earning income- by labour, by capital and by mix of capital and labour. Among these three, the first one is remuneration income. Remuneration means amount given for providing services. In case of remuneration, there uses to be one person getting services and other person providing services. Oxford Dictionary defines employment as the act of employing. The person getting service is called employer and the person providing service is employee. Some special points requiring while computing remuneration income are:

i. Employee- employer Relationship:

In order to include an amount under employment heading, there must be an employee- employer relationship between the assesses and the person making the payment. In other words, there must be a master- servant relationship between employer and employee.

ii. Payment received from Third Parties on behalf of Employer

Any income received from third party on behalf of employer is also considered as employment income. However, the amounts received which are entirely different from those that are being provided regularly or those that are not as per the terms and conditions of the service are not considered as employment income. Income Tax Act, 2002 has stated that in order to include an amount under employment heading, the amount should be paid by the employer, or an associate of the employer or a third person under an arrangement with the employer or an associate of the employer.

iii. Employment and Profession

Employment and Profession are conceptually different. In employment, the master i.e., the employer tells the employee how it should be done while in profession the master can require only what is to be done. The basic distinction between employment and profession lies in the distinction between a contract of service and contract for service. Contract of service is employment while contract for service is profession. In, Employment there is a master- servant relationship while in profession; the person carries out activities independently.

2.2.1 Amounts included in Remuneration Income

All the amounts or benefits received in connection with employment are taxable. As per section 8 (2), an employee's income from employment includes the following payments made during the year:

- Payments of wages, salary, leave pay, fees, commissions, prizes, gifts, bonuses and other facilities.
- Payments of any personal allowance, including any cost of living subsistence, rent, entertainment and transportation allowance.
- Payments providing any discharge or reimbursement of costs incurred by the individuals or an associate of the individual.
- Payments for the individual's agreement to any conditions of the employment.
- Payments for redundancy or loss or termination of the employment.
- Retirement contribution (i.e. provident fund, gratuity etc.) including those paid by the employer to a retirement fund in respect of the employee, and retirement payments.
- Other payments made in respect of the employment and
- Other quantified perquisites.
 - Availability of motor vehicle wholly or partly for private purpose
 - 0.5 percent of salary in respect of employee, labour or any other person receiving monthly income.
 - 1 percent of market value of vehicle in respect of others.
 - Motor vehicle facility includes motor, car, jeep or similar other motor vehicle. This means motor cycle, cycle, joint bus facilities do not fall under the definition of motor vehicle facility. Similarly, the use of vehicle only to come office and back home has been treated as a partial use.

Provision of Accommodation Facility

- 2 percent of salary in respect of employee, labour or any other person receiving monthly income.
- 25 percent of actual rent (if building is leased) or prevailing rate (if own building) in respect of other.

2.2.2 Allowable Reductions

Following payments are allowed for the reduction from the total assessable income of an individual:

i. Retirement Contribution to an Approves Fund:

Retirement contributions consists contribution to provident fund, gratuity fund, citizen investment fund or any periodic amounts payable on retirement or on leaving of the service. In addition to employee's own contributions, the employer also generally contributes some amount to the fund. A resident person intending to establish an approved retirement fund is required to obtain approval from Inland Revenue Department. However, Citizens investment trust established as per Citizen Investment Trust Act, 1990 intending to manage retirement fund and retirement fund managed by Employee Provident Fund Act, do not require approval from the department. Under section 63, contribution to an approved retirement fund, subject to a capping threshold, set out in the Income Tax Rules, 2003, will be deductible for the income tax purpose. The limit prescribed by rule, 21 in an income year is Rs 300000 or one third of assessable income whichever is lower.

ii. Donation:

Donation given to an approved exempt organization is deductible up to a maximum of Rs. 100000 or 5 percent of adjusted Taxable income (after deducting contribution to approved retirement fund)whichever is lower. However, the Government of Nepal may prescribe, by a notification in the Nepal Gazette, as to allow full or partial deduction of the expense at the time of assessing income incurred for special purpose.

iii. Other Reductions:

In addition to above reductions, a resident individual may claim following reductions from his total taxable income:

- Reduction for the insurance premium paid for his life not exceeding Rs.20000 per annum.
- Reduction for remote area exemption up to Rs 50000 depending upon the location of remote areas worked by individuals (Rs 50000, Rs 40000, Rs 30000, Rs 20000 and Rs 10000 for Remote Area A,B,C,D and E respectively).
- Reduction of 25 percent of basic exemption by individual having pension income.
- Reduction of 50 percent of basic exemption by a disabled individual.
- Reduction of 75 percent of foreign allowances by a Nepalese diplomat.
- If a resident individual is a women having remuneration income only, she is entitled to a rebate of 10 percent on tax liability.

2.2.3 Tax Rates

A resident natural person and a resident spouse of the person may elect to be treated as single individuals. For this, they have to notify IRD in writing. In this case, both are jointly or separately liable for any tax payable by the couple for the year. Similarly, the resident widow or widower with dependents is treated as a couple for income tax purpose.

A resident individual having taxable income from remuneration is taxed as under:

Up to Rs 2, 00,000	1%
Next Rs 1, 00,000	15%
Next Rs 22, 00,000	25%
Balance Rs	35% (25%+40% of 25%)

A resident couple having taxable income from remuneration is taxed as under:

Up to Rs 2, 50,000	1%
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Next Rs 1, 00,000	15%
Next Rs 21, 50,000	25%
Balance Rs	35% (25%+40% of 25%)

2.2.4 Tax Credit

i. Medical Tax Credit

A resident individual may claim a tax credit for the medical expenses incurred for his or her treatment. The maximum tax credit that can be adjusted in a year will be lower of Rs. 750 or 15 percent of the approved medical expenses. To enjoy medical tax credit facility, a taxpayer is required to fill up "Medical tax credit claim form" of annex11. Unless the taxpayer make claim for medical tax credit, he or she is not entitled to enjoy such facility. Any excess amount due to limitation or lack of tax payable can be carried forward and added to the amount for the next income year. Approved medical cost includes health premium and the expenses as per bills for treatment by recognized hospital, nursing home, health care or a doctor. However, the approved medical costs exclude expenses incurred on cosmetic surgery and medical expenses compensated by insurance company on account of health insurance. Expenses incurred for the treatment of physical injury in case of accident of an individual cannot be claimed for medical tax credit under this section.

ii. Foreign Tax Credit

A resident person may claim a foreign tax credit for any foreign income tax paid abroad. The maximum foreign tax credit amount allowed to a person is calculated by applying the following formula:

Foreign tax credit = Assessable income from foreign source x Average rate of Nepal income tax

Where,

$$\text{Average rate of Nepal Income Tax} = \frac{\text{Total tax payable before any foreign tax credit}}{\text{Total taxable income}} \times 100$$

Instead of claiming foreign tax credit, the taxpayer can deduct foreign tax as an expense while calculating assessable income.

2.3 Returns of Income

According to the Sec.96 of ITA 2002, every taxpayer should file at the place prescribed by the Inland Revenue Department a return of income not later than three months after the end of each income year. The return of income should be in the manner and form prescribed by the Department. It should specify the following:

- The person's assessable income for the year from each employment, business and investment and the source of that income.
- The person's taxable income for the year and the tax payable with respect to that income for the year.
- In case of foreign permanent establishment of a non-resident person situated in Nepal, the foreign permanent establishment's repatriated income for the year and the tax payable with respect to that income and
- Any other information that the Department prescribes.

The return of income should be signed by the person or manager. It should be accompanied by necessary disclosures along with a declaration that the return is complete, true and accurate.

A person who is required to file a return of income may make a written request to the Department by the due date for filling the return. The Department may, on such terms and conditions as prescribed by the Department (including as to payment of security) and where reasonable cause is shown, may grant multiple extension not exceeding three months in total by which the return is to be filed. The Department will inform the person in writing of its decision on the application.

2.4 Review from dissertations

Chopra (1978) attempted to examine the responsiveness of the union and state tax structures and changes in selected individual taxes with respect to changes in national income and their respective bases from 1960-61 to 1973-74. He highlighted that the overall trends of revenue from taxation in India showed a steady increase over the period. He further concluded that the elasticity of most of the individual taxes was low. So, the changes in taxation system did not facilitate much to

improve the automatic growth of the tax receipts.

Lewis (1982) attempted to determine whether there is a connection between specific tax knowledge and attitudes during completing the tax return. His aim was to study any changes in the attitudes towards taxation that result from increased knowledge about taxation which might have a significant impact on tax compliance. Lewis argued that there is insufficient knowledge about tax regulations and this situation leads to negative economic effects (an increase in the tax gap). Furthermore, there also seemed to be considerable differences in the level of knowledge although the level of education remains the same.

Harris (1989) divided tax knowledge into two aspects, namely, knowledge through common or formal education received as a matter of course and knowledge specifically directed at possible opportunities to evade tax. In the first case, the level of education received by taxpayers is an important factor that contributes to the general understanding about taxation especially regarding the laws and regulations of taxation. Previous studies have evidenced that general tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply with them.

Alm (1991) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person's act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority. Furthermore, tax compliance has also been segregated into two perspectives, namely compliance in terms of administration and compliance in terms of completing (accuracy) the tax returns.

Hite and McGill (1992) in their study state that tax practitioners must be a credible source of information for tax payers they are to offer tax advice and have it accepted. As tax system become more complex tax payers turn to tax practitioners for expert advice.

Kalyani (1992) in her study on tax planning of salaried employees in Coimbatore city of the financial year 1998-1999, identified that older the age higher the tax liability. Private sector employees get higher income than the government employees. Tax payment decreases when tax saving investment increases tax saving along with the income and employees preferred to invest in Life Insurance Corporation, provident fund and national savings certificates.

Kennedy and Henry (1992) in their study state that, the Income Tax Act may appear as though it is difficult to comprehend but once a methodical approach is employed in reading and using it, understanding the income tax law becomes easier. The reader should find out who is liable to pay the tax, based upon which the tax will be levied, the tax rates to be applied to the tax base and how or when the tax to be paid.

Traditionally, the US taxation courses are taught within accounting departments only. The first paper introduces students to personal taxation; by the end of the course, the students will be able to prepare the tax return. The weaknesses of this method had been commented upon by Jones and Duncan (1995). They noted that this narrow approach in the long run does not fulfill the education needs for the students because most students are not aiming to become accountants or tax professionals. Jones and Duncan added that a first taxation course should be broader in nature so that the students will be able to relate taxation aspects to other related fields such as accounting, financial economics and perhaps law. This scenario happened in other countries as well, when the education systems itself indirectly narrowed the students' mindset to be focused only on a taxation field without then relating this to other fields. A formal tax education is only taught to accounting students in higher learning institutions. Other than this, they could not easily find any tax related courses but in other countries such as the USA, there is a lot of accounting (tax) education programmes offered to the public. While the education levels become more important in increasing tax compliance across countries.

Eriksen and Fallan (1996) claimed that 'knowledge about tax law is assumed to be important for preferences and attitudes towards taxation. There is little research that explicitly considers how attitude towards taxation is influenced by specific

knowledge of tax regulations'. The research done by Eriksen and Fallan has illustrated the importance of tax knowledge in a tax system, especially in a SAS. They suggested that fiscal knowledge correlates with attitudes towards taxation and tax behaviour can be improved by a better understanding of tax laws.

Eriksen and Fallan's (1996) study is divided into three main parts. Firstly, the investigation is focused on taxpayers' knowledge. Secondly, the research tries to reveal the overall impact of tax knowledge on tax compliance behaviour among individual taxpayers and thirdly, the research involves tax agents in order to determine their influence in determining taxpayers' behaviour because in SAS, tax agents are assumed to be involved more in preparing, declaring and calculating tax liability on behalf of individual taxpayers than in the directly assessed system. Eriksen and Fallan (1996) attempt to determine the relationship between the level of tax knowledge and attitudes toward taxation; whether specific tax knowledge influences attitudes in general (not only tax attitudes) and investigates people's behaviour toward traditional crime. The study was conducted through quasi-experiment with pre-testing and post-testing of two student groups in Norway. The control group comprised of students who were going to take marketing as an elective subject in the second year of their BA education whereas the other group (experimental group) consisted of students who had selected tax laws as an elective.

Roberts (1998) reviews 52 studies of tax accountants 'judgment /decision-making' and proposes a model linking five categories of factors affecting this: individual cognitive and affective psychological factors; economic risks and rewards in the external environment; task inputs; cognitive processing; and task outputs. Key factors identified included individual psychological factors (eg tax accountants' knowledge, experience and advocacy attitude); and economic environmental factors such as the amount of tax savings at stake and, risks of audit and penalties, client risk preference and maintaining client relations.

Richardson and Sawyer (2001) have explored the relationship between taxpayers' perceptions of fairness and their compliance, with inconclusive

results. Some of this they attribute to uncertainty as a result of the multi dimensional nature of fairness as a compliance variable. They highlight a distinction between, for example, perceptions of the fairness of the tax system in general and of the fairness of specific provisions in the tax laws. Whether or not perceptions of fairness influence compliance behaviour, they suggest that it is preferable for taxpayers to have a favorable perception of the fairness of the tax system. They cite a number of ways in which taxpayer perceptions may be positively influenced: education of taxpayers about the tax system; providing taxpayers with justifications for specific tax law changes made; reducing complexity; and giving taxpayers persuasive messages about the fairness of the tax system.

Hite and Hasseldine (2001) investigate the current developments in the USA, highlighting that tax academics need to emphasis teaching and development. In other countries, tax education, as well as tax development is not as good as in the USA. Their study was expected to be able to help academics in other countries to adapt what has been done in the USA, especially in teaching methodology (in tax courses) so that other countries can learn how to educate taxpayers more effectively and efficiently.

Hasseldine and Hite (2003) extended the tax compliance literature by testing goal framing in a tax compliance setting. Although this study does not specifically relate to tax knowledge determinants as a whole, the variables used in this study addressed information about tax laws and inclination of behaviour, thus it can be argued to contribute to the findings in the tax knowledge literature particularly in relation to how it affects tax attitudes. They attempted to answer the main research question whether information about tax in a certain year of assessment (that is negatively or positively framed), affects tax compliance behaviour.

Jain (2005) compared the legal provisions and various other aspects of income tax system pertaining to three developed countries namely- United Kingdom, United States of America and Australia and three developing countries

namely -Malaysia, Pakistan and India. Period of the study opted was 1984-85 to 1997-98. The study revealed while the progressive tax rate structure was followed in the case of individual taxpayers in all these countries but the tax rates were found to be higher in developed countries than that of developing countries. The level of income at which the maximum marginal rate was applicable in India was very low as compared to other countries. The basic unit of assessment was individual in all the countries selected for study except United States of America, where the married person had the option to file return jointly with spouse. The author opined that levying tax on agricultural income in India might not result in higher tax revenue rather it might increase the administrative cost. The system of personal exemptions was found to be more rational in United Kingdom and United States of America. The study also revealed that United States of America had a system of phasing out exemptions and tax credits as the gross income exceeded a certain level and of withdrawing the exemption completely if such income reached another fixed higher level. Number of individual taxpayers as percentage of total population in the United Kingdom, United States of America, Australia, Malaysia, Pakistan and India were 47.94 percent, 45.70 percent, 52.92 percent, 6.95 percent, 1.29 percent and 1.17 percent respectively for the year 1997-98. The penalty and prosecution provisions applicable in India in respect of various defaults of the taxpayers appeared to be harsh as compared to other countries. The study also highlighted that ratio of tax revenue to GDP in India was less than all other countries selected for study.

Raja (2005) made an attempt to study the perception of tax professionals with regard to Indian Income Tax System by collecting primary data from 100 tax consultants operating in Punjab and Haryana. They tried to investigate the role of tax consultants played in the revenue collection process by helping their clients in understanding the complex tax system and meeting their legal obligations. Factor Analysis of data showed that seven factors –reduction in tax evasion, extension of relief to taxpayers, incentives for dependents and honest taxpayers, broadening the tax base, e-filing of returns, adequacy of deductions and impact of exempt-exempt tax system played an important role in determining the effectiveness of Indian tax system. It was observed that most of the tax consultants were satisfied

with tax rates. It was also observed that most of the taxpayers consulted tax experts because they found it cheap. While concluding the authors suggested for adjustment of income tax rates according to price level changes, broadening of tax base, strict measures against tax evaders, extensive use of TDS, consideration to number of dependents for tax rate purpose and establishment of good relationship with taxpayers.

2.5 Review of Books

Prandhanga (1993) wrote a book entitled “Income Tax Laws and Accounting.” Mr. Pradhananga has described the provisions made under income tax laws. This book is divided into 20 chapters. In this book Mr. Pradhananga has described about the income tax and its development in Nepal. Finance act, Industrial Enterprises Act, agricultural income, income from remuneration, income from house and land rent, income from industry and business, profession and vocation. He has also described about fines and penalties, appeal, contribution of income tax for the development of nation, income tax administration and official, collection and return of income tax and admissible and inadmissible expenses etc. he also included some numerical problems in regard to employment income. But, this book has not analyzed the importance of income tax, problems and defects in Nepalese income tax act and importance of exemptions and deductions in income tax system of Nepal. This book has been written to fulfill the course required to fulfill the M. Com and B.Com course of T.U. Specially, this book is based on the syllabus of B.Com of T.U.

Khadka (1994) has published a book named “Nepalese Taxation; Path for Reform”. In this book, he had described the economic policy of Nepal, VAT as a long term source of revenue in Nepal, property tax as a main source of local revenue, important in tax administration in Nepal, tax reform strategy. He has shown the composition of tax revenue from 1989 to 1994.

Tiwari (1999) has presented a book about income tax system in Nepal. Basically this book is written for the students of Tribhuvan University and it is equally useful to the taxpayers, tax administrators, and the person who want to get theoretical as well as practical knowledge about income tax. He has described the provision under income

tax act 1975, income tax rules, provision under finance act 1999, other provisions, information and acts related income etc. He has not analyzed the major problems of income tax system (Tiwari, 1999).

Adhikari (2003) has presented a book on modern income tax. He has discussed the provision under Income Tax Act 2002. His book is analytical rather than informative. He has to introduce different aspect of tax planning needs and base for successful tax planning. He has also presented historical background, income tax laws and its implements, assessment of tax and tax authorities and duties. (Adhikari, 2003)

Aryal & Poudyal (2004) has published a book named 'Income Tax law and practice'. They have described the theoretical and practical aspect of income tax & VAT. This book is extremely based on B.B.S. Third year syllabus as prescribed by Tribhuvan University. This is very useful to get knowledge about income tax act 2002, although it is unable to describe the tax structure of Nepal and the problem of income tax system (Aryal & Poudyal, 2004).

In 2004 Mr. Jagadish Agrawal has published a book entitled, "Income tax, theory and practice," this book has focused on the students of chartered accounts and taxation. This book has also focused to be a practioners reference and handbook, rather than the cortical compilation on the subject. His book is not only based on description fact but also has interpreted the various provision of the new act. Some sections of ITA 2058 act have compared with the international act have compared with the international accounting standard

Khadka (2005) wrote a book entitled "Income Taxation in Nepal". This book is very much useful to anyone who is interested in Nepalese income taxation. This book gives almost complete information about the tax system of Nepal from its ancient time to current situation of income tax system. He has shared his expertise in his book. Basically author focuses on the administrative aspects of the tax system in Nepal. .

Kandel (2011) has published a book named 'Tax laws and tax planning in Nepal'. He has described the theoretical and practical aspect of income tax & VAT. This book is extremely based on B.B.S. Third year syllabus as prescribed by Tribhuvan University. This is very useful to get knowledge about income tax act 2002.

Bhattarai and Koirala (2011) wrote a book named “Taxation in Nepal with Tax Laws and Tax Planning”. This book has been written to fulfill the master course of T.U. this book has been organized in 26 chapters. In this book, the writers have described the precious related to the sources of income tax and tax planning they have also presented on Overview of relevant tax laws: income tax act 2002 and value added tax 1996. They have also included numerical problems also in regard of income from employment. This book is informative and descriptive rather than analytical.

2.6 Research Gap

Many studies have been done in the field of taxation. Such as, Contribution of direct and indirect taxes in national revenue, Self assessment of income tax in Nepal, A study of taxpayer's satisfaction level in Nepal etc. All the research studies mentioned above are concerned with the study of tax laws, provisions related to taxation, administrative aspects, and structure of tax and contribution of tax. Nation wise study regarding the remuneration tax awareness have been studied but there is a lack of study on remuneration tax awareness with respect to employees of Butwal municipality. There are large numbers of employees in Nepal and they pay large amount of tax to the government. It is the duty of the government to give education and training for employees about employment tax. It is found no more study have been done in the field of Employment Income. Although it is related to the taxation but this study is different from other studies because it focuses mainly on the awareness level of Remuneration Tax among Nepalese employees of Butwal Municipality.

CHAPTER III

RESEARCH METHODOLOGY

The methodology discusses the research design adopted for the study, population and sample needed for study, Sources of data collection, data collection procedure and data analysis tools were considered. The objective of this chapter is to describe and discuss the research method and methodology that has been applied for this research.

3.1 Research design

This study is basically based on descriptive research design based on survey. This study has been descriptive because it attempts to describe the awareness level of remuneration tax among Nepalese employees working in different sectors. Opinions of 91 respondents associated with the employees are collected through questionnaire.

3.2 Population and Sample

In undertaking a study of this nature there was the need to choose a reasonable number of employees of Butwal Municipality to form the target population so as a research could be carried out with reasonable probability of success. In this study random sampling method is used. This study is based on survey data obtained through various respondents by using a set of questionnaire. 100 set of questionnaire were sent to the respondents of different sectors. The respondents have been divided into four groups. The following table shows the group of respondents, sample size and response rate.

Table 3.1
Respondents Profile

Nature of Respondents	No. of Questionnaire sent	Response	Response rate
Teachers	25	24	96%
Bankers	25	23	92%
Government Employees	25	21	84%
Private Employees	25	23	92%
Total	100	91	

3.3 Sources of Data

The target population comprising Teachers, Bankers, Government Employees and Private Employees were the primary source of data. All the data have been collected from a set of questionnaire from different nature of employees of Butwal Municipality only. This study is based on Primary Data only.

3.4 Data Collection Procedure

The primary data have been collected by interview with employees at different nature of the organization. A set of questionnaire have been asked with 100 employees of Butwal Municipality. The questionnaires have been designed to collect the necessary data.

3.5 Data Analysis Tools

Collected data was analyzed and tabulated and then they have been presented in the tables and graphs in this report. They are analyzed using suitable statistical tools. The statistical tools used for the analysis are as follows:

- Simple percentage
- Simple average
- Graphs, Charts and Diagrams

These are the basis for drawing the appropriate conclusion for this project.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This chapter seeks to analyze the views of Teachers, Bankers, Government Employees and Private Employees in Butwal Municipality. As a part of the research tools, questionnaires were administered to respondents to seek the views needed for Awareness level of remuneration tax. Interviews were conducted where necessary.

4.1 Respondents Profile

Table 4.1 illustrates respondents whom the questionnaires were administered, made up of Teachers representing 26.38 percent been the highest, Bankers 25.27 percent, Private Employees 25.27 percent and Government Employees 23.08 percent. 100 questionnaires were sent to the respondents but only 91 of them have response it. Questionnaire was distributed to working employees at different sector of Butwal Municipality.

Table 4.1 Category of the Respondents

Nature of the Employment	No. of Respondents	Percent
Teachers	24	26.38
Bankers	23	25.27
Private Employees	23	25.27
Government Employees	21	23.08
Total	91	100.00

Source: Survey, 2013.

The above tabulated data have been presented in chart below

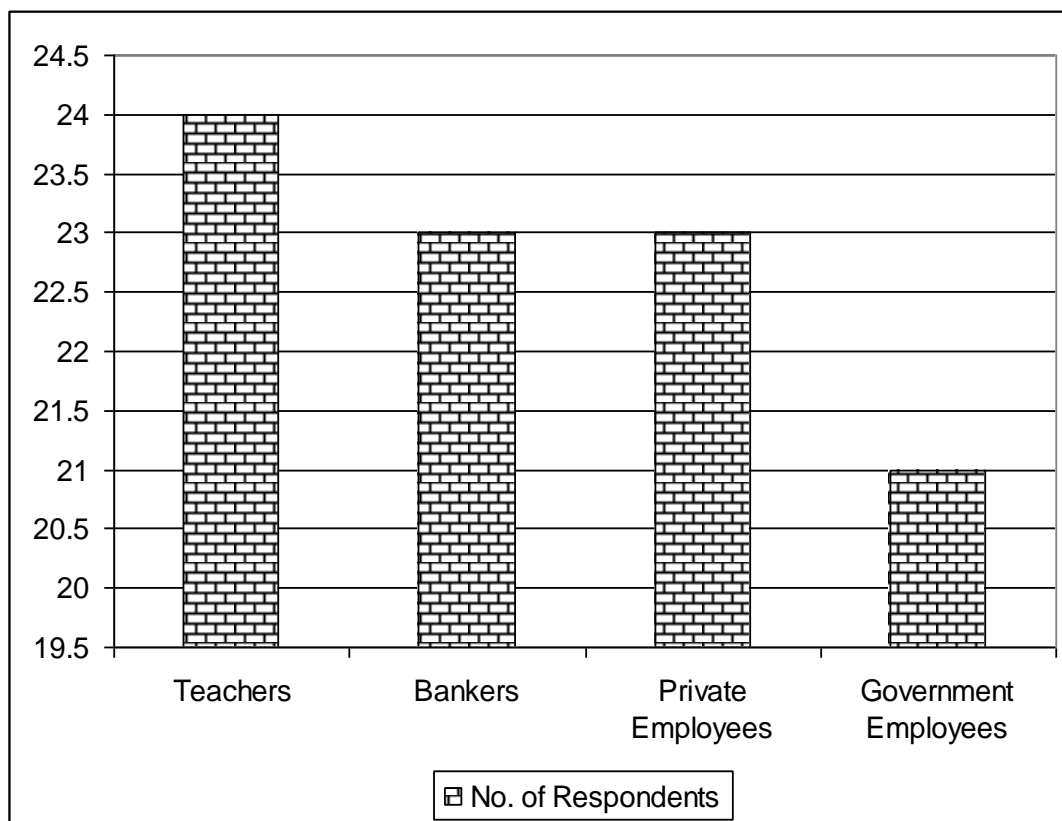


Figure 4.1 Nature of the Employment

4.1.1 Gender of Respondents

Table 4.2 Gender of Respondents

Gender	Frequency	Percent
Male	66	72.53
Female	25	27.47
Total	91	100

Source: Survey, 2013.

Table 4.2 above shows a dominantly male driven sector of the employees. The male respondents accounted for 72.53 percent while the female accounted for 27.47 percent. This could imply a marginal difference between men and women in their level of involvement in doing job at different sectors.

4.1.2 Highest level of education of the Respondents

Table 4.3 Level of education

Nature of Employment	Level of Education Completed			
	SLC	Intermediate	Bachelor	Master
Teachers	0	0	6	18
Bankers	1	5	13	4
Private Employees	5	9	7	2
Government Employees	0	10	10	1
Total	6	24	36	25

Source: Survey, 2013.

From table 4.3 out of 91 respondents 25 have completed their master level education, 36 have completed their Bachelor level, 24 have completed their Intermediate and rest of 6 have completed their SLC level.

4.1.3 Classification of the respondents regarding Sources of awareness of Remuneration Tax

Table 4.4 Sources of Awareness among Respondents

Sources of Awareness	No. of respondents	Percentage
Newspapers	12	13.19
Radio	3	3.30
Television	8	8.79
Internet	19	20.88
Auditor	17	18.68
Friend	32	35.16
Total	91	100.00

Source: Survey, 2013.

From the analysis in the table 4.4 above out of 91 respondents 12 respondents have awareness on remuneration tax from Newspapers, 3 respondents have awareness on remuneration tax by the help of radio, 8 respondents get awareness from television, 19

respondents from internet, 17 respondents have the awareness on remuneration tax by the help of auditor and rest 32 respondents says that they get remuneration tax awareness from their friends.

4.2 Awareness of Remuneration Tax

For calculating Remuneration Tax a taxpayer need to know about the items included in remuneration income like salary, wages, fees received, commission received, bonus, allowances, approved retirement fund, motor vehicle facility, housing facility etc. Taxpayers also need to know the allowable reduction such as Retirement contribution to an approved retirement fund and Donation while calculating remuneration taxes. There are also a lot of exemptions while calculating remuneration tax such as Life Insurance Premium, Remote area exemption, Pension income exemption, Disable individual exemption and foreign allowance exemption. Such exemption helps taxpayers to decrease his/her Total Taxable Income. As well as there is also need to know the limit to pay the tax such as: status of tax payer, single or couple. Women taxpayers having assessable income from employment only is entitled to 10 percent rebate on tax liability. Taxpayers also need to know about the tax credit such as Medical Tax credit and Foreign Tax Credit which helps to reduce the tax liability.

4.2.1 Awareness of respondents regarding items to be included in Remuneration Income

Remuneration income includes salary and wages, leave pay, pay for overtime, fees received prizes and gifts related to employment, bonus, other facilities, commission received, dearness allowances, cost of living subsistence, rent allowances, entertainment and transportation allowances, other personal allowances, reimbursement of personal expenses, payment for the individuals agreement to any condition regarding employment, redundancy or loss related payments, other payments made in respect of employment payment, retirement payments and contribution to retirement fund, amounts of vehicle facility, amount of services of house keeper, chauffer, gardener, or other domestic assistants, accommodation facilities, any meal, refreshment or entertainment provided by the employer, amount of services related to drinking water, electricity, telephones, and the like utilities in

respect of the payees, under paid interest by employee to employer for loan taken by the employee, other amounts to be included etc.

In this study respondents are classified into four groups they are Teachers, Bankers, Private Employees and Government Employees. Only some important headings are to be considered for knowing their awareness level on items to be included in remuneration income.

4.2.1.1 Awareness on Items to be included in remuneration tax among Teachers

For this study, 25 respondents are being selected but 24 have returned. All the respondents in this category are the lectures and teachers. Awareness level of teachers on items to be included in remuneration income is tabulated below:

Table 4.5 Teachers Awareness on items to be included in Remuneration Income

Items to be included in remuneration income:	H.N.A	N.A	A	H.A
Salary	1	1	4	18
Wages	3	4	6	11
Fees received	4	3	6	11
Commission	4	3	7	10
Bonus	2	4	5	13
Allowances	3	3	9	9
Approved retirement fund	6	6	5	7
Motor vehicle facility	4	6	5	9
Housing facility	4	8	5	7
Total	31	38	52	95
Percentage	14.35	17.60	24.07	43.98

Source: Survey, 2013.

Table 4.5 describes the awareness level of teachers on items to be included in remuneration income. Out of 24 respondents, 43.98 percent respondents have highly awareness on items to be included in remuneration income, similarly 24.07 percent respondents have awareness about items to be included in remuneration income, 17.60 percent respondents says that they have no awareness and rest 14.35 percent

respondents results highly non awareness about items to be included in remuneration income.

4.2.1.2 Awareness on Items to be included in remuneration tax among Bankers

For this study, 25 respondents are being selected but 23 have returned. All the respondents in this category are related to banking jobs. Awareness level of Bankers on items to be included in remuneration income is tabulated below:

Table 4.6 Bankers Awareness about items to be included in Remuneration Income

Items to be included in remuneration income:	H.N.A	N.A	A	H.A
Salary	0	0	10	13
Wages	0	3	10	10
Fees received	2	4	9	8
Commission	2	3	10	8
Bonus	0	2	11	10
Allowances	0	3	15	5
Approved retirement fund	1	5	10	7
Motor vehicle facility	6	8	8	1
Housing facility	9	4	9	1
Total	20	32	92	63
Percentage	9.66	15.46	44.44	30.44

Source: Survey, 2013.

According to the table 4.6, 30.44 percent of respondents have highly awareness on items to be included in remuneration income, 44.44 percent respondents have awareness about it, 15.46 percent respondents have no awareness on items to be included in remuneration income and rest 9.66 percent of respondents have highly non awareness on remuneration income.

4.2.1.3 Awareness on Items to be included in remuneration tax among Private Employees

For this study, 25 respondents are being selected but 23 have response it. All the respondents in this category are related to private jobs holder. Awareness level of Private Employee on items to be included in remuneration income is tabulated below:

Table 4.7 Private Employees Awareness on items to be included in Remuneration Income

Items to be included in remuneration income:	H.N.A	N.A	A	H.A
Salary	0	0	14	9
Wages	0	4	12	7
Fees received	0	9	8	6
Commission	0	10	6	7
Bonus	1	7	9	6
Allowances	2	9	7	5
Approved retirement fund	6	9	3	5
Motor vehicle facility	8	7	7	1
Housing facility	7	10	3	3
Total	24	65	69	49
Percentage	11.60	31.4	33.33	23.67

Source: Survey, 2013.

Table 4.7 describes the awareness level of Private employees on items to be included in remuneration income. Out of 23 respondents, 23.67 percent respondents have highly awareness on items to be included in remuneration income, similarly 33.33 percent respondents have awareness about items to be included in remuneration income, 31.40 percent respondents says that they have no awareness and rest 11.60 percent respondents results highly non awareness about items to be included in remuneration income.

4.2.1.4 Awareness on Items to be included in remuneration tax among Government Employees

For this study, 25 respondents are being selected but 21 have response. All the respondents in this category are related to Government jobs holder. Awareness level of Government Employee on items to be included in remuneration income is tabulated below:

Table 4.8 Government Employees Awareness on items to be included in Remuneration Income

Items to be included in remuneration income:	H.N.A	N.A	A	H.A
Salary	0	0	4	17
Wages	0	0	5	16
Fees received	0	1	6	14
Commission	0	0	7	14
Bonus	0	0	6	15
Allowances	0	0	5	16
Approved retirement fund	0	7	5	9
Motor vehicle facility	3	10	5	3
Housing facility	3	7	8	3
Total	6	25	51	107
Percentage	3.17	13.23	26.98	56.62

Source: Survey, 2013.

Table 4.8 describes the awareness level of Government employees on items to be included in remuneration income. Out of 21 respondents, 56.62 percent respondents have highly awareness on items to be included in remuneration income, similarly 26.98 percent respondents have awareness about items to be included in remuneration income, 13.23 percent respondents says that they have no awareness and rest 3.17 percent respondents results highly non awareness about items to be included in remuneration income.

The study shows that Government Employees are more awareness than other sector of employees regarding items to be included in remuneration income. Private employees have less awareness comparing to others.

4.2.1.5 Awareness of Items to be included in remuneration tax among Nepalese Employees of Butwal Municipality.

To know the views of the respondents about awareness of remuneration tax, 91 respondent's data have been collected from different sector of the employment such as teachers, bankers, private employees and government employees of Butwal municipality. The data has been tabulated below:

Table 4.9 Employees Awareness on items to be included in Remuneration Income

Items to be included in remuneration income:	H.N.A	N.A	A	H.A
Salary	1	1	32	57
Wages	3	11	33	44
Fees received	6	17	29	39
Commission	6	16	30	39
Bonus	3	13	31	44
Allowances	5	15	36	35
Approved retirement fund	13	27	23	28
Motor vehicle facility	21	31	25	14
Housing facility	23	29	25	14
Total	81	160	264	314
Percentage	9.89	19.54	32.23	38.34

Source: Survey, 2013.

Table 4.9 describes the awareness level of Nepalese employees on items to be included in remuneration income. Out of 91 respondents, 38.34 percent respondents have highly awareness on items to be included in remuneration income, similarly 32.23 percent respondents have awareness about items to be included in remuneration

income, 19.54 percent respondents says that they have no awareness and rest 9.89 percent respondents results highly non awareness about items to be included in remuneration income. This tabulated data have been presented below with the help of pie chart.

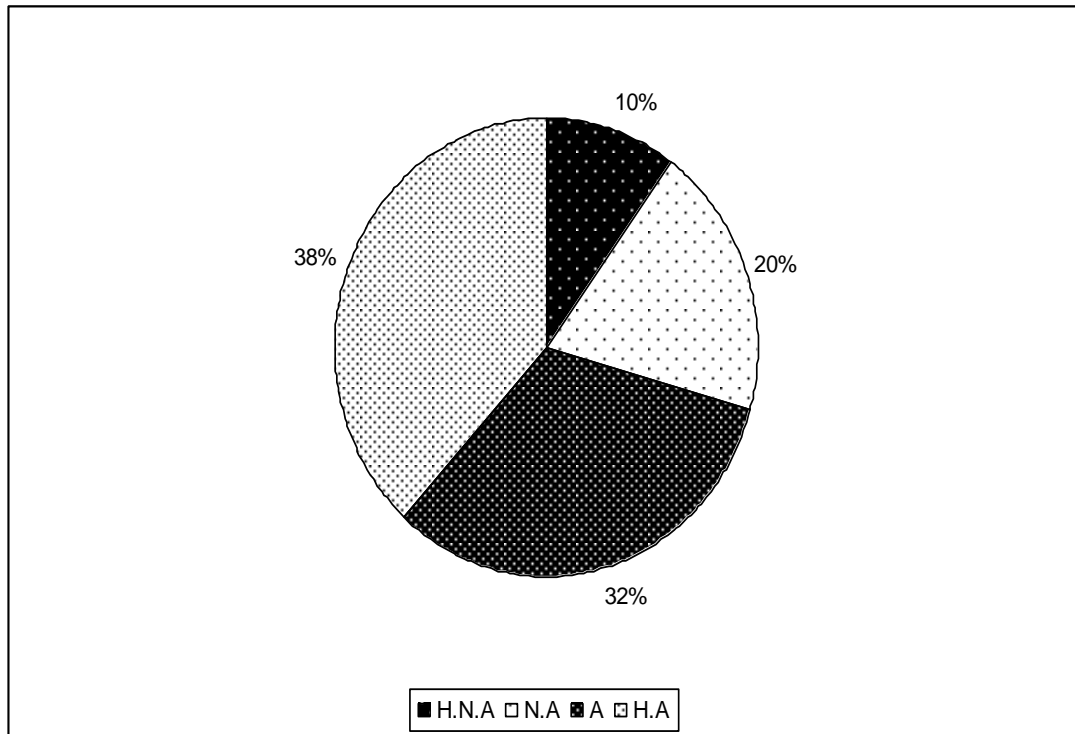


Figure 4.2 Employees Awareness on items to be included in Remuneration Income

According to the findings, 70.57 percent of employees have knowledge on items to be included in remuneration income. 68.05 percent teachers have idea about items to be included in remuneration income. Similarly, 74.88 percent bankers have awareness on it. 57 percent private employees have idea about items to be included in remuneration income and 83.60 percent government employees are aware on items to be included in remuneration income. This shows that government employees have highly awareness in items to be included in remuneration income then others sector. Private employees have lowest awareness than other sector. More respondents are aware about items to be included in remuneration income.

4.2.2 Awareness of respondents regarding Allowable Reductions

While calculating Remuneration Tax there is a provision of deducting common reductions such as Retirement Contribution to an approved retirement fund (Maximum Rs. 3,00,000 or one third of assessable income whichever is lower) and Donation (maximum Rs. 1,00,000 or 5 percent of adjusted taxable income after deducting R/F). A questionnaire has been set and distributed to the respondents to know the awareness level of allowable reductions for different sector of employment. Their awareness level on items to be deducted while calculating remuneration tax is listed below by the help of the table:

4.2.2.1 Awareness on Allowable Reduction in remuneration tax among Teachers

Awareness level of Teachers on Allowable Reduction is tabulated below:

Table 4.10 Teachers Awareness on Allowable Reduction

Allowable Reductions	H.N.A	N.A	A	H.A
Retirement Contribution to an approved fund	4	2	16	2
Donation	3	5	14	2
Total	7	7	30	4
Percentage	14.58	14.58	62.50	8.34

Source: Survey, 2013.

According to the table 4.10, 8.34 percent of respondents have highly awareness on allowable reduction, 62.50 percent have awareness on allowable reduction while calculating remuneration tax, 14.58 percent respondent's falls under non awareness category and 14.58 percent respondents have highly non awareness on common deductions while calculating remuneration tax.

4.2.2.2 Awareness of Allowable Reduction in remuneration tax among Bankers

Awareness level of Bankers on Allowable Reduction is tabulated below:

Table 4.11 Bankers Awareness on Allowable Reduction

Allowable Reductions	H.N.A	N.A	A	H.A
Retirement Contribution to an approved fund	0	4	15	4
Donation	9	6	7	1
Total	9	10	22	5
Percentage	19.57	21.74	47.83	10.87

Source: Survey, 2013.

Table 4.11 describes the awareness level of bankers on Allowable reduction while calculating remuneration tax. Data shows that 10.87 percent respondents are highly awareness about allowable reduction, 47.83 percent respondents have awareness on allowable reduction, similarly 21.74 percent respondents choice the option non awareness and 19.57 percent respondents thinks that they are highly non awareness about allowable reductions while calculating remuneration tax.

4.2.2.3 Awareness of Allowable Reduction among Private Employees

Awareness level of Private Employees on Allowable Reduction while calculating Remuneration tax is tabulated below:

Table 4.12 Private Employees Awareness on Allowable Reduction

Allowable Reductions	H.N.A	N.A	A	H.A
Retirement Contribution to an approved fund	4	6	10	3
Donation	8	9	6	0
Total	12	15	16	3
Percentage	26.09	32.61	34.78	6.52

Source: Survey, 2013.

Table 4.12 describes the awareness level of Private employees on Allowable reduction while calculating remuneration tax. Data shows that 6.52 percent

respondents are highly awareness about allowable reduction, 34.78 percent respondents have awareness on allowable reduction, similarly 32.61 percent respondents choice the option non awareness and 26.09 percent respondents thinks that they are highly non awareness about allowable reductions while calculating remuneration tax.

4.2.2.4 Awareness of Allowable Reduction among Government Employees

Awareness level of Government Employees on Allowable Reduction while calculating Remuneration tax is tabulated below:

Table 4.13 Government Employees Awareness on Allowable Reduction

Allowable Reductions	H.N.A	N.A	A	H.A
Retirement Contribution to an approved fund	1	2	9	9
Donation	3	14	3	1
Total	4	16	12	10
Percentage	9.53	38.09	28.57	23.81

Source: Survey, 2013.

Table 4.13 describes the awareness level of Government employees on Allowable reduction while calculating remuneration tax. Data shows that 23.81 percent respondents are highly awareness about allowable reduction, 28.57 percent respondents have awareness on allowable reduction, similarly 38.09 percent respondents choice the option non awareness and 9.53 percent respondents thinks that they are highly non awareness about allowable reductions while calculating remuneration tax.

4.2.2.5 Awareness of Allowable Reduction among Nepalese Employees of Butwal Municipality.

To know the views of the respondents about awareness of allowable reduction while calculating remuneration tax, 91 respondent's data have been collected from different sector of the employment such as teachers, bankers, private employees and government employees of Butwal municipality. The data has been tabulated below:

Table 4.14 Employees Awareness on Allowable Reduction

Allowable Reductions	H.N.A	N.A	A	H.A
Retirement Contribution to an approved fund	9	14	50	18
Donation	23	34	30	4
Total	32	48	80	22
Percentage	17.58	26.37	43.96	12.09

Source: Survey, 2013.

Table 4.14 describes the awareness level of Nepalese employees on allowable deduction while calculating remuneration tax. Out of 91 respondents, 12.09 percent respondents have highly awareness on allowable deduction while calculating remuneration tax, similarly 43.96 percent respondents have awareness about allowable deduction while calculating remuneration tax, 26.37 percent respondents choose the option non awareness and rest 17.58 percent respondent's results highly non awareness about allowable deduction while calculating remuneration tax. This tabulated data have been presented below with the help of chart.

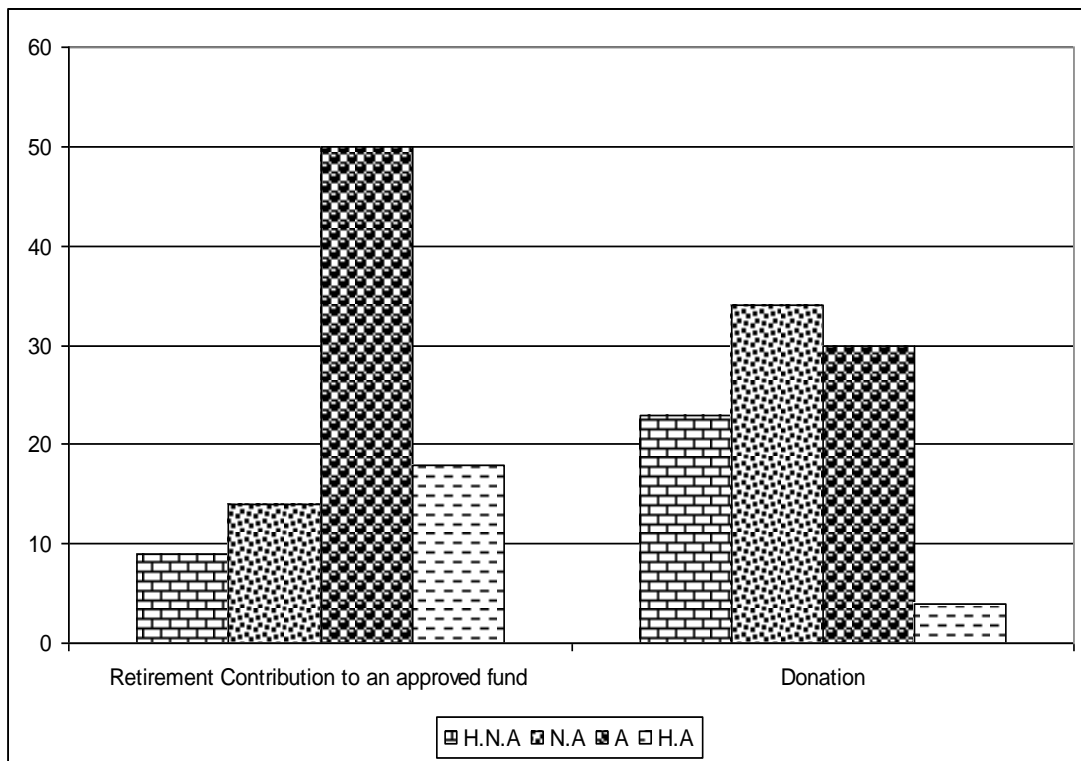


Figure 4.3 Employees Awareness on Allowable Reduction.

According to the findings only 56.05 percent of respondents have awareness on allowable deduction while calculating remuneration tax. It means 43.95 percent of respondents are suffering from lack of tax knowledge and they didn't know about approved retirement fund and have not claimed donation amount. 70.84 percent teachers knows about allowable reduction, 58.70 percent bankers have awareness on allowable deduction, 41.30 percent private employees have idea about allowable deduction and only 52.38 percent government employees have awareness about allowable reduction. We can conclude that teachers are highly awareness than others sector. Private employees have low knowledge on allowable reduction compared to others.

4.2.3 Awareness of respondents about other Exemptions

There are also a lot of exemptions while calculating remuneration tax such as Life Insurance Premium (Maximum Rs.20,000 or actual whichever is less), Remote area exemption (Rs. 50,000, Rs.40,000, Rs. 30,000, Rs. 20,000 and Rs. 10,000 for A,B,C,D and E group respectively), Pension income exemption (Reduction of 25 percent of basic exemption by individual having pension income only), Disable individual exemption (Reduction of 50 percent of basic exemption by a disabled individual) and Foreign allowance exemption (reduction of 75 percent of Foreign allowances by a Nepalese diplomat). Such exemption helps taxpayers to decrease his/her Total Taxable Income and reduces his/her tax liability.

4.2.3.1 Awareness about other exemptions among Teachers

Awareness level of teachers on other exemptions provided by Income Tax Act while calculating remuneration tax is tabulated below:

Table 4.15 Teachers Awareness on Other Exemptions

Awareness about other Exemptions	H.N.	N.A	A	H.
	A			A
Life insurance premium	0	5	12	7
Remote area exemption	0	13	9	2
Pension Income exemption	1	13	8	2
Disable Individual exemption	4	13	7	0
Foreign Allowance exemption	4	15	5	0
Total	9	59	41	11
Percentage	7.5	49.16	34.17	9.1
				7

Source: Survey, 2013.

Table 4.15 shows that only 9.17 percent respondents have highly awareness on other exemptions because they do not have awareness on Disable Individual Exemption and Foreign Allowance Exemption so most of the respondents are not highly awareness. 34.17 percent of respondents think that they have awareness on other exemptions. 49.16 percent respondents have no awareness in other exemptions and 7.5 percent respondents did not have any knowledge in other exemptions while calculating remuneration tax. This table shows that more than half of the respondents have no idea about other exemptions.

4.2.3.2 Awareness about other exemptions among Bankers

Awareness level of Bankers on other exemptions provided by Income Tax Act while calculating remuneration tax is tabulated below:

Table 4.16 Bankers Awareness on Other Exemptions

Awareness about other Exemptions	H.N.A	N.A	A	H.A
Life insurance premium	0	5	11	7
Remote area exemption	3	13	4	3
Pension Income exemption	6	12	4	1
Disable Individual exemption	16	6	0	1
Foreign Allowance exemption	18	3	1	1
Total	43	39	20	13
Percentage	37.39	33.91	17.40	11.3

Source: Survey, 2013.

Table 4.16 shows that the percentage of highly non awareness is more than others, because of the lack of tax knowledge among Bankers. Only 11.3 percent are highly awareness about the other exemptions, 17.40 percent respondents are awareness about the other exemptions. More than 70 percent respondents do not have any knowledge about other exemptions while calculating remuneration tax.

4.2.3.3 Awareness about other exemptions among Private Employees

Awareness level of private employees on other exemptions provided by Income Tax Act is tabulated below:

Table 4.17 Private Employees Awareness on Other Exemptions

Awareness about other Exemptions	H.N.A	N.A	A	H.A
Life insurance premium	5	6	12	0
Remote area exemption	6	9	7	1
Pension Income exemption	6	13	4	0
Disable Individual exemption	9	11	3	0
Foreign Allowance exemption	12	10	1	0
Total	38	49	27	1
Percentage	33.04	42.61	23.48	0.87

Source: Survey, 2013.

According to table 4.17 private employees have less awareness about other exemptions mentioned in Income Tax Act. More than 75 percent respondents of private employees think that they have no awareness on exemption while calculating remuneration tax. Only 0.87 percent respondent has highly awareness on exemption amount, 23.48 percent respondents have some awareness on other exemptions, 42.61 percent have choice the option non awareness and rest 33.04 percent have no idea about exemptions while calculating remuneration tax.

4.2.3.4 Awareness about other exemptions among Government Employees

Awareness level of government employees on other exemptions provided by Income Tax Act is tabulated below:

Table 4.18 Government Employees Awareness on Other Exemptions

Awareness about other Exemptions	H.N.A	N.A	A	H.A
Life insurance premium	1	2	13	5
Remote area exemption	1	8	12	0
Pension Income exemption	1	15	3	2
Disable Individual exemption	4	11	4	2
Foreign Allowance exemption	6	12	3	0
Total	13	48	35	9
Percentage	12.38	45.71	33.33	8.58

Source: Survey, 2013.

Table 4.18 describes the awareness level of Government Employees on other Exemptions related to remuneration tax. Out of 21 respondents only 8.58 percent have highly awareness about other exemptions, 33.33 percent of respondents have awareness about it, 45.71 percent have choice an option of non awareness about such exemptions and only 12.38 percent people thinks that they are highly non awareness about such exemptions mentioned under Income Tax Act.

4.2.3.5 Awareness of about Other Exemptions among Nepalese Employees of Butwal Municipality.

To know the views of the respondents about awareness of other exemptions while calculating remuneration tax, 91 respondent's data have been collected from different sector of the employment such as teachers, bankers, private employees and government employees of Butwal municipality. The data has been tabulated below:

Table 4.19 Employees Awareness on Other Exemptions

Awareness about other Exemptions	H.N.A	N.A	A	H.A
Life insurance premium	6	18	48	19
Remote area exemption	10	43	32	6
Pension Income exemption	14	53	19	5
Disable Individual exemption	33	41	14	3
Foreign Allowance exemption	40	40	10	1
Total	103	195	123	34
Percentage	22.64	42.86	27.03	7.47

Source: Survey, 2013.

Table 4.19 shows the views of total respondents including teachers, bankers, private employees and government employees. Only 7.47 percent have high awareness on other exemptions, 27.03 percent respondents says that they have some awareness on other exemptions, 42.86 percent respondent's choice the non awareness options and 22.64 percent respondents have no idea about other exemptions. This shows that there is low level of awareness among Nepalese employees on other exemptions because of lack of tax knowledge. This tabulated data has been presented below in pie chart also:

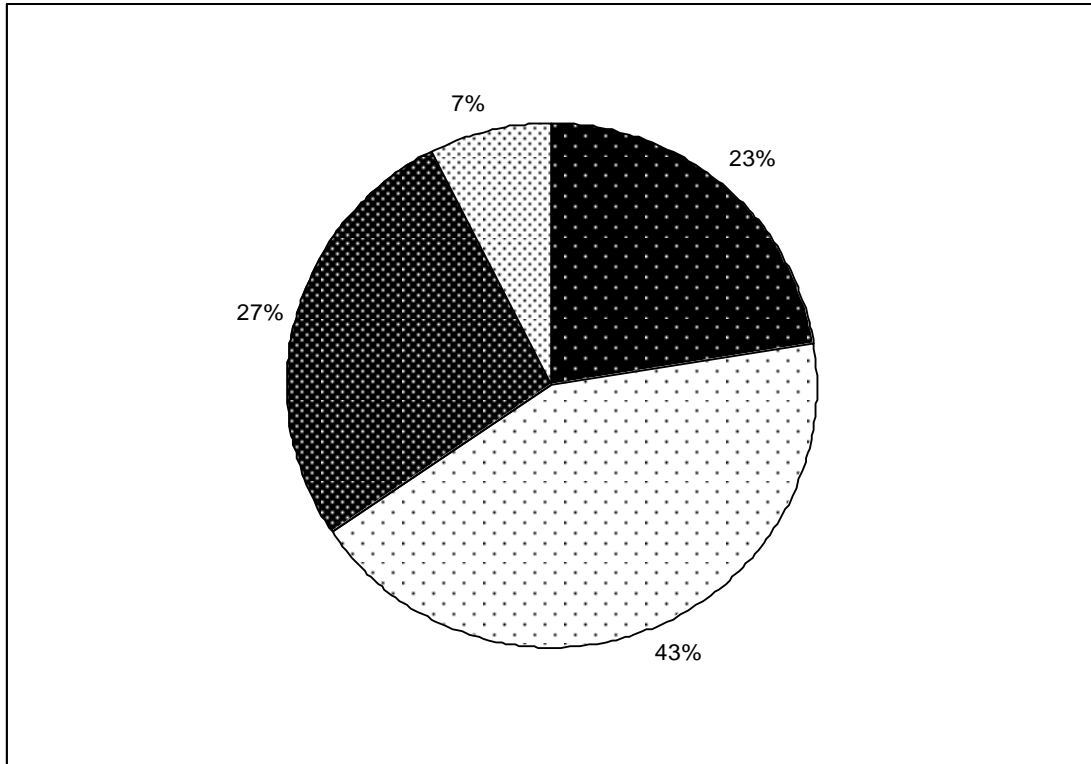


Figure 4.4 Employees Awareness on other exemptions

According to the findings, 34.50 percent respondents have idea about other exemptions while calculating remuneration tax. Out of them only, 43.34 percent teachers know about other exemptions. 28.70 percent bankers know about other exemptions. Similarly, 24.18 percent private employees have idea about other exemptions and 41.91 percent government employees have awareness on other exemptions. This shows that teachers and government employees have highly knowledge than bankers and private employees respectively. By generalization we can therefore conclude that most employees are not aware of other exemptions. This is the result of lack of tax knowledge among employees.

4.2.4 Awareness of Tax Rebate for women

According to the Income Tax Act 2002, a resident woman having employment income only is granted a rebate of 10 percent from her total tax liability. A questionnaire has been set and distributed to the respondents to know the awareness level of Tax rebate for women for different sector of employment. Their awareness level is listed below by the help of the table:

Table 4.20 Employees Awareness on Tax rebate for Women

Nature of Employment	H.N.A	N.A	A	H.A
Teachers	2	13	9	0
Bankers	4	6	10	3
Private Employees	4	10	9	0
Government Employees	1	7	13	0
Total	11	36	41	3
Percentage	12.09	39.56	45.05	3.30

Source: Survey, 2013.

Table 4.20 describes the awareness level of Nepalese employees of different sector of Butwal Municipality about tax rebate for women. Only 3.30 percent respondents have highly awareness on tax rebate for women. 45.05 percent respondents have some idea about tax rebate for women. 39.56 percent respondents have no awareness on tax rebate for women and 12.09 percent have no idea about it. Government employees have more awareness about tax rebate for women comparing to others. The tabulated data has been presented in chart below:



Figure 4.5 Employees Awareness about tax rebate for women

4.2.5 Awareness of Respondents about Medical Tax Credit

A resident individual may claim a tax credit for the medical expenses incurred for his or her treatment. The maximum tax credit that can be adjusted in a year will be lower of Rs. 750 or 15 percent of the approved medical expenses. Approved medical cost includes health premium and the expenses as per bills for treatment by recognized hospital, nursing home, health care or a doctor. However, the approved medical costs exclude expenses incurred on cosmetic surgery and medical expenses compensated by insurance company on account of health insurance. Expenses incurred for the treatment of physical injury in case of accident of an individual cannot be claimed for medical tax credit under this section.

To know the views of the respondents about awareness of Medical tax credit, 91 respondent's data have been collected from different sector of the employment such as teachers, bankers, private employees and government employees of Butwal municipality. The data has been tabulated below:

Table 4.21 Employees Awareness on Medical Tax Credit

Nature of Employment	H.N.A	N.A	A	H.A
Teachers	4	12	7	1
Bankers	12	7	3	1
Private Employees	8	13	2	0
Government Employees	5	14	2	0
Total	29	46	14	2
Percentage	31.87	50.55	15.38	2.20

Source: Survey, 2013.

Table 4.21 shows the awareness level of Nepalese employees regarding Medical Tax Credit. Only few respondents are aware of medical tax credit. According to the data, 2.20 percent employees have highly awareness, 15.38 percent employees have some awareness, 50.55 percent employees have no awareness and 31.87 percent employees have no idea about medical tax credit. This shows that the employees wouldn't claim

medical tax credit while calculating remuneration tax. The tabulated data has been presented in chart below:

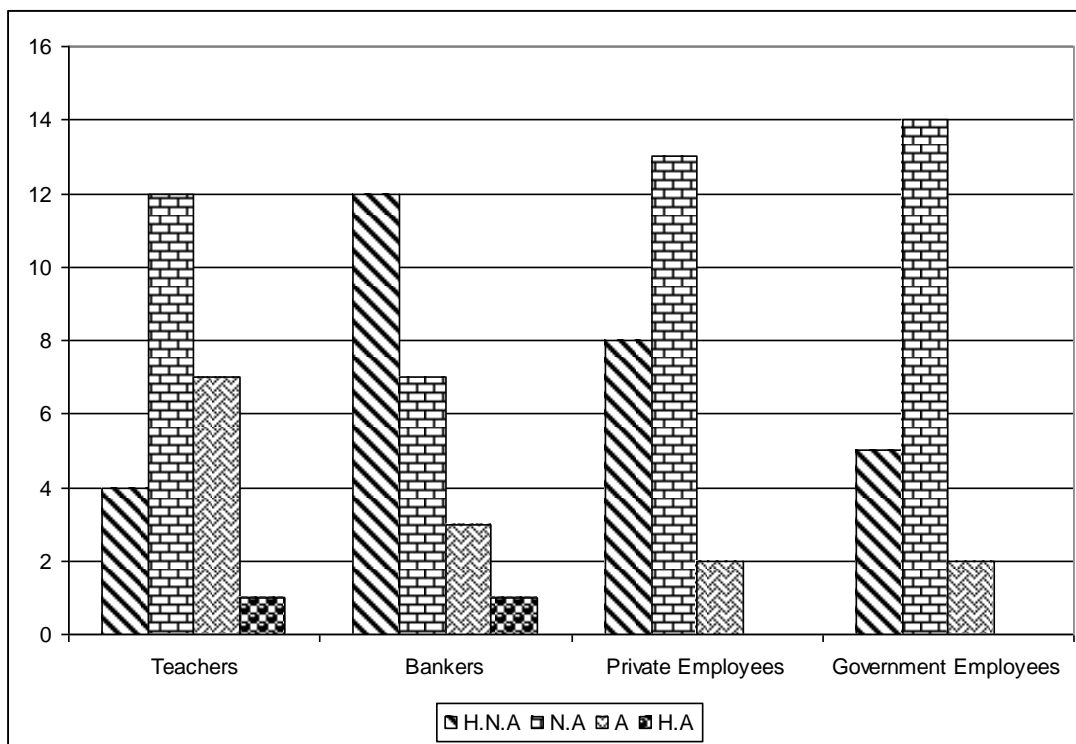


Figure 4.6 Employees Awareness about tax Medical Tax Credit

4.2.6 Awareness of Employees about timely submission of income return

According to Sec.96 of Income Tax Act 2002, every taxpayer should file at the place prescribed by the Inland Revenue Department a return of income not later than three months after the end of each income year. The return of income should be in the manner and form prescribed by the Department. The return of income should be signed by the person or manager. It should be accompanied by necessary disclosures along with a declaration that the return is complete, true and accurate. The awareness level of employees about time submission of income return is tabulated below.

Table 4.22 Employees Awareness on timely submission of income return

Nature of Employment	H.N.A	N.A	A	H.A
Teachers	2	8	10	4
Bankers	1	6	11	5
Private Employees	1	10	10	2
Government Employees	0	1	5	15
Total	4	25	36	26
Percentage	4.40	27.47	39.56	28.57

Source: Survey, 2013.

Table 4.22 shows the awareness level of different sector of employees regarding time submission of income return. More employees are aware about time submission of income returns. Government employees have more awareness about it because it is compulsory for them to file their yearly assessable income. 28.57 percent employees have got highly awareness on time submission of income return, 39.56 percent people have awareness about time submission of income return, 27.47 percent employees choose the option non awareness and 4.40 percent employees thinks that they have no idea about time submission of income return. The tabulated data is also presented below by the help of pie chart.

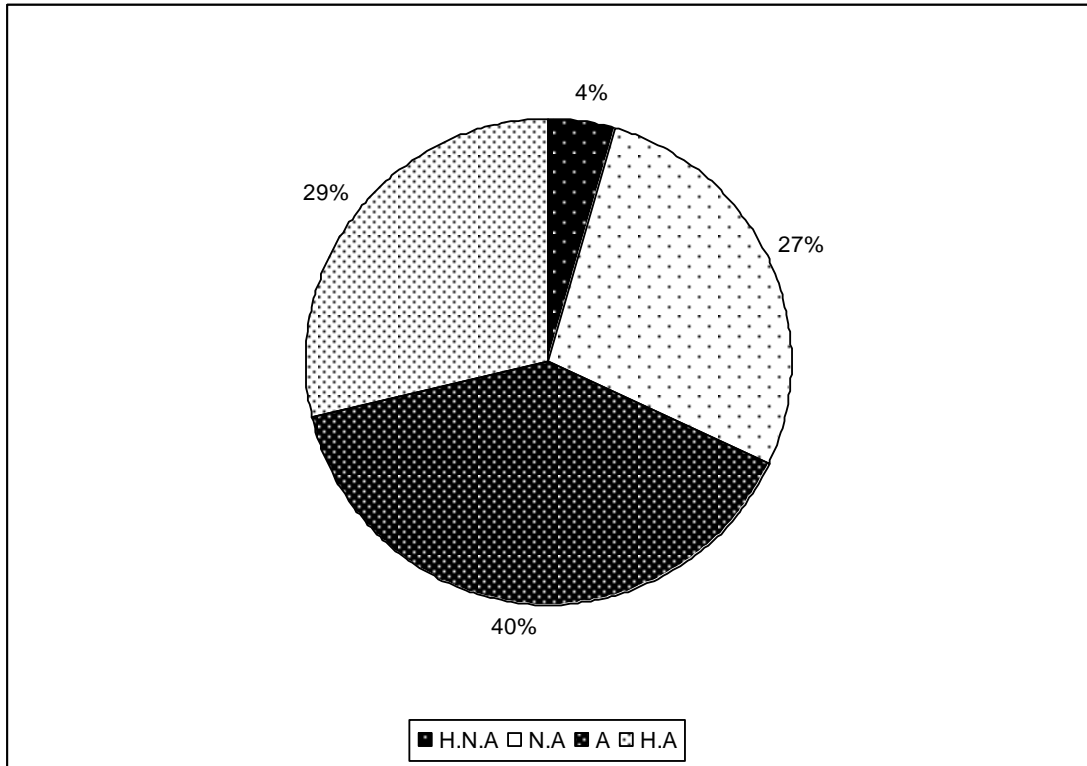


Figure 4.7 Employees Awareness about timely submission of income return

4.3 General Comments and Suggestions of Respondents

Towards the end of the interview, all respondents were requested to provide their suggestions and comments, general or specific, for improvement in the tax system in Nepal. Their responses have been presented below in the way they reported. It is hoped that these information will be useful for IRD and IROs in developing and implementing reform measures in future.

- There should be a compulsory tax education from intermediate level for effective knowledge of tax.
- Training should be managed by employers to calculate remuneration tax for employees.
- Provide basic services to the people in proportion to the tax collected.
- Make the tax payment process very simple and practical that encourages more people to pay tax regularly.
- There is poor documentation of the papers submitted by the taxpayers. These must be filed systematically and kept in alphabetical/chronological order. Locating the files in the IROs is always a problem for taxpayers.

- The Government must set aside some funds from the tax collected for taxpayer service activities.
- The Government should consider lowering the tax rates and to expand the tax base.
- Don't put the entire burden on registered taxpayers. Those, who are not registered as yet, should also be brought into the net.
- Provide relief to the taxpayers from visiting the IROs frequently.
- Officials in the taxpayer section need to be very competent and informative.
- Staff members in IROs should always understand taxpayers as their customers and not as milking cows.
- Put PAN numbers of all registered taxpayers in the website of the Department.
- An effective complaint logging system should be established.
- There is no major complaint regarding the tax policy and Tax Acts of the government, but there are problems in their implementation practices.
- Tax rates should be progressive.
- There should be one and the same tax policy for all and there should not be any discrimination.
- There is no clear tax policy in the case of educational institutions.
- Communication on tax policy and practices need to be increased.
- The staff members should behave impartially.
- There are some loopholes for corruption, correct those. Start effective monitoring immediately particularly in the case of audit and investigations.
- Make the tax procedures simpler and shorter.
- Develop better/effective incentive system for regular taxpayers and give due respect to them.

4.4 Major Findings of the study

An opinion survey has been conducted in order to find out the awareness level of remuneration tax. From the opinion survey of various respondents i.e., Teachers, Bankers, Private Employees and Government Employees some important findings of the study are summarized below:

- Majority of the respondents are male (72.53 percent) then female respondents. Majority of the respondents have completed their Bachelor level education (39.56 percent). Teachers employees represent highest participate covering (26.37 percent). Majority of the respondents representing (49.45 percent) have annual income range of Rs. 2, 00,000 - Rs. 3, 50,000. Majority of the respondents (35.16 percent) have awareness on remuneration tax by the help of friend.
- Out of 91 respondents 32.23 percent have awareness on items to be included in remuneration income and 38.34 percent respondents have highly awareness about it. It shows that majority of the employees knows about items to be included in remuneration income.
- Only 12.09 percent respondents are highly awareness about allowable reduction, similarly 43.96 percent of respondents have awareness only. 62.64 percent of respondents have no idea about donation and 25.27 percent respondents have no idea about retirement contribution fund. Private employees have less knowledge about it.
- Majority of the respondents have no awareness about others exemption, 87.91 percent have no idea about foreign allowance exemption. 58.24 percent respondents have no idea about remote area exemption. 73.63 percent respondents have no idea about pension income exemption. But 73.63 percent respondents have awareness on life insurance premium. Only 18.68 percent have awareness about Disable Individual exemption.
- According to the data 51.65 percent employees are not awareness about tax rebate for women. Only few women respondents are aware about it.

- 17.58 percent respondents know about Medical Tax Credit. It means 82.42 percent employees have not claim medical tax credit up to know.
- Employees of Government are highly awareness about time submission of income return because it is compulsory for them. It is compulsory for all but some private employees have not filed yet. Bankers and teachers have also submitted their income details by the help of their institution. So, 68.13 percent of respondents know about time submission of income return.
- Income tax exemption limit in Nepal has been changed on the basis of time and condition. The current exemption limit is Rs. 2, 00,000 for individuals and Rs. 2, 50,000 for married couple and family.
- Tax paying habit and taxpayers compliance in Nepalese people is poor basically due to lack of simplification of tax law and rules, lengthy process of tax assessment, lack of tax education to taxpayers, lack of incentive to regular taxpayers and due to lack of heavy fine and penalties to defective taxpayer.
- People in individual normally do not pay tax though they earn very handsome amount of money because of their negligence and poor administration / implementation of income tax rules and regulations.
- It is easy for the individuals to evade tax because they are not found in organized form.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The general introduction of the study is presented in the first chapter. It is designed to highlight the research issues regarding awareness level of remuneration tax among Nepalese employees of Butwal Municipality only. Tax revenue is one of the main sources of government revenue. Remuneration tax is a strong component of tax revenue. But lack of proper implementation of tax policies, lack of knowledge, lack of public awareness, lack of support from efficient management etc are problems of adequate remuneration tax collection. Still the government has not been able to involve all the employees in self assessment of remuneration tax. Lack of awareness about remuneration tax is a major problem to the taxpayers. Many employees are not aware of items to be included in remuneration income, common deduction and other exemptions while calculating remuneration tax. This is the main issue raised in this study. This chapter also specified the research objectives, limitations and organization of the study.

The theoretical framework and reviews of related dissertation, books and articles of studies are presented in the second chapter. More specifically theoretical background of tax, sources of income, items to be included in remuneration income, common deduction, other exemptions, tax credit and other allowance are discussed.

Research methodology is stated in chapter three. Basically it is descriptive in nature pursuing survey design. Survey data is used to fulfill the objectives of the study. The primary data is collected from interaction with respondents by face to face interviews with the help of questionnaire with in Butwal Municipality which are considered as the population of this study. Altogether 100 questionnaire were distributed to the teachers, bankers, government employees and private employees, among them 91 have only response it. Persons included in the sample are selected randomly on best judgments. Simple percentage, simple average, graph, charts and diagrams are used to analyze the data.

Chapter four is related with the presentation and analysis of data. It has exposed the simple percentage, simple average, graph, charts and diagrams to study the awareness level of remuneration tax in Nepal with in Butwal municipality.

Chapter five is designed to summarize the overall awareness level of remuneration tax at a glance. Finally this chapter showed the results of research work in summary to various domains of the research.

Assessing the level of remuneration tax awareness is the central focus of the study as indicated in the objective of the study. In assessing the level of remuneration tax awareness, many factors such as awareness of items to be included in remuneration income, awareness of common deductions and awareness of taxpayers on exemptions provided to various areas are concerned in this study. Presentation of summary of findings of the study under awareness level of remuneration tax will therefore border on the factors mention above.

5.2 Conclusion

From the research conducted, it can be decisively concluded that the awareness level of remuneration tax in the different sector of Nepalese employees is not satisfactory. Analyses on the previous chapter revealed that many respondents of the employees are not aware about remuneration tax. The level of knowledge of the employees on tax reliefs and incentives is not the best many respondents said they are not knowledgeable of tax incentives and reliefs. The level of education of the employees on tax in general is inadequate to promote remuneration tax. Lack of education is one of the key factors for aware in remuneration tax. Tax education has the capacity to improve compliance level of the employees. Finally, most employees have the perception that their tax liability is too high. For the employees to comply with their tax obligation, they have a cumbersome procedure for filing returns, which is very bureaucratic considering the number of forms a taxpayer has to complete. As such, when a taxpayer has better tax knowledge, attitudes towards tax would be positive and this will in turn increase compliance and reduce the propensity to evade taxes. Thus, this study suggested that providing more tax knowledge to a larger group of society helps to prevent tax evasion in SAS. Teaching tax laws and tax knowledge as a

compulsory part of secondary school education might be relevant in a self assessment system in order to increase voluntary compliance. In contrast, poorer tax knowledge correlates with negative attitudes toward taxation, implying that a better attitude could be achieved through better tax. In the opinion survey, it has been found that there is poor tax paying habit of Nepalese people for which lack of incentives for regular taxpayers is the main reason. There is problem in income tax administration. However, ITA 2002 is modern and effective that the previous Act. But, contribution of remuneration tax on is not satisfactory. There is corrupt practice in the income tax administration. On the opinion of the respondents the most powerful reason for corrupt practice is dishonest tax personnel and political uncertainty.

Income Tax Act 2002 could be an effective means to generate more revenue from income taxation if the Act is effectively implemented since the act has so many features. As taxpayers must response positively toward their duties and rights, the tax administrations must liable to fulfill the responsibility provided by the law to them. Otherwise they will pronounce as corrupt. The share of tax revenue has always been greater than the share of non-tax revenue. Similarly, the contribution of indirect tax has been always greater than direct tax revenue during the study period from 2003/04 to 2012/13. Remuneration tax is an important source of direct tax. The taxpayers' awareness level increases automatically when the government is capable of delivering basic public services to the public. It is very encouraging to note that overwhelming majority of the respondents have felt that paying taxes to the government is one's duty. Revenue generation through remuneration tax is important for the government. Thus, the realization of the people of the need to pay taxes is a positive message to the government. In spite of many positive findings, it is disappointing to note that many of the taxpayers still feel that the behavior of tax officials is not friendly and fair. Tax education packages are to be made and imitated hence, awareness level of remuneration tax could be improved. Employees who pay remuneration tax must be aware about remuneration tax because it is compulsory for them to pay tax on their earning, if they have some aware about remuneration tax it will be beneficial for them to reduce their tax burden by knowing all the deductions and exemptions amount and other tax credit.

5.3 Recommendations

It is recommended that the Internal Revenue Department should give the employees guidelines on the basis of bookkeeping so that they can prepare financial statement by themselves or by the help of the tax officials to determine their earning on which income tax will be charged. This will ensure that the employees pay realistic taxes on the incomes they earn.

Again, as the study revealed, most employees are unaware of the tax system in Butwal municipality. Some people do not even know what constitute a remuneration tax. Also, they do not know much about deductions, exemptions, tax credit, tax reliefs and incentive, all as a result of lack of or inadequate tax education for the employee's category of the taxpayers. It is therefore recommended that the IRD educate the public on understanding the tax system, tax reliefs and incentives, record keeping as mentioned earlier on, the basis of computing their tax liability and more importantly the need to pay income tax for national growth and development among other things so as to ensure full understanding of the tax system by the self employed. These can be achieved through tax education seminars and talks organized at periodic intervals and such media, as television, posters, radio, handbills and mobile vans should be used to assist tax campaigns. To ensure that the intended target is fully reached, it is also recommended that education be given in the local languages of the people who are being educated.

On the basis of the above study, the following recommendations are made to improve the awareness level of remuneration tax among Nepalese employees:

- IRD should put more emphasis on tax knowledge when conducting its tax education campaign. IRD should utilize more of the expertise of the educational institutions like universities, schools in its tax education activities given that they are better place to provide the requires technical knowledge of tax.
- Tax knowledge should be given from intermediate level to all so that every employee will be aware about remuneration tax.
- Training should be managed by the employers to the employees about remuneration tax.
- Every citizen of the nation should be aware that major income of the nation is tax and should be ready to pay from his/her own part honestly.

- Every person having taxable income should be brought under the income tax net.
- The revenue administrative and revenue tribunal offices should be easily accessible to the taxpayers, wherever they go with their problems; such problems are to be solved very quickly. These offices should give appropriate working environment to the taxpayers. No procedural delay or filing works are to be added to the taxpayers.
- Dishonest tax personnel and taxpayers should be punished severely.
- Make the tax procedures simpler and shorter.
- Communication on tax policy and practices need to be increased.
- Tax rates should be progressive.
- Make the tax payment process very simple and practical that encourages more people to pay tax regularly.

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Appendix Questionnaire

Dear Respondent,

I am going to conduct an intensive survey on "REMUNERATION TAX AWARENESS AMONG NEPALESE EMPLOYEES" for the partial fulfilment of the Masters Degree in Business Studies. The objective of this survey is to measure the awareness level of remuneration tax among employees. I kindly request you to give your opinion on the following statements. Please read the instructions carefully given in the respective sections. I would further like to ensure you that your opinion and the instruction will be kept strictly confidential and used for this academic research only.

Subash Bhandari
Researcher

1. Full name of the respondent. (Not Compulsory).

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2. Gender.

a. Male

b. Female

3. Level of education completed.

a. SLC

b. Intermediate

c. Bachelor

d. Master

4. Nature of the Employment.

a. Teacher

b. Bankers

c. Government Employee

d. Private Employee

5. Annual income range.

a. Less than Rs.200000

b. Rs.200000 – Rs. 350000

c. Rs. 350000- Rs. 500000

d. Over Rs. 500000

6. Source of awareness regarding remuneration tax.

a. Newspaper

b. Radio

c. Television

d. Internet

e. Auditor

f. Friend.