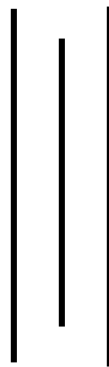


**A STUDY ON INCOME TAX COLLECTION FROM
CITIZEN INVESTMENT TRUST**

By
KHAGENDRA RAJ KHATRY
Shanker Dev Campus
T.U. Regd. No.: 7-2-12-312-97
Campus Roll No. : 1810/061

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University



*In partial fulfillment of the requirement for the Degree of
Master of Business Studies (M.B.S)*

Kathmandu, Nepal
September, 2009

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

KHAGENDRA RAJ KHATRY

Entitled:

**A STUDY ON INCOME TAX COLLECTION FROM
CITIZEN INVESTMENT TRUST**

*has been prepared as approved by this Department in the prescribed format of the
Faculty of Management. This thesis is forwarded for examination.*

.....
Prof. Dr. Kamal Deep Dhakal
(Thesis Supervisor)

.....
Prof. Bisheshwor Man Shrestha
(Head of Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by

KHAGENDRA RAJ KHATRY

Entitled:

**A STUDY ON INCOME TAX COLLECTION FROM
CITIZEN INVESTMENT TRUST**

*And found the thesis to be the original work of the student and written
according to the prescribed format. We recommend the thesis to
be accepted as partial fulfillment of the requirement for*

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled “**A STUDY ON INCOME TAX COLLECTION FROM CITIZEN INVESTMENT TRUST**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Prof. Dr. Kamal Deep Dhakal** of Shanker Dev Campus.

.....

Khagendra Raj Khatri

Researcher

T.U. Regd. No. : 7-2-12-312-97

Campus Roll No. : 1810/061

ACKNOWLEDGEMENT

This thesis is prepared as dissertation for the partial fulfillment of the requirements for the master degree course in management. It has been tried to cover empirical findings concerning tax in the context of Nepal. This study deals with the revenue collection from tax in different years, problems of tax collection system in Nepal and knowledge about the tax of different persons in Nepal.

At this moment, I would not like to forget numerous suggestions, comments and instruction given by Prof. Dr. Kamal Deep Dhakal, who is my supervisor and also respected Campus Chief of Shanker Dev Campus. This thesis is the outcome of his continuous encouragement, many helpful suggestions and comments.

I am very grateful to express my appreciation to Mr. Anil Kumar Dhakal, Finance Control & Operation Section, Citizen Investment Trust, Putalisadak, KTM for their cooperation and gesture for this study.

I am very grateful to Prof. Bisheshwor Man Shrestha my other respected Lecturers and Head of Research Department, whose valuable suggestions helped me to complete this research work. I would also like to record my indebtedness to all my respected Lecturers, all administrative staff, and library staffs of Shanker Dev Campus for providing valuable suggestions, information and comments.

I would like to heartily grateful my honorable Father Kul Bahadur Khatri & Mother Ishowari Khatri who encourage and guided for my academic qualifications. And also like to say thanks Mr. Hem Raj Dhungel, Tilak Bahadur Basnet, Rajkumar Khatri, Debaka Khatri, Radha Devi (Khatri) Dhungel & Cheta Khatri for their suggestion and comments. Likewise, all respondents deserve special thanks for their suggestion and responding my questionnaire. I would like to express my thanks to the staff of Citizen Investment Trust, Putalisadak for their help and supported role for data collection. At Last, I am indebted to Mr. Prakash Dhakal for editing the manuscripts and printing this thesis.

Khagendra Raj Khatri

TABLE OF CONTENTS

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviations

Page No.

CHAPTER – I INTRODUCTION

1.1 Background of the Study

1.2 Statement of the Problem

1.3 Objectives of the Study

1.4 Significance of the Study

1.5 Limitation of the Study

1.6 Organization of the Study

CHAPTER – II REVIEW OF LITERATURE

2.1 Concept of Income Tax

2.2 Evolution of Taxation

2.3 Evolution of Income Tax in Nepal

2.3.1 Taxation in Ancient Nepal

2.3.2 Taxation in the unified Nepal

2.3.3 Taxation in Rana Regime

2.3.4 Income Tax in Modern Nepal

2.4 Gradual Development of Income Tax Law in Nepal

2.4.1 Business profit and Remuneration Tax Act 2017 B.S. (1960)

2.4.2 Income Tax Act 2019 B. S. (1962)

2.4.3 Income Tax Act, 2031 B.S. (1974)

2.4.4 Income Tax Act, 2002 (2058 B.S.)

2.5 Concept of Income Corporate Tax

- 2.5.1 Development of Corporate Tax in Nepal
- 2.5.2 Corporate Tax Rate Structure in Nepal
- 2.5.3 Tax Incentive
- 2.5.4 Tax Incentive in Nepal
- 2.6 Tax Evasion and Avoidance
 - 2.6.1 Tax Evasion
 - 2.6.2 Tax Avoidance
- 2.7 Tax Administration
 - 2.7.1 Income Tax Authorities
 - 2.7.2 Rights of Government of Nepal
 - 2.7.3 Power of Department
 - 2.7.4 Power of Director General and Other Officer
 - 2.7.5 Right of Deputy General (DDG), Chief Tax Administrator, Director, Chief
Tax officer or Officer appointed as the Chief of a Tax office
 - 2.7.6 Rights of Other Officers
 - 2.7.7 Rights of Taxpayer (Assesses)
- 2.8 Problem Associated with Tax Administration in Nepal
 - 2.8.1 Failure to Locate New Tax Payers
 - 2.8.2 Failure to Maintain Proper Account and Records
- 2.9 Review of Related Studies
 - 2.9.1 Review of Thesis
- 2.10 Research Gap

CHAPTER – III RESEARCH METHODOLOGY

- 3.1 Research Design
- 3.2 Population & Sampling
- 3.3 Sources of Data
- 3.4 Procedure of Data Collection

CHAPTER – IV DATA PRESENTATION AND ANALYSIS

4.1 Structure of Nepalese Government Revenue

4.1.1 Composition of Government Revenue in Nepal

4.2 Contribution of Tax Revenue to the Total Revenue

4.3 Share of Direct Tax on Total Tax Revenue and Total Revenue

4.4 Structure of Income Tax in Nepal

4.5 Role of Corporate Tax in Nepal

4.6 A Brief Introduction of Citizen Investment Trust

4.6.1 Major Functions

4.6.2 Share Capital Structure of Citizen Investment Trust

4.6.3 Income Tax from Citizen Investment Trust

4.6.4 Share of Income Tax from Citizen Investment Trust to Total Tax Revenue

4.6.5 Share of Income Tax from Citizen Investment Trust to Direct Tax Revenue

4.6.6 Share of Income Tax from CIT to Income Tax Revenue

4.6.7 Share of Income Tax from CIT to Corporate Income Tax

4.6.8 Composition of Income tax from CIT to Income Tax from Private Corporate

4.7 Analysis of Primary Data

4.7.1 Contribution of Direct Tax

4.7.2 Reason for low Contribution of Income Tax

4.7.3 Appropriateness of Exemption and Deduction

4.7.4 Appropriate Method of Income Tax Assessment

4.7.5 Contribution of Income Tax Revenue

4.7.6 Suitable Tax Rate in Nepal

4.7.7 Effectiveness of Income Tax Administration

4.7.8 Reasonableness of Existing Provision of Fines and Penalty

4.7.9 Soundness of Income Tax System in Nepal

4.7.10 Income Tax as Suitable Means of Raising Government Revenue

4.7.11 Most Important Factors for effectiveness of Income Tax

4.7.12 Attitude toward Problems in paying income Tax

4.7.13 Need of Public Awareness Program

4.8. Major Findings

4.8.1 Findings from the Study of Secondary Data

4.8.2 Findings from the Study of Primary Data

CHAPTER – V SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary & Conclusion

5.2 Recommendations

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
2.1	Corporate Tax Structure of Nepal	12
4.1	Composition of Government Revenue in Nepal under Various Headsigure	45
4.2	Contribution of Tax Revenue/Non-Tax Revenue to the Total Revenue	
4.3	Contribution of Direct Tax to Total Tax Revenue & Total Revenue	
4.4	Structure of Income Tax Revenue in Nepal	
4.5	Contribution of Corporate Tax to Total Income Tax Revenue	
4.6	Contribution of Corporation Tax to Government Revenue	
4.7	Share Capita Structure	
4.8	Income Tax from CIT as a Proportion of Total Government Revenue	
4.9	Income Tax from CIT to Total Tax Revenue	
4.10	Income Tax from Citizen Investment Trust to Direct Tax Revenue	
4.11	Income Tax from CIT to Income Tax Revenue	
4.12	Income Tax from CIT to Corporate Income Tax	
4.13	Group of Respondents and Number from each Group	
4.14	View Towards Effective Contribution of Direct Tax	
4.15	Reasons for low Contribution of Income Tax	
4.16	Appropriateness of Exemption and Deduction	
4.17	Appropriate Method of Income Tax Assessment	
4.18	Satisfactory Contribution of Income Tax Revenue	
4.19	Suitable Tax Rate in Nepal	

- 4.20 Effectiveness of Income Tax Administration in Nepal
- 4.21 Reasonableness of Existing Provision of Fine & Penalty
- 4.22 Soundness of Income Tax System in Nepal
- 4.23 Income Tax as Suitable means of Raising Government Revenue
- 4.24 Most Important factors for Effectiveness of Income Tax
- 4.25 Problems in Tax Paying
- 4.26 Need of Public Awareness Program

LIST OF FIGURES

Figures No.	Title	Page No.
4.1	Composition of Government Revenue in Nepal	
4.2	Contribution of Tax Revenue & Non- Tax Revenue to the Total Revenue	
4.3	Contribution of Direct Tax to Total Tax Revenue & Total Revenue	
4.4	Structure of Income Tax Revenue in Nepal	
4.5	Contribution of Corporate tax to Total income tax Revenue With Growth Rate	
4.6	Contribution of Corporation Tax to Government Revenue	
4.7	Income Tax from CIT to Total Government Revenue	
4.8	Income Tax from CIT to Total Revenue	
4.9	Income tax from Citizen Investment Trust to Direct Tax Revenue	
4.10	Income Tax from CIT to Income Tax Revenue	
4.11	Income Tax from CIT to Corporate Income Tax	
4.12	View towards effective Contribution of Direct Tax	
4.13	Appropriateness of Exemption and deduction	
4.14	Satisfactory Contribution of Income Tax Revenue	
4.15	Suitable Tax Rate in Nepal	
4.16	Effectiveness of Income Tax Administration in Nepal	
4.17	Reasonableness of Existing Provision of Fine & Penalty	
4.18	Income Tax as Suitable means of Raising Government Revenue	
4.19	Need for Public Awareness Program	

ABBREVIATIONS

AETR	:	Average Effective Tax Rate
BS	:	Bikram Sambat
CA	:	Chartered Accountant
CEDA	:	Central for Economic Development and Administration
CIT	:	Citizen Investment Trust
DDG	:	Deputy General
e.g.	:	For Example
FNCCI	:	Federation of Nepalese Chamber of Commerce and Industry
FY	:	Fiscal Year
GDP	:	Gross Product
Govt.	:	Government
GR	:	Government Revenue
GR	:	Government Revenue
i.e.	:	That is
IMF	:	International Monetary Fund
IRD	:	Inland Revenue Department
IROs	:	Internal Revenue Organizations
IT	:	Income Tax
ITA	:	Income Tax Act
Km	:	Kilometer
M. B. O.	:	Management by Objective
M. B. S.	:	Master's Degree in Business Studies
METR	:	Marginal Effective Tax Rate
MOF	:	Ministry of Finance
Mt. Everest	:	Mount Everest

NCC	:	Nepalese Chamber of Commerce
No.	:	Number
NRB	:	Nepal Rastra Bank (Central Bank of Nepal)
PAN	:	Permanent Account
PEs	:	Public Enterprise
Ph.D	:	Philosopher of Doctor
Pvt.	:	Private
Rs.	:	Rupees
S. N.	:	Serial Number
Sec.	:	Section
T. U.	:	Tribhuvan University
TR	:	Total Revenue
UK	:	United Kingdom
US	:	United State
VAT	:	Value Added Tax
VDC	:	Village Development Committee.
VDIS	:	Voluntary Disclosure of Income Scheme
Vol.	:	Volume
WTO	:	World Trade Organizations
$Y = C + S$:	(Y= Income, C= Consumption, S= Saving)