

A STUDY ON TAXPAYERS' SATISFACTION LEVEL IN NEPAL

A THESIS

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DECLARATION

I hereby declare that the work reported in this thesis entitled "**A STUDY OF TAXPAYER SATISFACTION LEVEL IN NEPAL**" Submitted to Office of the Dean, Faculty of Management, Tribhuvan University; is my original work done in the form of Partial fulfillment for the Degree of Master of Business Studies (MBS) under the supervision of **Associate Prof. Dr. Sushil Bhakta Mathema** Head of the Research Department of the Nepal Commerce Campus.

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ABBREVIATIONS

CTA	Chief Tax Administrator
CTO	Chief Tax Officer
DG	Director-General
DDG	Deputy Director-General
FAQ	Frequently Asked Questions
FY	Fiscal Year
GTZ	German Technical Cooperation
IRD	Inland Revenue Department
IROs	Inland Revenue Offices
ITACP	Income Tax Administration Consolidation Project
ITx	Income Tax
LTO	Large Taxpayer Office
MOF	Ministry of Finance
PAN	Permanent Account Number
RASP	Revenue Administration Support Project
TPES	Taxpayer Education Section
VAT	Value Added Tax

CHAPTER -1

INTRODUCTION

The Study's purpose was to determine the satisfaction level of Nepalese taxpayers regarding existing tax policy, the quality of services and tax documents, tax procedures and administrative mechanisms, and the overall performance of the tax administration. Based on the findings, the study comes up with recommendations for potential policy reform measures.

This chapter is concerned with introductory phenomenon of the study. It highlights the problems of Inland revenue Department with respect to taxpayer satisfaction. It also explains why the research is brought and what it aims, Limitations and significance.

1.1 Background of the study

Obviously tax payers are those people who are willing to pay some amount of their profit from their business, enterprises, or income from service. As they are the main source of Nation Revenue (NR), they are referred as the pillar of nation. The tax payer can be an individual, institute, a company, or entity. They become contented when their country provides them with necessary facilities and eager to pay the tax fairness also timely and automatically the collection of tax accelerates or increase. When there is transparency efficiently and accountability in expenditure of different machinery of state the taxpayer realizes the proper use of it and become quite satisfies.

Taxpayers are the main source of collection of income of Government. Tax payer paid tax for government to develop country and the government can give the citizenship social welfare safety and road, drinking water supply, health and sanitation, education, security, social benefits, electricity supply, communication and transportation etc and then other type of facilities. A person or company that has to pay tax for government is called taxpayer. All the people who pay tax to the government; Any person who is determined to bear the liability for a tax; Inconnection with the IRD and tax law, the term *person* includes an individual, a corporation , a partnership , a trust or estate , a joint stock company, an association,

or a syndicate , group, pool, joint venture, or other unincorporated organization or group.

Taxpayers are the king and queen of the nation who pays money in support of government. Each and Every government efforts focused on satisfaction of taxpayer's need. It is known that higher taxpayer value provides higher satisfaction to the taxpayers if taxpayer highly satisfied or delighted they become loyal and loyal taxpayer are retained in the nation but It needs long term relationship between government and taxpayer.

Satisfaction refers to the buyer's state of being adequately rewarded by the purchase decision (Koirala, K.D.2064). Thus, Satisfaction is a type of taxpayer attitude. Taxpayer expects that the government to expenses the income tax for right places and citizenship welfare also development of country. Taxpayer will be satisfied which the government spend the tax money for the development of the nation and the citizenship welfare and social services like security, road, drinking water supply, irrigation, health, hospital, education etc. They compare the performance of the Government and its regulation lack of corruption. If they find the performance higher, than their expectations then they are satisfied and if they find the performance lower than their expectations, they are dissatisfied.

A Taxpayer is the most important person in government of any country. No money collection (Revenue) can be done without the tax payers. Taxpayers are the life blood of every government of the country so the government most tries to satisfy them.

Taxpayer satisfaction is the fulfillment of needs or wants of taxpayers. Satisfaction is a person's feeling of pleasure or disappointment resulting from comparison related to her/his expectations. So the Taxpayer's satisfaction is a function of the government's rules and policies in the income rates etc perceived performance and the taxpayer's expectation.

1.1.1 How does Taxpayer Satisfaction affect National Income (Revenue)?

In the context of this study, legitimacy refers to what is fair. What is legitimate conforms to the rules, standards, and accepted or acceptable values deeply rooted within the community. To measure legitimacy efforts are deployed to identify the feeling of tax payers about whether the tax collection system is fair or not. Accountability is used here to refer to the extent to which local governments are responsible to the community for their (local governments) actions i.e. that there is transparency in service delivery and the services rendered are satisfying (in quality and quantity) to the needs of the community. Thus, tax payers consider local politicians as being accountable when the former are satisfied with the use of collected funds. This implies that governments need to ensure that services are tailored to satisfying strongly held and shared specific needs such as security, social services, sanitation, business conflict management.

Legitimacy and accountability are concepts that are closely related and interdependent in the sense that the two proxies used to measure them are interdependent. Indeed, what is fair brings some satisfaction, and vice versa, what causes satisfaction is fair. For the purpose of this research, issues of fairness and the level of satisfaction were used as proxies for legitimacy and accountability. In relation to the above definitions, the working assumption then is that if taxpayers are satisfied with the services delivered by the government and feel that the tax collection system is fair and equitable, and then they would be willing to pay more taxes. Revenue generation at optimum level is always desired and various measures have been taken to encourage taxpayers for voluntary compliance. It is expected that the tax compliance rate increases based on various factors including the satisfaction of taxpayers with the tax policies, their implementation and the end uses of the tax collected.

1.1.2 General Information of Inland Revenue Department(IRD)

The Inland Revenue Department is the most important component of tax management in Nepal. Its functions to fulfill the objectives and goals set by the Ministry of Finance. It launches various programs, plans and policies related to the implementation of income tax. It manages personnel and implements various policies relating to income taxes and other taxes as well as non-tax revenue. It also organizes the structure of taxation, manages personnel, improves the systems and controls the defective system and personnel as well.

The **Inland Revenue Department (IRD)** is currently responsible for the enforcement of Tax Laws and administration of the following taxes: Income Tax, Value Added Tax, Excise Duty, Vehicle Tax and certain fee and duties like Entertainment fee (Film Development Fee), Special fee, etc. Likewise, the Department is also responsible for monitoring the non-tax revenue such as dividends, royalties etc. of the Government. Service is our motto and our goal is to optimizing the Inland Revenue through fair, efficient and effective tax system. Maximizing voluntary tax compliance and providing taxpayer friendly services are the IRD's standing objectives. IRD is centrally located in Kathmandu. The Inland Revenue provides their services through 36 field offices, (22 IROs, 13 TSOs and a Large Taxpayer Office). These offices are responsible for day-to-day collection of tax. According to a newly Organization structure it has being started 13 taxpayers service office in Kathmandu, 13 outside Kathmandu valley except those office. Major functions include Taxpayer's Service, Audit and Collection. There are 22 Inland Revenue Offices (IROs) and one Large Taxpayer Office (LTO) under the Department. These offices are responsible for day-to-day collection of tax. The registration data of taxpayers maintained in the Department shows that the total number of taxpayers in Nepal as at the end of Flagun 2068 (December 2011) was over 500 thousands. However, it is estimated that only about 60 percent of them, about 300,000, are regular filers. (<http://www.ird.gov.np>)

1.2 Historical Background of Inland Revenue Department

The History of modern tax system has already crossed fifty years. The implementation of income tax act was first started in 2019 BS however the modern tax system can into implementation in 2031 BS only. The initiation of tax administration was strengthened and extended sustained only in 2058 B.S which proved to be successful to orient modern tax system. The excise duty originated from contact tax reached to perfection by the act of 2058. Different types of taxes for goods and services such as sell tax hotel tax contact tax, recreation tax were replaced by modern value added tax (VAT) that deserves transparency and flexibility. VAT law was formulated in 2052 and implemented in 2054 Mansgsir-1. It has passed 13 years now. In this period the limitation of tax has extended the collection of tax has increased notably, the efficiency of tax administration empowered, accountability, realized and tax participation has been improved. The strategically guidelines of tax law are adjusted to meet the times need. For the proper implementation of tax system that is necessary to address potential complexity. Nepal Tax Department and Value Added Tax (VAT) Department were merged into one Inland Revenue Department (IRD) in the year 2002. Prior to the merger, income tax was under the jurisdiction of Tax Department, whereas the excise duty and value added tax were under the jurisdiction of Value Added Tax Department. Since the merger, IRD is responsible for formulation and implementation of tax policy and the administration of various taxes such as income tax, value added tax, house rent tax and interest tax and excise duty. IRD is centrally located in Kathmandu.

There are 23 field offices throughout the Kingdom including a Large Taxpayers Office located in Kathmandu. The previous Department of Taxation was established in 1960. IRD and its district offices are totally running on functional line. Major functions include Taxpayer`s Service, Audit and Collection.

According to the IRD annual report of fiscal year 2066/2067 the share of revenue collection of GDP seems 15.2% in structural analysis of revenue the

contribution of VAT and Income tax is 4. % and 2.9% respectively where as excise duty, health tax and education tax combinable contribute 2% of total GDP the tax collection comprises VAT, Income tax and excise duty in 47, 29, and 21 percent respectively. (<http://www.ird.gov.np>)

1.2.1 The Vision, Mission, Goals and strategies and norms and values

A. Vision:

- ✓ To collect tax with the modern, efficient, cost-effective, realistic and fair system.

B. Mission:

- ✓ To increase participation tax by promoting volunteer tax participation of taxpayers.
- ✓ To establish the norms of "Our tax contribution for our own development and for creationof modern and prosperous Nepal.

C. Goals:

-) To maximize internal revenue mobilization by widening the bare and limitation of tax through rational tax rate.
-) To protect the legal right of taxpayer

D. Strategies:

-) To widen base and limitation of tax
-) To make tax policy investment friendly.
-) To maintain longitudinal and horizontal equality in society by means of rational tax rate.
-) To emphasize in the addition of voluntary tax participation.
-) To decrease the input and time participation of taxpayers
-) to enable the taxpayers to complete formality of tax
-) To conserve the tax base of Nepal exist national and international sectors

-) To adapt the policy and zero tolerance to those taxpayers who make fraud dealing Violent tax law
-) To collect tax in those areas where there is unfavorable effect in public health and environment by means of excise duty.

E. Norms and values of Inland Revenue Department

-) Fairness and good attitudes
-) Mobility in service
-) Professionals and collective work system
-) Responsibility, Accountability and transparency
-) To act wish strategically new thoughts

F. Functions of IRD

IRD carries out the following functions:

1. Tax Administration (Income Tax and VAT)
2. Tax Policy
3. Tax Payer Services
4. Registration, Revenue Collection
5. Tax audit
6. Tax Enforcement and investigation
7. Review & Appeal
8. Tax Refund
9. Advance Ruling
10. Tax Treaty and International Taxation
11. Excises and Liquor Administration
12. Monitoring of non-tax

G. Taxpayers Rights and Assurances:

In addition to the specific rights and assurances provided in the concerned Acts, taxpayers in general are assured of the following rights. These assurances will be strictly adhered to. The Taxpayers rights, among others, include:

- a) Each taxpayer is treated with due respect and honor.
- b) Each taxpayer will get an immediate receipt of return submission whilst a receipt of other correspondences is to be provided in ONE hour.
- c) Each taxpayer willing to seek an advance ruling may apply either in the Department or through concerned Inland Revenue Office. There is a legal provision that a decision should be made within 45 days after the request is made.
- d) Each taxpayer can represent or make any correspondence by an authorized person including legal assistants and the accounts specialist or auditors just in case if he/she is unable to represent or make any correspondence.
- e) Each taxpayer is to get copies of the documents related with him/her or submitted to the IRO or documents or decisions affecting her/him generally in twenty four hours of his/her request in the concerned IRO.
- f) Each taxpayer is to get refund of his excess input tax (VAT) and other taxes. The exporter will get refund generally within 15 days in IROs and 30 days in IRD upon receiving application for refund.
- g) Each taxpayer is to get certificate/renewal of Excise/Liquor business generally within twenty four hour after the request is made.
- h) Each taxpayer is to get sales and purchase books certified by the Tax Officer generally within twenty four hours after the request is made.
- i) Each taxpayer is to get initials of the Tax Officer on stock transfer or sales to the non-registrants generally within twenty four hours after the request is made.
- j) Each taxpayer is to get Permanent Accounts Number (PAN) or the Certificate generally within 3 days after the request is made, and
- k) Each taxpayer is to get Tax Clearance Certificate generally within twenty four hours after the request is made.

1.3 Statement of Problem:

Taxpayer's are the blood of the collection of Revenue so Each and every government's or tax administrative efforts are focused on satisfaction of their needs and facility. Satisfied taxpayers are more willing to pay tax for the benefits they receive and more likely to be tolerant of increase in revenue. In practice, respondents face difficulty in judging the level of satisfaction. Thus, during the survey,

The main problems of this study are;

-) What will be measured?
-) Are the taxpayer Satisfied?
-) Are the taxpayers satisfied from the services of IRD (tax administrative)?
-) Are the taxpayer Satisfied from the behavior of employees of the IRD?
-) What relationships will be examined? It is between taxation system and taxpayer satisfaction.
-) The questionnaire's answer are depends up on the taxpayer's attitude and perception.

1.4 Objectives of the Study

The main objective of the Study is to determine the satisfaction level of taxpayers with regard to the existing tax policy, quality of services and tax documents. The general objective of the study is to examine the various issues relating to taxpayer satisfaction and to provide useful views as well as suggestion. The specific objectives of the study are to:

-) Determine the level of taxpayers' satisfaction with the existing tax policy (i.e. laws and byelaws related to income tax, value added tax and excise duty)
-) Determine the level of taxpayers' satisfaction with the quality of services provided by the revenue/tax offices
-) Determine the level of taxpayers' satisfaction on the tax collection procedures and administrative mechanism;

-) Determine taxpayers' satisfaction level on the availability of information and the quality of tax documents;
-) Determine taxpayers' satisfaction level on the tax refund practices;
-) Based on the findings, determine the overall level of satisfaction of taxpayers and suggest policy and strategic measures for improvement of revenue/tax administration in the country.

1.5 Need/ Scope or signification

This thesis report will be significant for all those people who would like to determine the taxpayers' level of satisfaction; respondents are asked about various areas of tax policy and administration. To assess their level of satisfaction with the quality of services provided by tax offices, respondents were asked about the location and accessibility of tax offices; attitude and behavior of tax officers, time taken to get their job done, etc. Similarly, respondents were asked about the simplicity and clarity of forms and procedures, ease in complying with tax policies, ease in getting tax refund to determine the overall satisfaction with tax administration. To assess their perception of public services, respondents were asked about eight services - drinking water supply, health and sanitation, education, security, social benefits, electricity supply, communication and transportation.

1.6 A brief survey of the related literature:

Information required for fulfilling the objective of the study has been collected from various sources. While information on tax system and its development were collected from secondary information, primary data were collected through administration of a set of questionnaire to the selected sample of taxpayers to identify their level of satisfaction. Information was also collected from meetings, group discussions and checklists. Efforts were made to cover all types of business entities such as individuals, proprietors, partnership companies, private limited, public limited and others.

1.7 Limitation of the Study

The thesis is done for academic purpose. It is an outcome of the author's theoretical knowledge in the practical application. The limitations of the study are as follows:

Currently, there are nearly 500,000 registered taxpayers in the country. About 60 percent of them are regular filers. The sample size of just 150 out of over 300,000 is very small which may not represent the perception of average taxpayer.

-) Only taxpayers in the urban areas are interviewed. Although overwhelming majority of taxpayers lives in urban areas, there are taxpayer in small towns and rural areas as well. This group of taxpayers could have responded differently particularly in regard to the accessibility to the tax offices.
-) While the survey is being carried out, the security situation of the country is very fragile with many people, particularly the businessmen and industrialists facing demands for donations. The survey had to be postponed for about a week due to national strikes. This incidence might have influenced the respondents negatively, mainly with regards to their perceptions of social security.
-) The background information of the respondent taxpayers shows that most of them have above average academic qualification as well as professional experience, which may have affected the responses.

1.8 Organization of the study (Chapter Scheme)

This thesis is organized in five chapters. The first chapter presents the background, objectives, scope and limitation of the study, the second chapter describes review of literature, and the third chapter research methodology, analyses the findings of the study. Efforts are made here to compare the findings with those of the similar study conducted in the year 2010. Finally, the fourth chapter presents a summary of findings, conclusion and recommendations.

Chapter I: Introduction

Includes background of the study, General information of Inland Revenue, Historical background of IRD, statement of problem, objective of the study significance of the study, limitations of the study, research and chapter scheme

Chapter II: Review of Literature:

This chapter deals with the review of articles and other sources on customs Review of articles and other sources on taxpayer satisfaction.

Chapter III: Research Methodology

This chapter consists of research design source of data period covered data processing procedure and tools and techniques of analysis.

Chapter IV: Presentation and analysis of data

It includes the presentation and analysis of primary as well as secondary data find out the study result.

Chapter V: Summary Conclusion and Recommendations

It includes Summary, Conclusion which is draw from data presentation and analysis Recommendations are also mentioned to improve its weaknesses

CHAPTER -2

REVIEW OF LITERATURE

In this chapter, the focus has been made on review of literature relevant to the problems, conceptual framework given by different authors, articles and also reviewed studies performed previously by thesis writers.

2.1 Conceptual/Theoretical Review

This chapter explains the theoretical and conceptual foundation of Taxpayer and Taxpayer satisfaction level in Nepal. It is divided into two major parts; first part dealing with tax, taxpayer and taxpayer administration system, second part with theories of satisfaction and taxpayer satisfaction. The first part starts with the explanation of Tax and taxpayer administration system in Nepal, and proceeds towards policies guiding of Inland Revenue Department of Nepal. In the second part, theoretical aspects of satisfaction and taxpayer have been deal with special focus on definition and importance of trust, institutional trust and theories related to institutional trust. Based on the theoretical description, an analytical framework has been developed.

2.1.1 Concept of Tax and Taxpayer

a. Tax

Tax is a kind of money of which it is the legal duty of every citizen of a country to pay honestly. Many economists are of the view that the tax is a compulsory payment to the government by taxpayer without any expectation of some specified return.

According to Findlay Shirras, “Tax is compulsory contributions to public authorities to meet the general expenses of the government which have been incurred for the public good and without reference to special benefits.” (Lekhi, 2000: 146)

According to Plehn “Tax are general contribution of wealth levied upon persons, natural or corporate to defray expenses incurred in conferring common benefit upon the resident of the state.”(Dhakal 1998; 2)

Money earned by the State thanks to taxation. It is the main income for the state, funding public expenditure and other costs, tangibly expressing the common efforts of the **community**.

Taxes are good ways for financing the costs of **public goods**, a special group of goods whose consumption by one person does not decrease the consumption by others and, at the same time, for which it is costly or impossible to prevent consumption (e.g. street lightening). A normal pricing for these goods would arrive to a zero-level price; thus, it would provide no incentives to supply.

To **tax** (from the Latin *taxes*; "I estimate") is to impose a financial charge or other levy upon a **taxpayer** (an individual or legal entity) by a state or the functional equivalent of a state such that failure to pay is punishable by law.

Taxes are also imposed by many sub national entities. Taxes consist of direct tax or indirect tax, and may be paid in money or as its labour equivalent (often but not always unpaid labour). A tax may be defined as a "pecuniary burden laid upon individuals or property owners to support the government a payment exacted by legislative authority." A tax "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is "any contribution imposed by government whether under the name of toll, tribute, tillage, gable, impost, duty, custom, excise, subsidy, aid, supply, or other name." (Source: <http://en.wikipedia.org/wiki/Tax>)

The government can collect revenue from taxable and non taxable sources. Tax is a key source for revenue generation and mobilization. Different persons have defined taxation in different ways. In this respect, it would be better to take the definition given by Prof. Seligman. In his words,

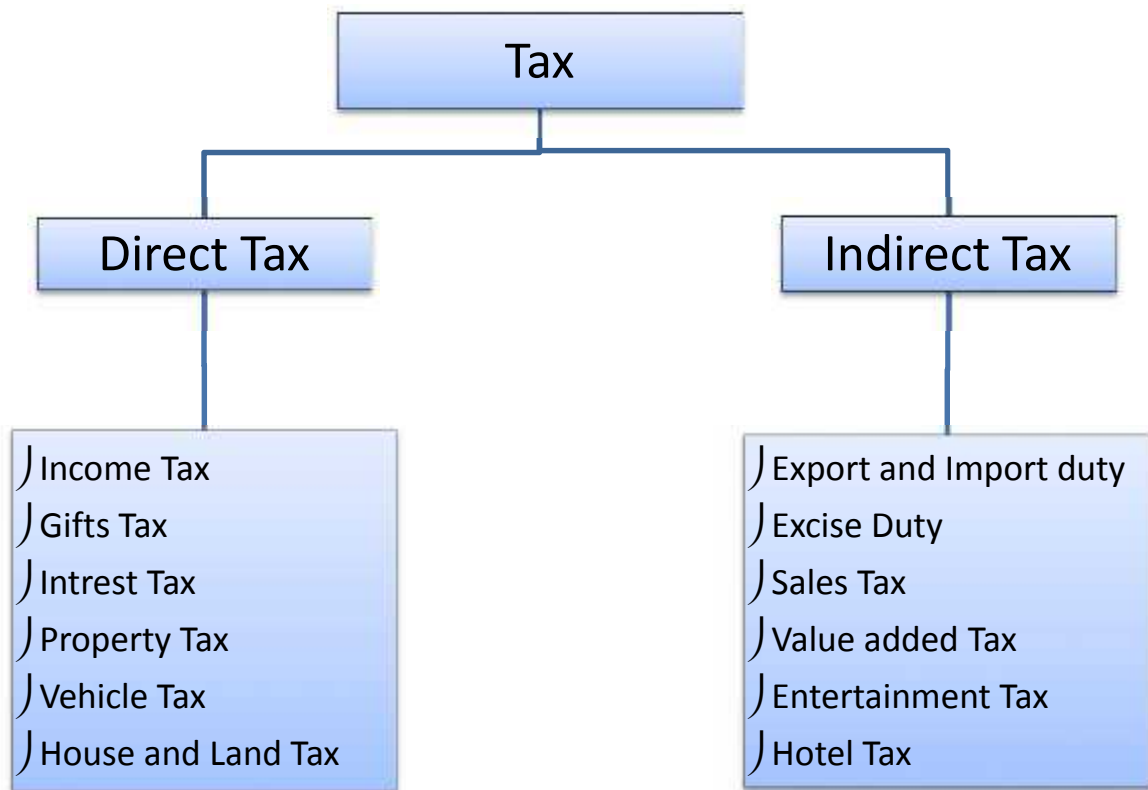
“Tax is the compulsory contribution from a person to the government to defray expenses incurred in the common interest of all without reference to special benefit conferred.”

From the definition given above, it can be said that firstly, a 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 the direct benefit from the tax paid. Due to this compulsory nature, people have expressed different views in satirical way about the taxation. In this respect, some say “Nothing is certain in this world but death and taxes”, some say “Death and taxes are both certain ... but death is not annual”; while others say “Death means stopping to pay tax”. Here, it should be noted that all compulsory payments are not taxes. For example, fines and fees are also compulsory payments without having direct benefit to the payer but they are not taxes because the objective is not to collect revenue but to curb certain types of offences.

In conclusion, it can be said that a tax is a liability to pay an amount to the state on account of the fact that the assesses have income of a minimum amount from certain specified sources or that they own certain tangible or intangible property or that they carry on certain economic activities or they consume certain goods and services which have been chosen for taxation. (Kandel, 2004:3)

Taxes are mandatory payments, ruled by laws. Tax revenue is collected from the whole society with differentiated intensity, inspired by considerations of justice, efficiency and effectiveness. In particular, the tax system can have the broad goal of reducing income inequality. (<http://economicswebinstitute.org/glossary/taxrev.htm>)

Figure2.1 Types of Tax



b. Taxpayers

The tax payer can be an individual, institute, a company, or entity. The one who bears the tax liability for any particular transaction even though a partnership may receive income; each individual partner is liable for the taxes on that income. Tax payers are those people who are willing to pay some amount of their profit from their business, enterprises, or income from service.

An individual or entity that is obligated to make payments to municipal or government taxation agencies; the term taxpayer generally describes one who pays taxes. Taxes can exist in the form of income taxes as required by Federal and state governments and property taxes imposed on owners of real property (such as homes and vehicles) by municipal governments, along with many other forms.

<http://www.investopedia.com/terms/t/taxpayer.asp#ixzz1hRGvcrSx>

The underlying assumption is that apart from economic benefit, tax payers are willing to pay in as much as they have the feeling that:

1. They benefit from social services provided by local governments to the communities using the funds raised from taxation;
2. The current tax collection system is fair and equitable;
3. There is transparency in tax collection.

2.1.2 Administrative System:

Nepalese Customs Administration collects Customs duty, Value Added Tax, Excise and other taxes at the border points. It accounts 42% of the total revenue and 50% of the total tax revenue. Customs duty alone contributes 22 % of the total tax revenue. Customs Administration is in the forefront in terms of internal revenue mobilization. This does not mean that the Customs role needs to be confined to internal revenue mobilization. It is equally important to enhance trade facilitation by adopting international convention, recommendation and best practices without compromising with the national security. In fact, our effort is directed towards making our administration more adept, service oriented and transparent as it needs to go on making timely improvements in its role according to changes brought about in the international trade, technological development, national needs, open and liberal economy as well as to fulfill its important responsibility of improving government finances through internal resource mobilization for economic development.

2.2 Concept of satisfaction and taxpayer Satisfaction

The act of satisfying, or the state of being satisfied; gratification of desire; contentment in possession and enjoyment; repose of mind resulting from compliance with its desires or demands; Settlement of a claim, due, or demand; payment; indemnification; adequate compensation; that which satisfies or gratifies; atonement.

<http://www.brainyquote.com/words/sa/satisfaction215665.html#ixzz1hTBUtjlz>

2.2.1 Satisfaction

Sense of inner fulfillment and pride achieved when performing a particular job. Job satisfaction occurs when an employee feels he has accomplished something having importance and value worthy of recognition; sense of joy.

Read more: <http://www.answers.com/topic/job-satisfaction#ixzz1WtexaBE3>

Job satisfaction describes how content an individual is with his or her job. The happier people are within their job, the more satisfied they are said to be. Job satisfaction is not the same as motivation or aptitude, although it is clearly linked. Job design aims to enhance job satisfaction and performance; methods include job rotation, job enlargement, job enrichment and job re-engineering. Other influences on satisfaction include the management style and culture, employee involvement, empowerment and autonomous work position. Job satisfaction is a very important attribute which is frequently measured by organizations. The most common way of measurement is the use of rating scales where employees report their reactions to their jobs. Questions relate to rate of pay, work responsibilities, variety of tasks, promotional opportunities, the work itself and co-workers. Some questioners ask yes or no questions while others ask to rate satisfaction on 1-5 scale (where 1 represents "not at all satisfied" and 5 represents "extremely satisfied").

Job satisfaction has been defined as a pleasurable emotional state resulting from the appraisal of one's job; an affective reaction to one's job; and an attitude towards one's job. Weiss (2002) has argued that job satisfaction is an attitude but points out that researchers should clearly distinguish the objects of cognitive evaluation which are affect (emotion), beliefs and behaviors.¹ This definition suggests that we form attitudes towards our jobs by taking into account our feelings, our beliefs, and our behaviors.

2.2.2 Customer satisfaction:

A term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers' expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability. These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective. Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able do this, firms need reliable and representative measures of satisfaction.

In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. Thus, expectations are a key factor behind satisfaction. When customers have high expectations and the reality falls short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a budget motel—even though its facilities and service would be deemed superior in "absolute" terms.

Satisfaction refers to the buyer's state of being adequately rewarded by the purchase decision (Koirala, K.D.2064). Thus, Satisfaction is a type of taxpayer attitude.

2.2.3 Taxpayer Satisfaction

Money provided by taxation has been used by states and their functional equivalents throughout history to carry out many functions. Some of these include expenditures on war, the enforcement of law and public order, protection of property, economic infrastructure (roads, legal tender, enforcement of contracts, etc.), public works, social engineering, and the operation of government itself. Governments also use taxes to fund welfare and public services. A portion of taxes also go to pay off the state's debt and the interest this debt accumulates. These services can include education systems, health care systems, pensions for the elderly, unemployment benefits, and public transportation. Energy, water and waste management systems are also common public utilities. Colonial and modernizing states have also used cash taxes to draw or force reluctant subsistence producers into cash economies.

Governments use different kinds of taxes and vary the tax rates. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as business, or to redistribute resources between individuals or classes in the population. Historically, the nobility were supported by taxes on the poor; modern social security systems are intended to support the poor, the disabled, or the retired by taxes on those who are still working. In addition, taxes are applied to fund foreign aid and military ventures, to influence the macroeconomic performance of the economy (the government's strategy for doing this is called its fiscal policy; see also tax exemption), or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive.

A nation's tax system is often a reflection of its communal values or/and the values of those in power. To create a system of taxation, a nation must make choices regarding the distribution of the tax burden—who will pay taxes and how much they will pay—and how the taxes collected will be spent. In democratic nations where the public

elects those in charge of establishing the tax system, these choices reflect the type of community that the public and/or government wish to create. In countries where the public does not have a significant amount of influence over the system of taxation, that system may be more of a reflection on the values of those in power.

All large businesses incur administrative costs in the process of delivering revenue collected from customers to the suppliers of the goods or services being purchased. Taxation is no different; the resource collected from the public through taxation is always greater than the amount which can be used by the government. The difference is called *compliance cost*, and includes for example the labor cost and other expenses incurred in complying with tax laws and rules. The collection of a tax in order to spend it on a specified purpose, for example collecting a tax on alcohol to pay directly for alcoholism rehabilitation centers, is called hypothecation. This practice is often disliked by finance ministers, since it reduces their freedom of action. Some economic theorists consider the concept to be intellectually dishonest since, in reality, money is fungible. Furthermore, it often happens that taxes or excises initially levied to fund some specific government programs are then later diverted to the government general fund. In some cases, such taxes are collected in fundamentally inefficient ways, for example highway tolls.

Finally the above definitions of satisfaction we can say that Taxpayer satisfaction is the fulfillment of needs or wants of taxpayers. Satisfaction is a person's feeling of pleasure or disappointment resulting from comparison related to her/his expectations. So the Taxpayer's satisfaction is a function of the government's rules and policies in the income rates etc perceived performance and the taxpayer's expectation.

Taxpayer expects that the government to expenses the income tax for right places and citizenship welfare also development of country. Taxpayer will be satisfied which the government spend the tax money for the development of the nation and the citizenship

welfare and social services like security, road, drinking water supply, irrigation, health, hospital, education etc. They compare the performance of the Government and its regulation lack of corruption. Tax payer describes the feeling, attitudes or preferences of taxation system and well taxpayers services. It is common thought that taxpayer's satisfaction influences behavior of IROs.

The underlying assumption is that apart from economic benefit, tax payers are willing to pay in as much as they have the feeling that:

- a. They benefit from social services provided by the governments to the communities using the funds raised from taxation;
- b. The current tax collection system is fair and equitable;
- c. There is transparency in tax collection.

Taxpayer satisfaction is directly proportional to national income without good satisfied taxpayers are encourage pay the tax that means there is the increase in revenue if the taxpayers are well addressed to sum up tax payers interest and their good service should be given top priority.

Hence, after the study of above mentioned subject regarding satisfaction, job satisfaction, Customer Satisfaction and other such satisfaction show that the satisfaction of tax payers is based on the facilities and the services provided by the government to the public. Service Drinking water, transportation, electricity, health and sanitation electricity, Telephone and Communication, Security.

Along with these things tax payers want fast delivers service easy access to tax/custom or IROs office through e-governance system in tax system and administrative mechanism so that they feel pride in the procedure and not any hindrances. The sort show range specific provisions to enhance the satisfaction level of taxpayer by emphasizing and giving top priority to tax policy tax system administrative mechanism, taxpaying procedure public services.

2.3 Review of previous related thesis and studies.

When look back about the literature related to this subject we can find the study done by a group of students of Kathmandu University (KU) in 2003 A.D and resource documents prepared by IROs in the economic and technical support of GTZ the research of IROs. The research of IROs concludes the results in the following.

On the Whole, about two-thirds of the respondents were satisfied but just at the minimum level which leaves one-third of them not satisfied. The rating on the overall tax regime has improved compared to the rating in the year 2003. However, less than 23 percent o the respondents felt that the government needs to put more effort in order in order to improve the tax administration in Nepal.

2.4 Research Gap

Based on Review of literature, customer satisfaction about different organization and sectors are studied. But no study is done on taxpayer satisfaction of government offices i.e. Inland Revenue Offices. This is research gap on the related study. So the researcher has selected the Taxpayer satisfaction of IROs to get the objective of the study.

CHAPTER -3 RESEARCH METHODOLOGY

This chapter, refers to the overall approach to the research process from the theoretical underpin to the collection and analysis of data.

3.1 Introduction

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology describes the methods and process applied in the entire subjects of the study.

Research methodology is a way to systematically solve the research problem (Kohtari 1990). In the new, complex and competitive business scenario, Development Banks have faced different challenges.

Methodology is generally a guideline for solving a problem, with specific components such as phases, tasks, methods, techniques and tools. It can be defined also as follows. <http://en.wikipedia.org/wiki/Methodology>

1. "The analysis of the principles of methods, rules, and postulates employed by a discipline"
2. "The systematic study of methods that are, can be, or have been applied within a discipline".
3. the study or description of methods

The main objective of the study is taxpayer satisfaction level of Nepal. This study has been based mainly on Primary data also use Secondary data. In the course of this study the following process has been considered.

3.2 Research Design

A research design is the arrangement of conditions and analysis of data that aims to combine relevance to the research purpose with economy in procedure (Claire S. and et. al., 1962).

Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research question and to control variance (wolf and Pant, 1975).

Basically, the research design has two purposes. The first is to answer the research question and second is to control variance (Wolf and Pant, 1975).

The research design has been followed for the study is descriptive as well as analytical.

A Research design is a plan for the collection and analysis of data. For this study, certain research design basing on the objectives for the study is used for collection of data and their presentation, analysis, interpretations.

Information required for fulfilling the objective of the study has been collected from various sources. While information on tax system and its development were collected from secondary information, primary data were collected through administration of a set of questionnaire to the selected sample of taxpayers to identify their level of satisfaction. Information was also collected from meetings, group discussions and checklists.

Simple tabulation of questionnaire result was done using different indicators as base variables. Simple averages a percentage distribution of main indicators were calculated wherever necessary. On the basis of detailed analysis o the situation, few recommendations for improving the existing tax system have been made towards the end of this report.

This research comprises both qualitative as well as quantitative nature, so descriptive and applied research designs are used. In order to define descriptive research design,

various types of secondary data are used. Primary data is used for applied research part. Similarly, qualitative data is analyzed by five points Likert scale.

3.3 Population and Sample size

The sample size of about 150 was used as suggested in the Terms of Reference provided to the study. The total number of registered taxpayers as of Paush 2068 (i.e. Mid January 2012) is estimated at 4, 97,411 according to IRD. A sample size of 150 out of over 400,000 is not significant from a statistical point of view and one may wonder whether or not the general perception of taxpayers can be extrapolated from the results. It was agreed that efforts would be made to include taxpayers from as many different groups as possible to represent the views of taxpayers in general.

3.4 Data collection Procedure

In order to conduct the research work successfully and efficiently, various data are collected and analyzed. There were mainly two sources of data – Primary and Secondary. For Primary data, questionnaires are distributed to the different type's taxpayer.

During Primary data collection, 200 sample forms are distributed to the different Taxpayers. The primary data and information are based on the observation, interview and filed questionnaire from respondents at Bhaktapur, Kathmandu, Lalitpur and Dolakha. 200 questionnaires were sent to respondents but 150 (75%) filled questionnaires are collected from the respondents. Both open ended and closed ended questions are used in questions in questionnaire, five likert scale. Yes and no and general questions are used to find taxpayer's behavior, opinions toward IRD service quality. The Secondary data is collected through published journals, newspapers and annual reports from 2008 to 2011.

3.5 Period Covered

The study period is from 2008 AD to 2011 A.D and the purpose of ending questionnaire to different respondent to know about the level of satisfaction of services and employees behavior of IRD at different Taxpayers.

3.6 Tools/Method of Analysis & Presentation

To analyze the data, among the various statistical tools, only used tool bars. The collected data were classified, tabulated, processed and analyzed for study. Likert Scale is used to analyze the primary data.

3.6.1 Likert Scale

A Likert Scale is a type of psychometric response scale often used in questionnaires, and is the most widely used scale in survey research. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement. The scale is named after Rensis Likert, who published a report describing its use in 1932.

A typical test item in a Likert scale is a statement. The respondent is asked to indicate his or her degree of agreement with the statement. The respondent is asked to indicate his or her degree of agreement with the statement or any kind of subjective or objective evaluation of the statement (Chhetry, 2009). Traditionally a five-point scale is used (see table below), however many psychometric an advocate using a seven or nine point scale. The five response categories represent an ordinal level of measurement. The categories represent an inherent order, but the numbers assigned to the categories do not indicate the magnitude of difference between the categories in the way that an interval or ration scale would.

All odd-numbered Likert scales (1 to 5, 1 to -7, 1 to -9) have a middle value is often labeled Neutral or Undecided. In this situation Likert scaling is a bipolar scaling method measuring either positive or negative response to a statement. It is also possible to use a forced-choice response scale with an even number of responses and

no middle neutral or undecided choice. In this situation, the respondent is forced to decide whether they lean more towards agree or disagree end of the scale for each item.

3.6.2 Questionnaire design

The questionnaire used in the previous study was revised and updated to suit the present circumstances. However, the basic concept and the information to be gathered were not changed. The questionnaire includes mainly closed-ended questions. The first part of the questionnaire contained the socio-economic background of the taxpayers and the second part included the information on the satisfaction levels of the taxpayers on various aspects like the tax policy, tax procedures and administration mechanism, quality of services of IROs, availability of information and quality of tax documents. Likert's scale of seven and other dichotomy nominal scale were used in the questionnaire for rating purpose, again, as in the previous study.

A Likert scale is a psychometric scale and is the most widely used scale in survey research. It is often used interchangeably with rating scale even though the two are not synonymous. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement. The Likert scale can be four-point, five-point, six-point, and so on. The format of a typical Five-level Likert item is:

- a) Highly satisfied
- b) Moderately satisfied
- c) Somewhat satisfied
- d) Quite unsatisfied
- e) Highly unsatisfied

In a practice, respondents face difficulty in judging the level of satisfaction.

3.6.3 Scaling Techniques:

Many Concepts of our interest in research such as motivation, satisfaction, attitude or behavior can be measured by using scaling techniques rather than single item questions.

3.6.4 Scale Evaluation

Scales should be tested for reliability, generalizability, and validity. Generalizability is the ability to make inferences from a sample to the population, given the scale you have selected. Reliability is the extent to which a scale will produce consistent results. Test-retest reliability checks how similar the results are if the research is repeated under similar circumstances. Alternative forms reliability checks how similar the results are if the research is repeated using different forms of the scale. Internal consistency reliability checks how well the individual measures included in the scale are converted into a composite measure.

Scales have to be validated. Internal validation checks the relation between the individual measures included in the scale, and the composite scale itself, External validation checks the relation between the composite scale and other indicators of the variable, indicators not included in the scale.

CHAPTER-4

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with analysis and presentation of available data as express in the research methodology. Necessary figure, tables, various tools and techniques are also presented in this chapter to describe and analysis of the study. The researcher has analyzed and interpreted the relevant data of NEA by applying the following activities to judge the Taxpayer satisfaction.

4.1 Analysis of the Information

Software programs such as Dbase, STATA and Excel were used for data entry and analysis. Interpretation of information was done on the basis of average, frequency distribution and percentage of responses obtained through the five point scale so that the results of this study could be compared with those of previous study.

4.2 Secondary Data

4.2.1 The total number of Taxpayer

The total number of registered taxpayers as of Paush 2068 (i.e. mid January 2012) is estimated at 497411 according to IRD.

Table 4.1: Total number of taxpayers as of Paush 2068 (mid January 2012) and sample size

S.N	Area Coverage Under Inland Revenue Offices (IROs)	Total
1	Bhadrapur	23834
2	Biratnagar	20682
3	Dharan	18835
4	Janakpur	19643
5	Lahan	17508
6	Simara	13602
7	Birganj	14424
8	Hetuda	7671
9	Bharatpur	20799

10	Dhangadhi	18742
11	Mahendranagar	10856
12	Pokhara	34320
13	Lalitpur	25155
14	Bhairawa	12639
15	Kathmandu-3	61306
16	Dang	14340
17	Kathmandu-1	60942
18	Kathmandu-2	25375
19	Nepalganj	29032
20	Bhaktapur	19173
21	Krishnanagar	9124
22	LTO	623
23	Butawal	18786
Total		497411

Source: ICT, IRD, 2012

4.3 Primary data Analysis

In Primary data are on the basis on questionnaire. The questionnaire show the design in Appendix-

4.3.1 Sample Description

4.3.1.1 Types of Business Units

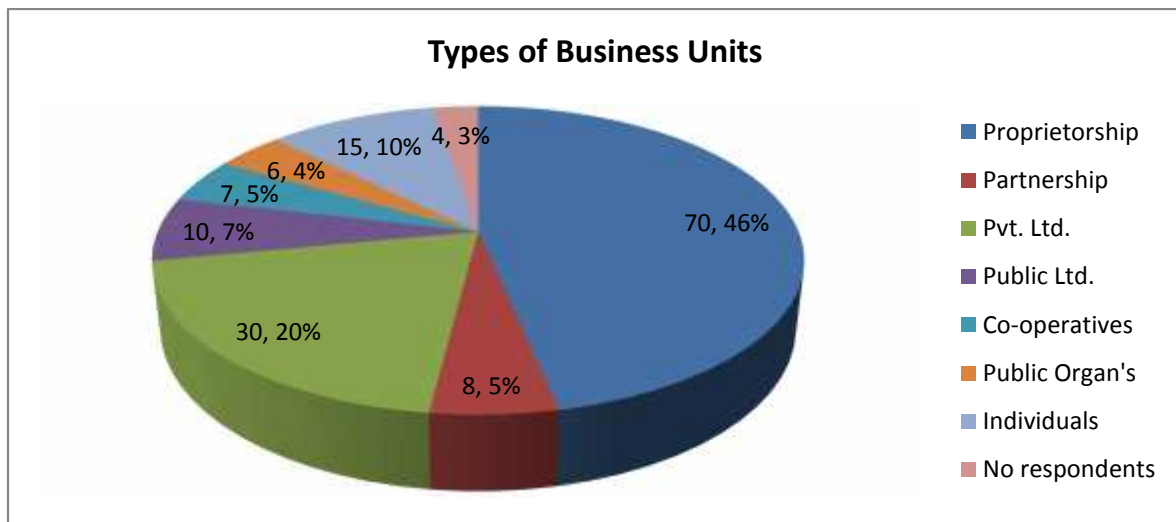
All the sampled respondents are classified in seven sectors viz. proprietorship, partnership, private limited, public limited, co-operatives, public organizations and individuals. A post survey classification of these sectors was made for the purpose of analysis. Of the total slected business units, the largest numbers are proprietorship 70 (47 Percentage) followed by Pvt. Ltd 30(20 Percentage), individuals15 (10 Percentage), Public Ltd 10(6.67 Percentage), Partnership 8(5.33 percentage), co-operative 7(4.67 percentage) and public organizations 6(4 percentage). The distribution of the sampled business units are shown below in table4.2 and Fig. 4.1.

Table 4.2: Types of Business Units

Name of Business Unit	Number of business units
Proprietorship	70
Partnership	8
Pvt. Ltd	30
Public Ltd.	10
Co-operative	7
Public organ's	6
Individuals	15
No respondents	4
Total	150

Source: Opinion Survey 2011

Fig.4.1: Types of Business Unit



4.3.1.2 Annual Turnover of the Business Units

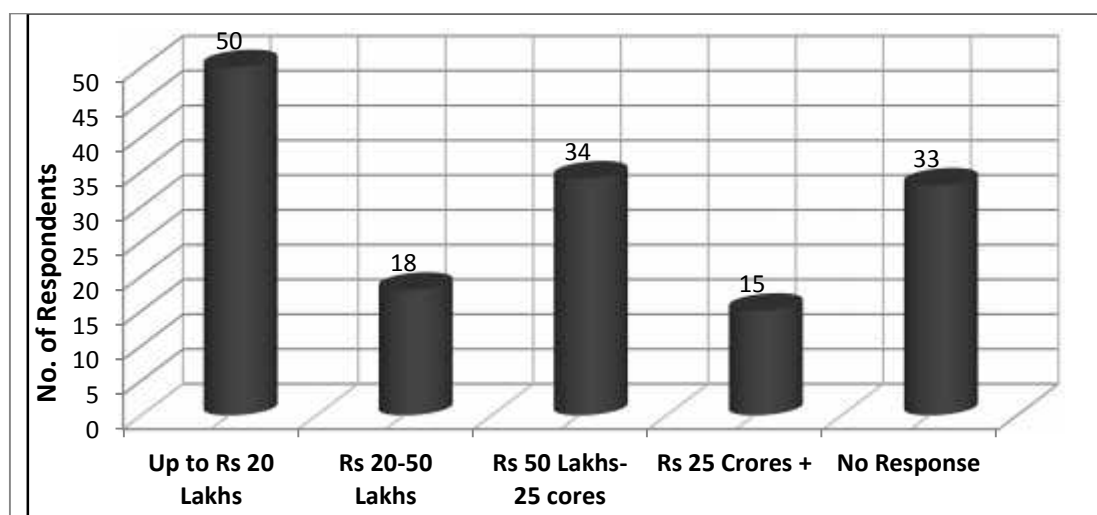
The annual turnover of the sample respondents is classified in four categories viz. up to two million rupees, two to five million rupees, five to 250 million rupees and above 250 million rupees. The following table 4.3 shows below.

Table 4.3: Classification of Sample Respondents by Annual Turnover

	Up to Rs 20 lakhs	Rs 20-50 lakhs	Rs 50-25 cores	Rs 25 cores+	No responses
No. of Respondents.	50	18	34	15	33

Source: Opinion Survey 2011

Fig. 4.2: Classification of Sample Respondents by Annual Turnover



In case of most of the respondents 50(33.33%), the annual turnover is up to two million, followed by five to 250 million 34(22.67%), two to five million 18(12%), and above 250 millions 15(10%), About 33(22%) respondents did not disclose their annual turnover Fig 4.2. This could be either because they had no idea on the figures or did not want to disclose the amount.

4.3.1.3 Marital Status, Age and Sex, distribution

Marital status of the respondents shows that 84% of them are married, 14% are single and 0.7% separated.

Table 4.4: Distribution of sample by marital status and age groups

	Marital Status				Age Group				Total
	Unmarried	Married	Separated	No Response	<30 years	31-50 years	>50 years	No response	
No. of respondents	21	127	2	0	33	87	26	4	150
Percentage	14%	84.7%	1.3%	0	22%	58%	17.3%	2.7%	100

Source: Opinion Survey 2011

With regards to age, the highest numbers of respondents are in 31 to 50 (58%), followed by up-to 30 years age group (22%) and over 50 years age group (17.3%).

In term of sex, 94% of the respondents are male and 6% are female. Nationality wise, most of them are Nepali citizens (99.3%) with the remaining being other citizens.

Table 4.5: Distribution of sample by sex and citizenships

	Sex			Citizen		
	Male	Female	Total	Nepali	other	Total
No. of respondents	141	9	150	149	1	150
Percentage	94%	6%	100	99.3%	0.7%	100

Source: Opinion Survey 2011

4.3.1.4 Education

The education Level of respondents is quite high as 41.3% of them have completed at least bachelor and low as 2% of them are under SLC.

Table 4.6: Sample distribution by level of Education

	Under SLC	SLC	Intermediate	Bachelor	Master	Ph. D.	No response	Total
No. of respondents	3	13	27	62	40	1	4	150
Percentage	2%	8.7%	18%	41.3%	26.7%	0.7%	2.6%	100

Source: Opinion Survey 2011

4.3.1.5 Income Level

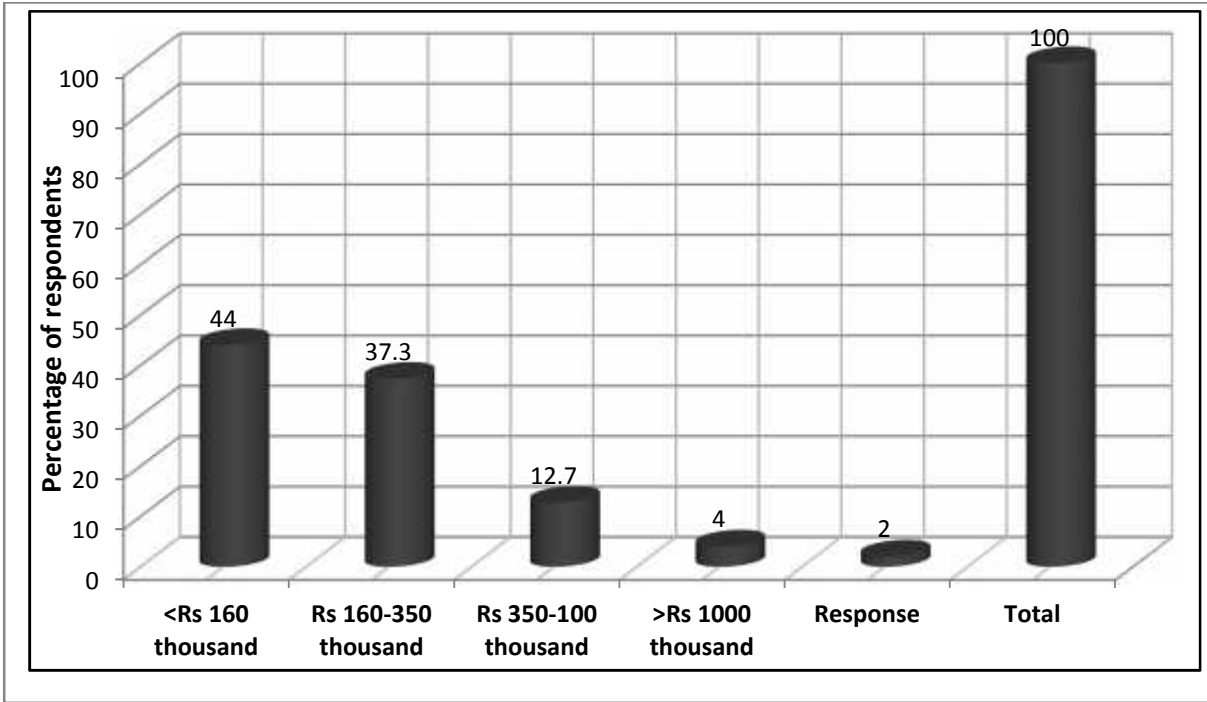
Income range of the sample shows that 44% percentage of them have annual below Rs 160 thousand and 37.3% have annual income in the range of Rs 160 to 350 thousand. Of the total respondents only 4% have annual income over one million rupees.

Table 4.7: Classification of Sample Respondents by Income Range

	<Rs160 Thousand	Rs160-350 Thousand	Rs350-1000 Thousand	Rs>1000 Thousand	No responses
No. of Respondents.	66 (44%)	56 (37.3%)	19 (12.7%)	6 (4%)	3 (2%)

Source: Opinion Survey 2011

Fig 4.3: Income Range of the Respondents



4.3.1.6 Media Used

The role media is very important for taxpayers to receive information. As table 4.8 shows, news paper are the most used media by the respondents (75.2%) followed by television (24%), internet (17.2%) and radio (16%).

Table 4.8: Media used by taxpayers to receive information

Unit	Newspaper	Radio	Television	Internet	Total	Sample
No. of Respondents	113	28	36	26	203	150
%	75.3%	18.7%	24%	17.3%	135.3%	100

Note: Total does not match because of multiple responses.

4.3.1.7 Types of taxes paid

Most of the respondents in the sample, over 94% pay income tax. Vat and excise duty is paid by 50% and 8.7% percentage respondents respectively.

Table 4.9: Types of taxes paid

Unit	Income Tax	Vat	Excise Duty	Total	Sample
No. of Respondents	143	74	12	229	150
%	95.3%	49.3%	8%	152.6%	100

Note: Total does not match because of multiple responses.

4.3.2 Findings of the Study

The first part of the information collected during the survey was the socio-economic background of the respondents, which was presented in the previous. The second part of the information relates to the taxpayers' perception of the tax policy; tax procedures and administration mechanism; quality of services of IROs; availability of information of information and quality of tax documents; and the overall satisfaction level of the taxpayers. The findings on these components are discussed in the following sections.

4.3.3 General Perception on Tax

Under this section, the respondent taxpayers' general on the current tax policy has been discussed. The summary of findings is provided in Table 4.10 and Fig. 4.4.

Table 4.10: Perceptions of taxpayers on tax

Statements	Agree	Disagree	No Response
Paying taxes to the government is one's Duty	147 (98%)	3 (2%)	0
Failure to pay taxes leads to strict punishment	120(80%)	30 (20%)	0
Incentives for paying taxes regularly are attractive	80 (53.3%)	20 (46.7%)	0
The government is unfairly levying taxes	87 (58%)	63 (42%)	
The government has clearly defined tax policies	55(36.7%)	95(63.3%)	
The tax procedures are clear and simple	50 (33%)	100 (67%)	
Amount of taxes to be paid to the government is generally high	99 (66%)	51 (44%)	0
Taxes on pension funds and provident funds are justifiable	56 (37.3%)	94(62.7%)	0
Tax officers have discretionary power in imposing taxes	69 (46%)	81 (64%)	
Advance tax deduction on income is justifiable and fair	87 (58%)	63 (42%)	

More people will pay taxes in Nepal if tax rates are reduced	132 (88%)	18 (12%)	
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Source: Opinion Survey 2011

Fig 4.4: Perception of Taxpayers on Tax

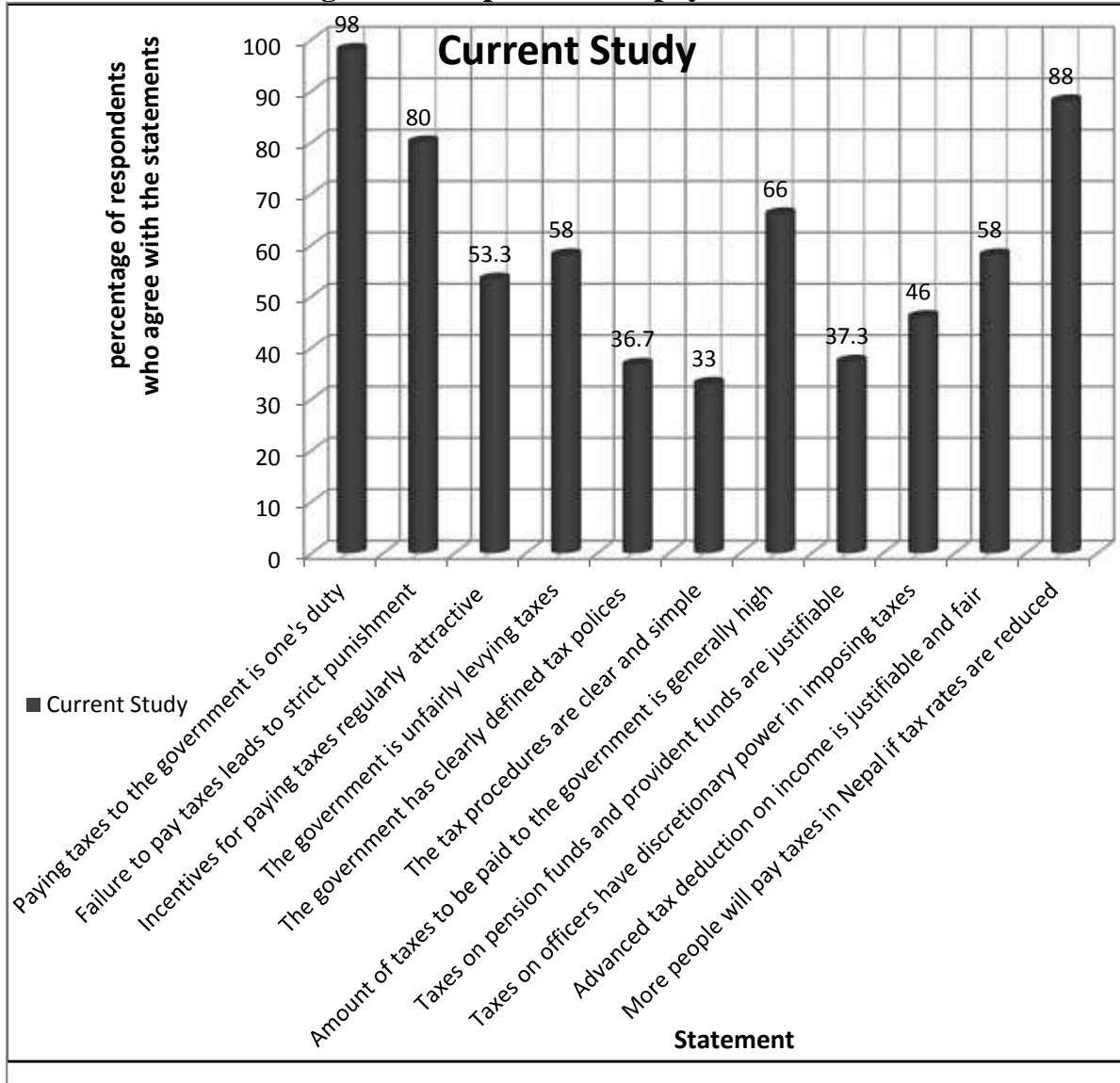


Fig 4.6 shows that over 98% of the respondents agreed that paying taxes to the government was one's duty. Likewise, over 80% of the respondents felt that failure to pay taxes led to strong punishment. Just over half (53.3%) of the respondents felt that the incentive for paying taxes regularly was attractive. Some of those, who didn't agree expressed during conversations at the study period that the defaulters were rather rewarded later by providing rebates on late fees and fines imposed by the Tax Offices, whereas the recognition given to the regular taxpayers was not that

significant. This shows that there is further scope for the government to revise the rewarding system to the regular taxpayer and the punishment system to defaulters.

About 58% of the respondent felt that the government was unfairly levying taxes on the people compared to 57% in the last study showing some positive changes in the perception of taxpayers.

Only about a third of the respondents (38%) agreed that the government has defined tax policy clearly and that that tax procedures are clear and simple. All taxpayers expect that policies are clearly defined and the procedures are clear and simple. In case of Nepal, for majority of the taxpayers neither the policies are clearly defined nor are the procedures clear and simple. Overwhelming majority of the sampled taxpayers was highly educated and even then they felt that the tax policy was not clearly defined and the procedures were simple and clear. This shows that there is scope for the government to further simplify the tax policies and procedures.

It is to be noted here that the government has made some effort in this regard. It has published and circulated the Income Tax manual and manuals on VAT and Excise Duty are in the process of finalization. Also, a document containing a detailed set of frequently asked questions has been developed and put on the Department's website. In addition, a process has already been initiated to establish a call center in the Department. Thus, there are reasons for one to be hopeful that the taxpayers will feel more comfortable about the existing tax policy and procedures in the future.

Over two-thirds of the taxpayers felt that the amount of taxes to be paid to the government was high and over one-third of the respondents said that taxes on pension funds and provident funds were justifiable.

About less than half of respondents felt that the tax officers had discretionary power in imposing taxes. This shows a positive change in how tax officers are perceived. This could be due to the introduction of self-assessment system, which makes people feel that officers have less discretionary power in imposing taxes.

About 58% of the respondents thought that the advance tax deduction on income was justifiable and fair and about 88% of the taxpayers felt that more people would pay taxes if tax rates were reduced.

It is encouraging to note that majority of the respondent taxpayers realize that people should pay tax on their income as per the prevailing rules and regulations and that if someone fails to do so, s/he deserves punishment. However, they feel that the tax procedures are not clear and simple and the tax rates are too high.

4.3.3.1 General Perception on Public Service

One of the major factors that influence people to pay tax is the quality of services provided by the government. The study assessed their perception of the delivery of eight public services; drinking water supply, health and sanitation, education, security, social benefits, electricity supply, telecommunication and transportation. The summary of perception of the respondents on these services is provided in Table 4.11 and Fig. 4.5

Table 4.11: Taxpayers' Perception on Public services

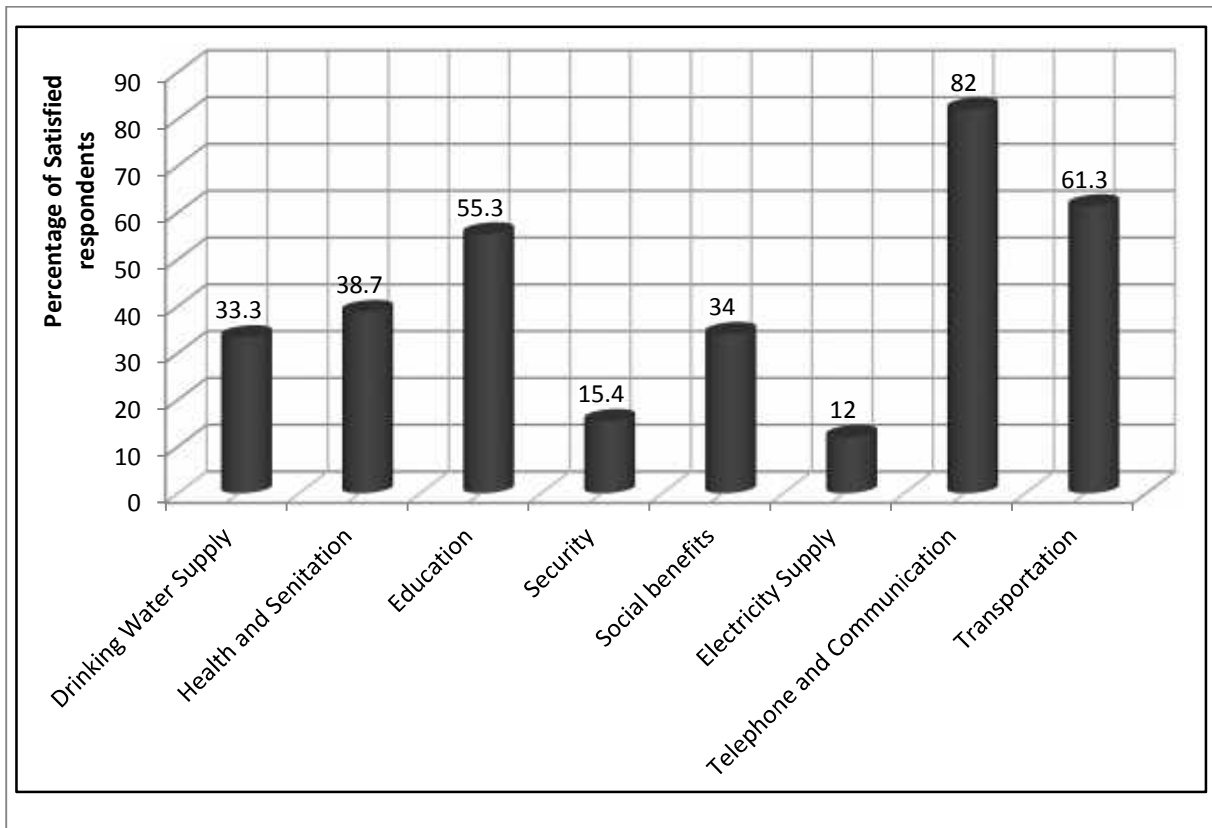
S.N	Public Service	Satisfied (%)			Unsatisfied	Total
		Up to a Moderate Level	Just okay	Combined		
1	Drinking water supply	27(18%)	23(15.3%)	50(33.3%)	100(66.7%)	150(100)
2	Health and sanitation	25(16.7%)	33(22%)	58(38.7%)	92(61.3%)	150(100)
3	Education	42(28%)	41(27.3%)	83(55.3%)	67(44.7%)	150(100)
4	Security	7(4.7%)	16(10.7)	23(15.4%)	127(84.6%)	150(100)
5	Social Benefits	26(17.3%)	25(16.7%)	51(34%)	99(66%)	150(100)
6	Electricity Supply	12(8%)	6 (4%)	18(12%)	132(88%)	150(100)
7	Telephone and Communication	93(62%)	30(20%)	123(82%)	27(18%)	150(100)
8	Transportation	54(36%)	38(25.3%)	92(61.3%)	58(38.7%)	150(100)

Note: Figures in the parenthesis indicate the findings of the percentage of value

It is clear that from Table 4.11 that majority of the respondents were not happy with the delivery of public service. In the case of drinking water supply, only about 18%

were satisfied up to a moderate level. The overall situation is least good than in the year 2010.

Fig.4.5: Percentage of Taxpayers satisfied with the Public services



Although no people are now satisfied with health and sanitation services over 61% of the respondents still feel that the services are poor. With regards to education almost 55% of the respondents felt that the services were at acceptable. This shows positive changes, which could be because of the engagements of the private sector in education.

Security services and electricity supply have been reported as the worst among the public services surveyed with only about 15.4% of the respondents satisfied. With regards to security, there is not an improved. It has to be noted here that after the assembling constitution the government can't control the small types of pandemonium.

When this survey was conducted in September/December 2011, there was over 10hours daily load shedding. Naturally most of the people particularly, the

businessmen and industrialists were very unsatisfied. The supply of electricity has been worse compared to that of the 10 years ago. While the demand for electricity has been increasing every year at higher rate, the supply has remained almost stagnant. The situation seems to be getting worse as none of the hydroelectricity projects under construction are near completion. The government needs to consider the perception of the taxpayers to develop the hydroelectricity projects at a massive scale.

Similarly, two in every three respondents were not satisfied with the services related to social benefits. However, compared to 2010 there is a little improvement. It may be because of the provisions made in regard to the various allowances paid to the senior citizens, single women, widows, and various diminishing ethnic groups including Raute, Chepang, Musahar, Chamar, Badi etc.

Besides education, the other two sector of public services the people felt more satisfied are telecommunication and transportation. With the introduction of private sector the area of telecommunication, there has been significant improvement in this sector, as both the private and public sector have to strive to further improve and sustain the quality of services and remain competitive. The Analyses show that on average, over two- thirds of the respondents were not satisfied with the public services: security, electricity, drinking water supply and social benefits. In telecommunication, transportation and education over 50% of the respondents' felt satisfied.

4.3.3.2 Quality of Services of Revenue/Tax Offices

Another Important factor that affects taxpayers' decision to pay taxes is the quality of services provided by the tax offices. It is reasonable for taxpayers to expect the tax office to be accessible and provide friendly service. They expect fair and respectful treatment from the officials and completion of their job in time. Accordingly, efforts

were made to collect information in these areas. The summary of the findings has been presented in Table 4.12 and Fig. 4.6.

Table 4.12: Quality of services of revenue/tax offices

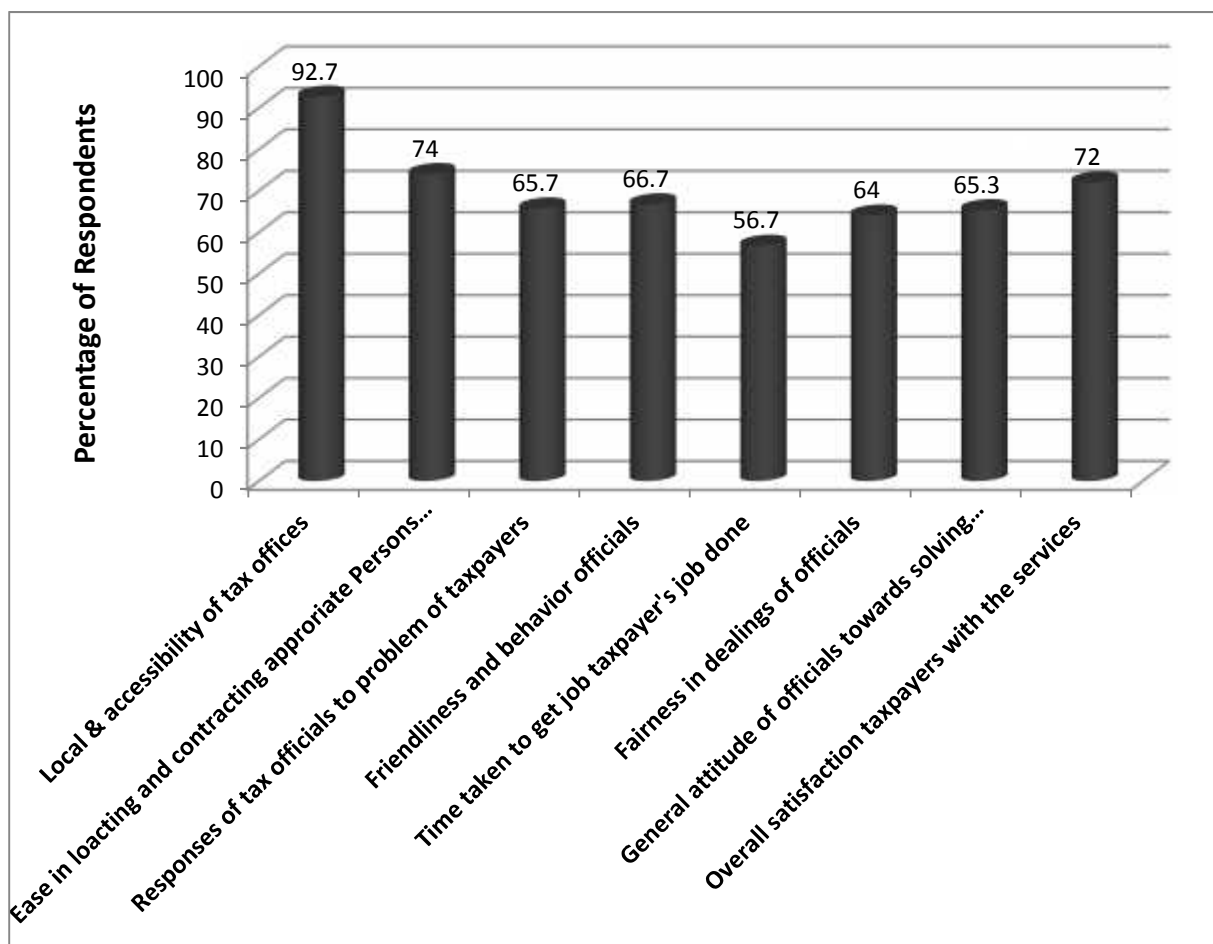
S. N	Public Service	Satisfied (%)			Poor	No Response	Total
		Up to a Moderate Level	Just okay	Combined			
1	Local and accessibility of tax offices	89(59.3%)	50(33.3%)	139(92.7)	11(7.3%)	0	150(100)
2	Ease in locating and contracting appropriate persons in offices	57(38%)	54(36%)	111(74%)	39(26%)	0	150(100)
3	Responses of tax officials to problems of taxpayers	49(32.7%)	50(33.3%)	99 (65.7%)	51 (33.3%)	1(0.7%)	150(100)
4	Friendliness and behavior of officials	53(35.3%)	47(31.3%)	100 (66.7%)	48(32%)	2(1.3%)	150(100)
5	Time taken to get taxpayer's job done	33(22%)	52(34.7%)	85(56.7%)	65 (43.3%)	0	150(100)
6	Fairness in dealings of officials	45(30%)	51(34%)	96(64%)	53 (35.3%)	1(0.7%)	150(100)
7	General attitude of officials towards solving taxpayers' problems	44(29.3%)	54(36%)	98(65.3%)	51(34%)	1(0.7%)	150(100)
8	Overall satisfaction of taxpayers with the services	36(24%)	72(48%)	108(72%)	42(28%)	0	150(100)

Source: Opinion Survey 2011

About 33% of the respondents felt that the responses of tax officials to their queries/problems were at moderately satisfactory level, whereas another 33% respondents mentioned that their responses were okay. Similarly about 67% of the respondents were satisfied with the friendliness and behavior of the tax officials. About 57% of the respondents were satisfied with the time taken to get their job done in the tax offices. About 35% of the respondents rated the fairness in dealings of officials as poor clearly suggesting that tax officials do not treat all taxpayers fairly. About one in every three taxpayers were satisfied at the moderate level and one in every three felt just okay with regards to the general attitude of officials towards solving their problems.

Overall, over 72% of the respondents were satisfied with the services provided to them. These figures show that there has been an improvement in all aspects of the services of the services provided by the IRO/tax offices over the past eight years. However, it clearly indicates that there is plenty of scope for the offices to improve their performance.

Fig. 4.6: Quality of services of revenue/tax offices



4.3.3.3 Taxpayer service programs

The respondents were enquired whether they had participated in any of the taxpayers' services programs (e.g. training, education, interaction, awareness development) conducted by revenue/tax offices. Almost one third of them mentioned that they had participated at least in one of such programs. (Details: table 2.13). Over two-thirds of those who had participated were satisfied with the program. This indicates that the

IRO/tax offices should organize taxpayer service programs regularly so that the new taxpayers are oriented and the old ones are refreshed on the various services provided by the offices.

Table 4.13: Participation in taxpayers’ service programs (training etc.)

unit	Yes	No	No Response	Very Satisfied	Moderately Satisfied	Somewhat Satisfied	Just Ok	Very Unsatisfied
No. of respondents	48	99	3	4	8	20	4	12
%	32%	66	2%	8.3%	16.7%	41.7%	8.3%	25%

Source: Opinion Survey 2011

4.3.3.4 Improvement in the quality of services in the last three years

Information was also gathered on whether there was any improvement in the quality of services provided by the tax offices in the past three years. Almost 38% of the respondents felt that the services had improved a lot whereas about 40% reported only moderate improvement. Together, about 78% noted improvement.

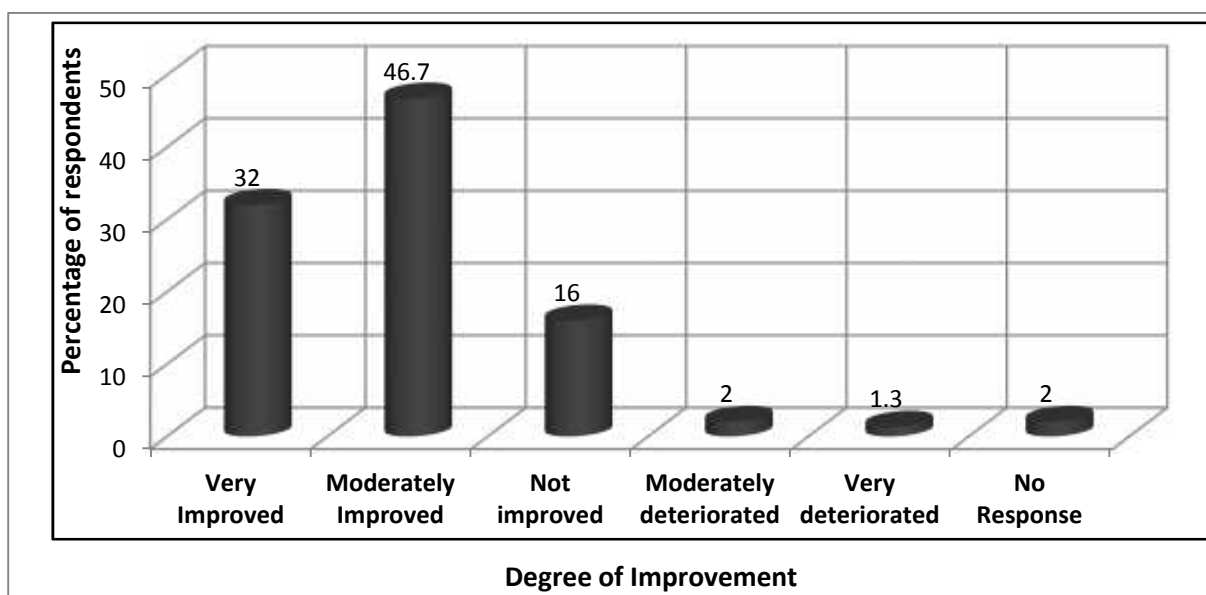
Table 4.14: Improvement in the quality of services in the last three years

Unit	Very Improved	Moderately Improved	Not Improved	Moderately deteriorated	Very deteriorated	No Response	Total
No. of respondents	48	70	24	3	2	3	150
%	32%	46.7%	16%	2%	1.3%	2%	100

Source: Opinion Survey 2011

This table indicates improvements in the quality of services provided by the IROs/tax offices over the past three years. A summary of the information is given in Fig. 4.7.

Fig. 4.7: Improvement in the quality of services in the last three years



4.3.3.5 Need for bearing extra costs to get their job done

The respondents were asked whether they had to bear extra costs to get their job done. Only 32% of the respondents mentioned that that never had to bear extra costs for getting their job done. Over two thirds reported that they had bear to extra costs sometimes and about 4% reported that they had always had to bear additional costs.

It is a pity to note that even now the taxpayers have to pay extra money to the tax officials to get their job done. It is not clear whether they had to pay additional money while trying to settle their dues per the prevailing rules and regulations or while they were seeking undue benefits from the tax officials. Whatever the case may be, it is a serious issue.

Table 4.15: Need for bearing extra costs to get job done

Unit	Always	Frequently	Often	Sometimes	Never	No Response	Total
No. of respondents	6	12	24	57	48	3	150
%	4%	8%	16%	38%	32%	2%	100
Cumulative %	4	12	28	66	98	100	

Source: Opinion Survey 2011

Compared to the previous study this study shows some improvement. From the fiscal 2066/067 year, the government has introduced a performance-based management system for officials working in the IROs/tax offices, which should discourage tax officials from asking for bribes. The government should do more to prevent such practices.

In brief, one can conclude that although the quality of services of IROs has improved over the past 3 years without exception, less than 40% (except in the case of location and accessibility) were found satisfied up to a moderate level. Combining the respondents who rated moderate satisfaction with those who rated okay level of satisfaction, about 72 percent were satisfied with the overall services.

4.3.4 Administrative Mechanism and Tax Procedures

This section analyzes the perception of taxpayers on the administrative mechanism and tax procedures: ease in filing-up the tax forms, simplicity and clarity in procedures in submitting tax returns, ease in complying with the tax process and getting tax refund, fairness in decisions of tax offices. Table 4.16 below shows.

4.3.4.1 Administrative Mechanism of income tax

As shown in the tables below 42% of the respondents were moderately satisfied with the ease to in filling up the forms and another 44% were satisfied at an okay level. Combined together, almost 86% of the respondents were comfortable with filling the tax forms. Just over 70% of the respondents were satisfied with the simplicity and clarity of the procedures in submitting tax returns. Similarly, just fewer than 68% of the respondents noted that they were satisfied with the ease in complying with the tax process.

Table 4.16: Administrative mechanism and tax procedures of income and other taxes

S.N	Public Service	Satisfied (%)			Poor
		Up to a Moderate Level	Just okay	Sub-total	
1	Ease in filing up the tax forms	63(42%)	66(44%)	129(86%)	21(14%)
2	Simplicity in procedures in submitting returns	50(33.3%)	58(38.7%)	108(72%)	42(28%)
3	Clarity in Procedures in submitting tax returns	48(32%)	57(38%)	105(70%)	45(30%)
4	Ease in complying with tax officials	38(25.3%)	64(42.7%)	102(68%)	48(32%)
5	Fairness in decisions of tax officials	41(27.3%)	51(34%)	92(61.3%)	58(38.7%)
6	Ease in getting tax refund	18(12%)	27(18%)	45(30%)	105(70%)
7	General perception on tax administration system	40(26.7%)	70(46.7%)	110(73.4%)	40(26.6%)
8	Overall tax procedures and administrative mechanism	39(26%)	76(50.7%)	115(76.7%)	35(23.3%)

Note: Figures in the parenthesis indicate percentages

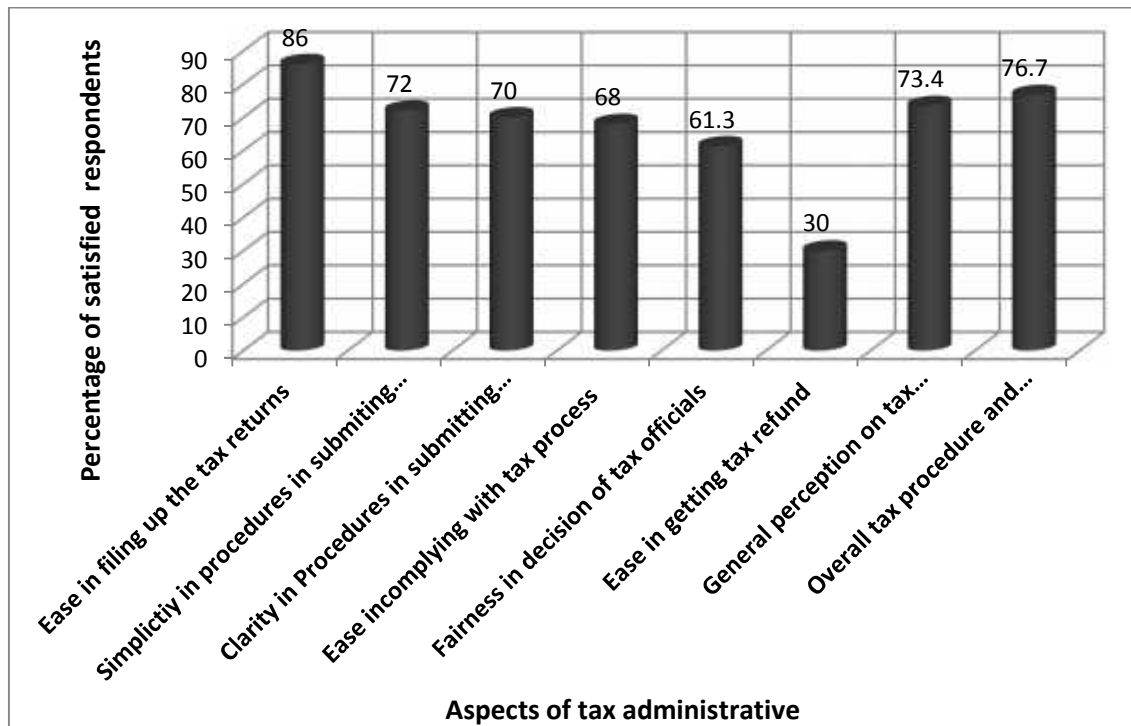
About 61% of the respondents reported that there was fairness in decisions of tax officials to an okay level. It follows that over one-third of the respondents do not view the decisions of tax officials as fair. The level of satisfaction of taxpayers with regard to tax refund was found low, as only about 30% were moderately satisfied. During informal conversations with the study, the respondents repeatedly mentioned that it was almost impossible for them to get refund in cash. The officials always suggested an adjustment in the next payment, while the taxpayers' always preferred cash immediately.

About 26.7% of respondents were moderately satisfied with the tax administration system and another 46.7% noted the system was just okay. Accordingly, about 27% of respondents were not satisfied with the tax administration system.

On the overall administrative mechanism and tax procedures about 26% of the respondents rated their satisfaction as being up to a moderate level. About 51% mentioned it to be just okay. Combining these two groups together, about 76% are satisfied with the overall administrative mechanism.

The following figures shows percentage of satisfied includes respondents who were satisfied at both moderate and just okay level.

Fig. 4.8: Tax Procedures and Administrative Mechanism of Income/Other taxes



The comparison shows that there have been positive changes in all aspects without exception during the past 8 years. However, the percentage of respondents rating their satisfaction level as excellent or very high is still low. Thus, there is plenty of scope for the IROs/tax offices to improve the administrative and tax procedure in the country.

4.3.4.2 Administrative Mechanism of Value Added Tax

As shown in table 4.17 over 96% of the respondents are satisfied with the ease in filing up tax forms. With regards to simplicity and clarity of tax return procedures, about 83.3% of the respondents are satisfied. Similarly just under than 78.7% of the respondents reported that complying with tax process was fairly easy.

About 79% in the case of VAT reported that there was fairness in decisions of tax officials to an okay level. It follows that over one third of the respondents do not view

the decisions of tax officials as fair. With regards to tax refund only about half of the respondents were satisfied. Similar to income tax refund, respondents note that getting tax refund in cash was difficult.

Table 4.17: Administrative mechanism and tax procedures of VAT

S.N	Public Service	Satisfied (%)			Poor
		Up to a Moderate Level	Just okay	Sub-total	
1	Ease in filing up the tax forms	95(63.3%)	49(32.7%)	144(96%)	6(4%)
2	Simplicity in procedures in submitting returns	81(54%)	48(32%)	129(86%)	21(14%)
3	Clarity in Procedures in submitting tax returns	77(51.3%)	48(32%)	125(83.3%)	25(16.7%)
4	Ease in complying with tax officials	54(36%)	64(42.7%)	118(78.7%)	32(21.3%)
5	Fairness in decisions of tax officials	62(41.3%)	36(24%)	98(65.3%)	52(34.7%)
6	Ease in getting tax refund	39(26%)	36(24%)	75(50%)	75(50%)
7	General perception on tax administration system	57(38%)	59(39.3%)	116(77.3%)	34(22.7%)
8	Overall tax procedures and administrative mechanism	53(35.3%)	67(44.7%)	120(80%)	30(20%)

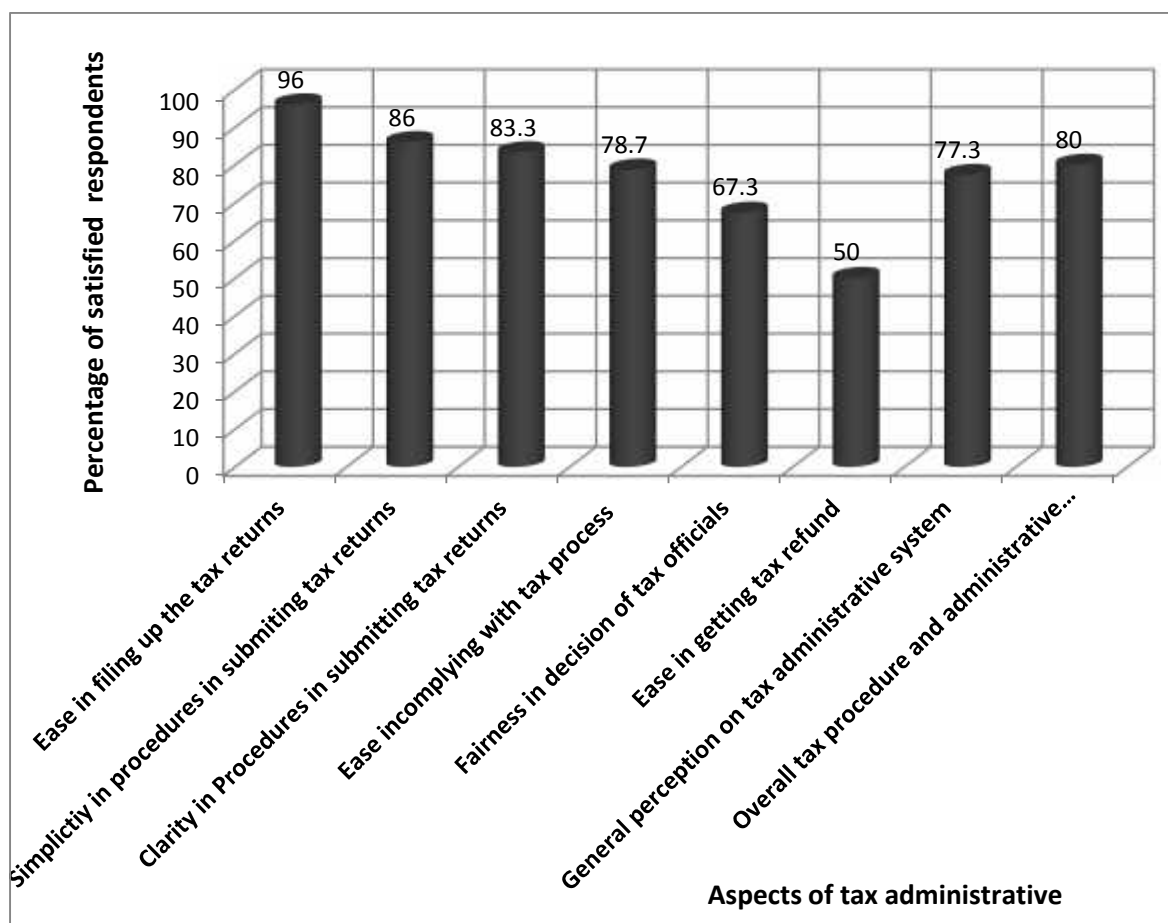
Note: Figures in the parenthesis indicate percentages

About 38% of respondents reported that they were moderately satisfied with the tax administration system followed by 39.3% who rated it as being just okay. Accordingly 23% were not satisfied with the system.

On the overall administrative mechanism and tax procedures, about 35% rated their satisfaction as being up to a moderate level followed by 45% who rated it to be just okay. Overall, 80% are satisfied with the overall administration mechanism.

Similar to income tax, the comparison shows that there have been positive changes in all aspects during the past eight years but that the percentage of respondents rating their satisfaction level as excellent or very high is still low.

Fig. 4.9: Tax Procedures and Administrative Mechanism of VAT



4.3.4.3 Changes in clarity and simplicity of procedures and mechanism

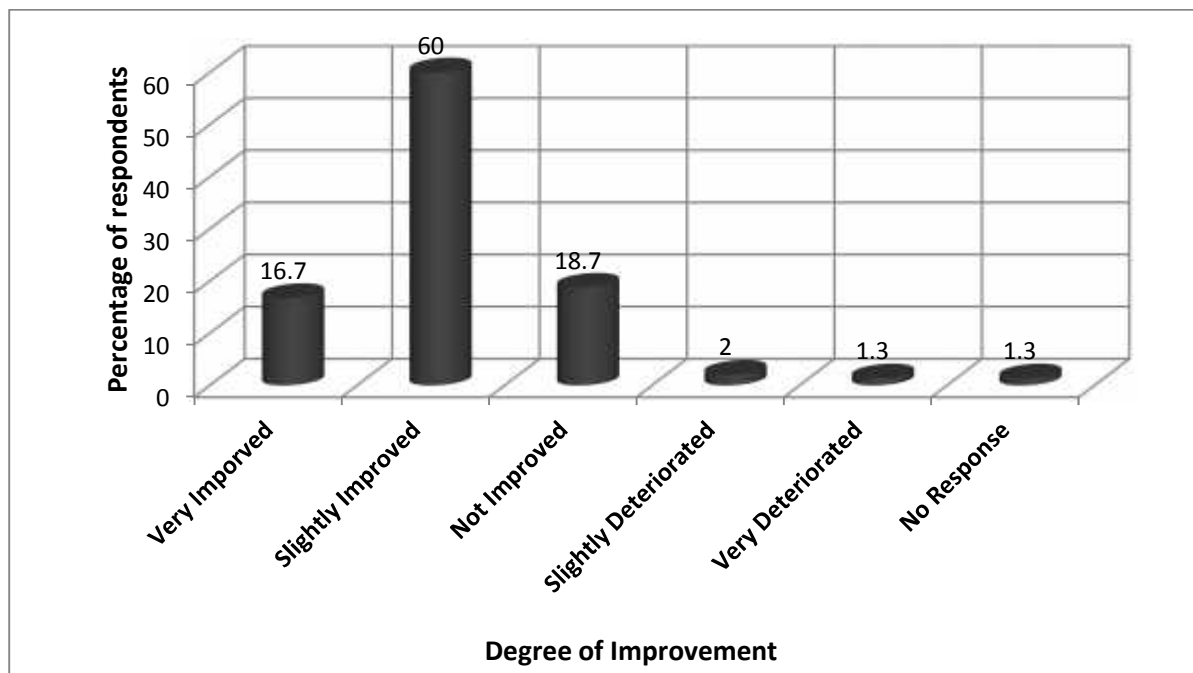
About 96% of the respondents said that clarity and simplicity of procedures and mechanism of the tax system was important to the taxpayers. The respondents were asked to provide their observations on whether there was improvement in clarity and simplicity of procedures and mechanism in the past 3 years. The responses have been presented in Table 4.18 and Fig. 4.10.

Table 4.18: Changes in Clarity and simplicity of Procedures & Mechanism in the Past Three Years

Unit	Very Improved	Moderately Improved	Not Improved	Moderately deteriorated	Very deteriorated	No Response	Total
No. of respondents	25	90	28	3	2	2	150
%	16.7%	60%	18.7%	2%	1.3%	1.3%	100

Source: Opinion Survey 2011

Fig. 4.10: Changes in Clarity & Simplicity of Procedures & Mechanism in the Past Three Years



4.3.4.4 System of audit and Investigations

The respondents were enquired whether they were satisfied with the current system of audit and investigation that the Inland Revenue Department has been implementing for 3 years now. The table below shows the results. Just fewer than half of the respondents mentioned that they were satisfied with the system. Those who were not satisfied were further requested to provide suggestions for improvement but none of them provided such suggestions. As no information was sought in this regard in this regard during the previous study, there is no scope for comparison in this respect.

Table 4.19: Satisfaction with the current system of audit an Investigation

Unit	Yes	No	No Response	Total
No. of respondents	66	69	15	150
%	44%	46%	10%	100
Cumulative %	44	90	100	

Source: Opinion Survey 2011

4.3.4.5 Knowledge about tax return procedure and tax rates

With regards to knowledge about tax rates about 79% of the respondents said they knew the tax rates. Compared to the previous study 68% said they knew the rates, this is an improvement.

Table 4.20: Knowledge about tax return procedure and tax rates

Unit	Knowledge on tax rates				Familiarity with procedure for tax return				Total
	Yes	No	Not sure	No Response	Quite familiar	Somewhat familiar	Not Familiar	No Response	
No. of respondents	118	12	18	2	49	75	14	12	150
%	78.7%	8%	12%	1.3%	32.7%	50%	9.3%	8%	100
Cumulative %	77.7	85.7	97.7	100	32.7	82.7	92	100	

Source: Opinion Survey 2011

The survey also assessed respondents' level of familiarity with the procedures submitting tax returns. The above table shows that the majority of the sampled taxpayers were somewhat familiar with the procedure for tax returns.

4.3.4.6 Perception of tax rates

The respondents were asked whether they perceived the prevailing tax rates in the country to be high or low. The table 4.21 below shows that almost 67% of them reported that the rates were high. Almost 29% mentioned that the rates were okay. Only about 2% of the respondents felt that tax rates were low.

Table 4.21: Knowledge about tax return procedure and tax rates

Unit	Very High	High	Ok	Low	Very Low	No Response	Total
No. of respondents	42	59	43	3	0	3	150
%	28%	39.3%	28.7%	2%	0	2%	100
Cumulative %	28	67.3	96	98	98	100	

Source: Opinion Survey 2011

4.3.4.7 Frequency of problem in filing-up the tax forms

Respondents were asked about the frequency of problems they faced in filling up the forms in IROs/tax offices. About 10.7% of them reported that they never faced any problems and only two percent that reported that they always faced some sort of problems.

Table 4.22: Frequency of problem in filing-up the tax forms

Unit	Always	Frequently	Often	Sometimes	Never	No Response	Total
No. of respondents	3	29	33	66	16	3	150
%	2%	19.3%	22%	44%	10.7%	2%	100
Cumulative %	4	12		28	66	100	

Source: Opinion Survey 2011

In brief majority of respondents except in the case of tax refund, were found satisfied up to an acceptable level on the tax procedures and administrative mechanism. Four in every five respondents have improvement on in this respect in the past 3 years. In case of tax refund, over 70 percent of the respondents are not satisfied.

4.3.5 Availability of Information on Tax and Quality of Documents

For any taxpayer, information related to taxes is very important. When the documents related to taxes: laws, by-laws, manuals, brochures, guidelines, circulars are clear and concise, many, many of the taxpayer do not require support from others, e.g. tax consultants, accountants, auditors and lawyers. The case of big business houses may be different. Considering the importance of the availability of information and quality of documents, the respondents were asked about their sources of information on taxes. They were also asked about their perception on availability of information on tax, ease in understanding the printed tax documents prepared and circulated by the government, contents and coverage of those documents and overall satisfaction level on the documents both in the case of income tax and VAT.

4.3.5.1 Sources of Information

In order to find out the major sources of information for the taxpayers, they were asked to rank the various sources of information/media in terms of their importance as source of information. Most important was to be rated 1 and the least important rated 8. The ranking has been provided in Table 4.23.

Table 4.23: Ranking in the sources of information on tax

S.N	Media	No. of Respondents	Percentage	Rank
1	Newspapers	86	57.3%	1
2	Letters/Circulars	11	7.3%	4
3	Colleagues/Friends/Relatives	2	1.4%	8
4	Tax Documents	5	3.3%	6
5	Revenue/Tax officials	4	2.7%	7
6	Radios	6	4%	5
7	Televisions	18	12%	2
8	Internet/websites	15	10%	3
9	No responses	3	2%	
Total		150	100	

Source: Opinion Survey 2011

They have ranked the "newspapers" as the most important and "colleagues/relatives/friends" as least important. This shows that taxpayers are less dependent on friends and relatives for information on tax. The respondents rated television as second in rank. Since the survey was concentric mainly in urban areas; it's natural that people get more information through advertisement or other materials telecast through various television channels than through the information broadcast from radio stations. Internet and websites stand as the third important source of information for the taxpayers.

It is interesting to note that the respondents ranked tax documents and tax officials as 6 in the list. This indicates that either the documents are not easily available or that taxpayers do not trust them, as there have been so many amendments to these documents.

4.3.5.2 Availability of Information

Regarding the availability of information table 4.24 on income tax about 40% of the respondents were satisfied up to a moderate level and about 35% were just Okay. In case of VAT about 51% of the respondents were satisfied to a moderate level and 29.3% were just okay. The table shows slight improvement in case of VAT.

Table 4.24: Availability of information on tax& quality of documents

S. N.	Particulars	Income/Other Taxes				Value Added Tax			
		Satisfied			Poor	Satisfied			Poor
		Up to Moderate level	Just Okay	Sub-total		Up to Moderate level	Just Okay	Sub-total	
1	Availability of information on tax	60(40%)	53 (35.3%)	113 (75.3%)	37 (24.7%)	77 (51.3%)	44 (29.3%)	121 (80.7%)	29 (19.3%)
2	Ease in understanding the printed documents	33(22%)	60(40%)	93 (62%)	57(38%)	60(40%)	63(42%)	123 (82%)	27 (18%)
3	Contents and coverage of the printed documents	63(42%)	57(38%)	120 (80%)	30(20%)	62 (41.3%)	57(38%)	119 (79.3%)	31 (20.7%)
4	Overall of satisfaction with documents	51(34%)	72(48%)	123 (82%)	27(18%)	52 (34.7%)	70 (46.7%)	122 (81.4%)	28 (18.6%)

Source: Opinion Survey 2011

a. Ease in understanding printed documents

About 22% of respondents in the case of income tax and 40% in the case of VAT reported to be satisfied at a moderate level. About 40% of taxpayers in both case expressed/rated their ease in understanding as just okay.

b. Contents and coverage of the printed documents

About 80% of the respondents reported that they were satisfied just at an okay level on the contents and coverage of the printed documents. Based on these responses, one can conclude that there is plenty of room for improvement in the content and coverage.

c. Overall satisfaction

It is clear from the table about 85% of the respondents were satisfied with the overall documents. The following figures (Fig 4.11 and 4.12) shows the information details.

Fig 4.11: Availability of information and Quality of Tax Documents for Income/Other Taxes

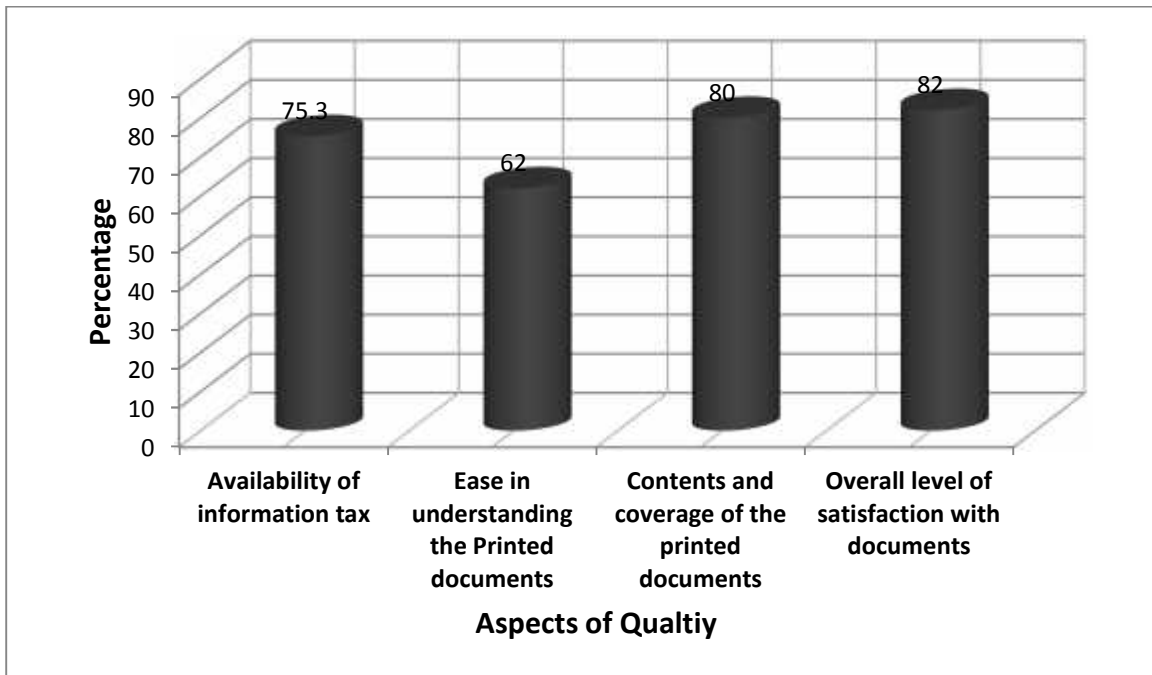
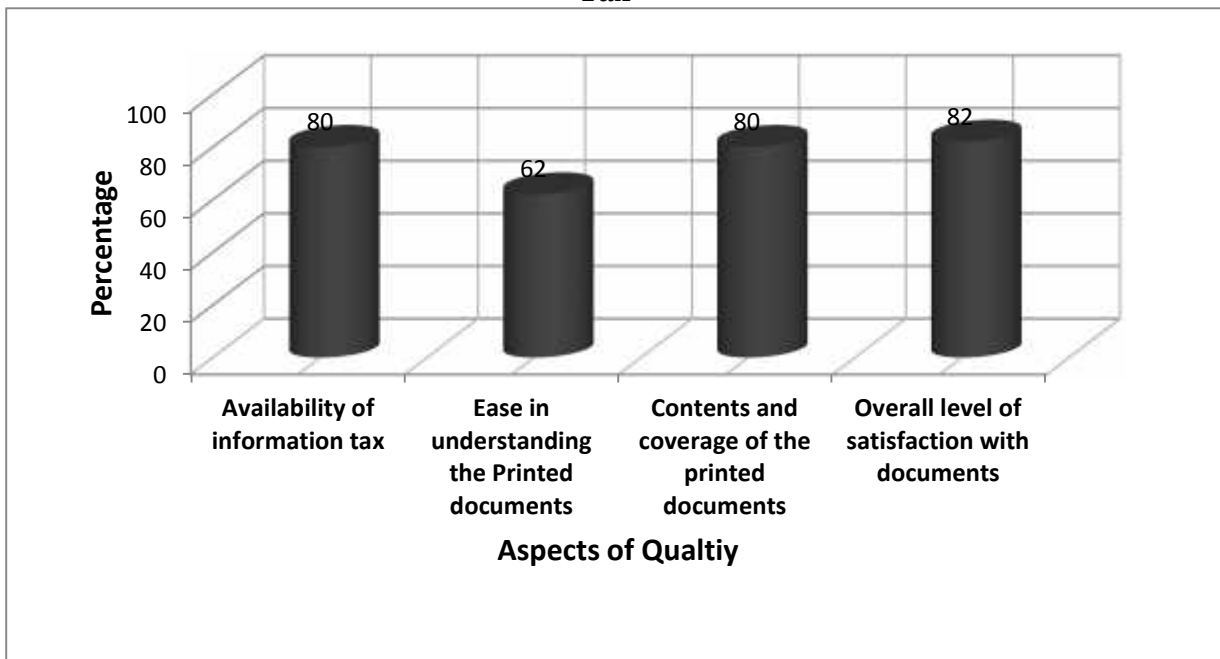


Fig 4.12: Availability of information and Quality of Tax Documents for Value Added Tax



It is generally accepted that the government should provide all relevant and correct information to the taxpayers. Also the documents need to be easy to understand. With

due consideration to this, I think and feels that the government requires to do a lot in order to bring out quality documents.

In brief, the respondents have ranked the "newspapers" as the most important and "colleagues/relatives/friends" as the least important sources of information on tax. In case of income tax, three in every four respondents were satisfied with the availability of information and ease in understanding printed documents. In case of VAT, four in every five respondents were satisfied. With regards to the contents and coverage of the documents, over 79% were satisfied in both the cases.

4.3.6 Tax System and Tax Policy

In order to assess the level of satisfaction of the respondents on tax system and tax policy, five questions were included in the questionnaire on importance of knowledge and information on tax system, changes in situation of knowledge and information in the past three years, perception on utilization of tax collected, importance of tax policy and system and changes in tax policy in the past three years.

4.3.6.1 Importance of knowledge on tax system

Almost 99% of the respondents said that knowledge and information on the system were important for them. The table 4.25 below presents the details.

Table 4.25: Importance of knowledge and information on tax system

Unit	Very Important	Moderately Important	Important	Not so important	Not Important	No Response	Total
No. of respondents	119	12	18	1	0	0	150
%	79.3%	8%	12%	0.7%	0	0	100
Cumulative %	79.3	87.3	99.3	100	100	100	

Source: Opinion Survey 2011

4.3.6.2 Changes in situation of knowledge and information on tax system in the past three years

About 84% of the respondents noted that there was some improvement in situation of knowledge and information in the past three years. The following table shows in details.

Table 4.26: Changes in Situation of knowledge and information on tax system in the past three years

Unit	Very Improved	Moderately Improved	Not Improved	Moderately deteriorated	Very deteriorated	No Response	Total
No. of respondents	24	80	42	2	0	2	150
%	16%	53.4%	28%	1.3%%	0	1.3%	100
Cumulative %	16	69.4	97.4	100	100	100	

Source: Opinion Survey 2011

4.3.6.3 Perception on how tax is utilized

Over two-thirds of the respondents felt that the tax money was not utilized properly which should be a serious concern for the government. Please see the table 4.27 below for details.

Table 4.27: Perception on the utilization of revenues collected

Unit	Very Properly	Moderately Properly	OK	Quite Improperly	Very Improperly	No Response	Total
No. of respondents	7	19	37	28	57	2	150
%	4.7%	12.7%	24.6%	18.7%	38%	1.3%	100
Cumulative %	4.7	17.4	41	60.7	98.7	100	

Source: Opinion Survey 2011

It is the responsibility of the government to utilize the revenue generated in a balanced manner for overall development of the country. Of course, priority is to be set based on the availability of total funds and the requirements. The low level of taxpayers'

satisfaction on how taxes are utilized shows that they will be less inclined to pay taxes. The government therefore has to be care full while allocating its budget.

4.3.6.4 Importance of tax policy and tax system

About 72% of the respondents mentioned that tax policy was very important for them. The degree of importance probably varied based upon the size and type of business and respondents' professions.

Table 4.28: Importance of tax policy and tax system

Unit	Very important	Important	Just OK	Not so Important	Not Important	No Response	Total
No. of respondents	108	26	13	1	0	2	150
%	72%	17.3%	8.7%	0.7%	0	1.3	100
Cumulative %	72	89.3	98	98.7	98.7	100	

Source: Opinion Survey 2011

4.3.6.5 Improvement in tax policy and tax system

Over 76% of the respondents felt that there was improvement in the situation of tax policy and tax system in the country during the past three years.

Table 4.29: Improvement in tax policy and tax system

Unit	Very Improved	Slightly Improved	Not Improved	Slightly deteriorated	Very deteriorated	No Response	Total
No. of respondents	15	100	27	1	1	4	150
%	10%	66.7%	18%	1.3%	1.3%	2.7%	100
Cumulative %	10	76	98	98.7	98.7	100	

Source: Opinion Survey 2011

In brief, overwhelming majority of the respondents felt knowledge and information on the tax system and tax policy to be important. Four in every five respondents felt that

there was improvement in the situation of tax policy and tax system in the country during the past three years. Significantly over two thirds of the respondents did not feel that the tax money was utilized properly.

4.3.7 Overall Level of Satisfaction

When the taxpayers feel that the money they pay to the government in the form of taxes is utilized properly, they are more inclined to pay. Consequently, when people pay taxes to the government, it is but natural that they expect basic Services from the government including security, drinking water supply, health and sanitation facilities, education and electricity supply. In other words, if the people feel that the government has planned and spent money logically and rationally fairly also accountably for the benefit of the people, they are satisfied even if all of their expectations can't be met.

4.3.7.1 Satisfaction as Taxpayer

Although various cross questions were included in the questionnaire to assess their satisfaction level, the respondents were further requested to comment on how satisfied they were as taxpayer in general. The summary of the findings on the responses have been presented in Table 4.30 and Fig 4.13 detailed information have been provided.

Table 4.30: Satisfaction as Taxpayer

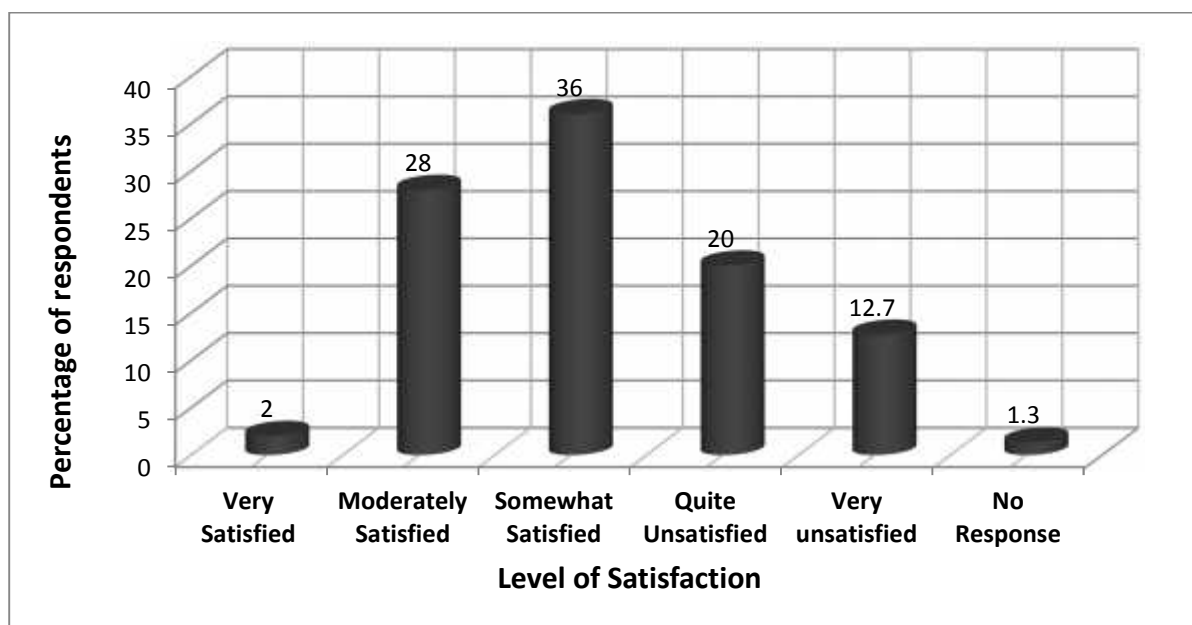
Unit	Very Satisfied	Moderately Satisfied	Somewhat Satisfied	Quite Unsatisfied	Very Unsatisfied	No Response	Total
No. of respondents	3	42	54	30	19	2	150
%	2%	28%	36%	20%	12.7%	1.3%	100
Cumulative %	2	30	76	60.7	98.7	100	

Source: Opinion Survey 2011

It can be seen from the figure that only 2% of the respondents were very satisfied and about 28% were moderately satisfied. All together about 76% are minimally satisfied. All together, one-third of the respondents were unsatisfied. These findings show that

the government has to improve a lot in order to satisfy the taxpayers to an optimum level. The figure 4.13 also shows the below

Fig 4.13: Satisfaction as Taxpayer



4.3.7.2 Rating on tax regime

Only two persons out of the total 50 respondents rated the tax regime in Nepal as excellent and seven rated it as extremely poor. One in every two rated it to be okay. The summary of the findings has been presented in Table 4.31 and Fig 4.14.

Table 4.31: Rating on Tax regime

Unit	Very Good	Good	OK	Poor	Very Poor	No Response	Total
No. of respondents	2	29	72	33	11	3	150
%	1.3%	19.3%	48%	22%	7.4%	2%	100
Cumulative %	1.3	20.6	68.6	90.6	98	100	

Source: Opinion Survey 2011

The rating on the overall tax regime has improved very slowly. However, almost 50% of them rated the regime to be just okay. This clearly shows that there plenty of scope for the government to improve the tax regime in Nepal.

4.3.8 General Comments and Suggestions of Taxpayers

Towards the end of the interview, all respondents were requested to provide their suggestions and comments general or specific, for improvement in the tax administration 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.

-) Use the tax money properly for development of the nation and not for the interest of ruling political parties.
-) Provide basic service to the people in proportion to the tax collected.
-) Make the tax payment process very simple, clear 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
-) There should be no audit after completion of full audit
-) 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
-) There should be no tax for the organization, which do not make profit, tax on interest earned in particular.
-) The government is dependent on the donor to develop tax policies. Don't depend on them, be practical and make your own judgment.
-) 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.
-) Why do all large taxpayers need to go to Kathmandu? Can't this be arranged locally?
-) An effective complaint logging system should be establishment.
-) There is no major complaint regarding the tax policy and Tax Acts of the government, but there are problems in their implementation practices.
-) There is no problem for officials of Chamber of Commerce and Industries in dealing with IROs officials, but for ordinary people it is not easy.
-) Tax rates should be progressive.
-) There should be one and the same tax policy for all and there should not be any discrimination.
-) Tax rate for small business stalls is high compared to big business houses, so reduce the rates for the small business enterprises.
-) 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
-) For accessibility of IROs offices should be establish taxpayer services offices in each and every district.
-) To establish VAT and Tax information council offices.
-) Each and every procedure of tax policy and system should be included in Website and service should be done it

CHAPTER-5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This Preceding Chapter have discussed and explored the facts and matters required for the various parts of the study. Having completed the basic analysis required for the study, the final and most important task of the researcher is to enlist findings issues and gaps of the study and give suggestions for further improvement.

This part is a complete suggestive package, which contains summary, conclusion and actionable plan. Summary gives the brief introduction of all the chapters of the study and shows the actual facts that have been taken from the analytical part. Findings are based on the consequence of the relevant data. Actionable plans are presented in terms of suggestions which are prepared on the basis of the findings.

5.1 Summary of the Major Findings

Finally the above definitions of satisfaction we can say that Taxpayer satisfaction is the fulfillment of needs or wants of taxpayers. Satisfaction is a person's feeling of pleasure or disappointment resulting from comparison related to her/his expectations. So the Taxpayer's satisfaction is a function of the government's rules and policies in the income rates etc perceived performance and the taxpayer's expectation. Taxpayer expects that the government to expenses the income tax for right places and citizenship welfare also development of country.

Taxpayer will be satisfied which the government spend the tax money for the development of the nation and the citizenship welfare and social services like security, road, drinking water supply, irrigation, health, hospital, education etc. They compare the performance of the Government and its regulation lack of corruption. Tax payer describes the feeling, attitudes or preferences of taxation system and well taxpayers services. It is common thought that taxpayer's satisfaction influences behavior of IROs.

Hence, after the study of above mentioned subject regarding satisfaction, job satisfaction, Customer Satisfaction and other such satisfaction show that the satisfaction of tax payers is based on the facilities and the services provided by the government to the public i.e. drinking water, transportation, electricity, health and sanitation electricity, Telephone and Communication, Security.

Along with these things tax payers want fast delivers service easy access to tax/custom or IROs office through e-governance system in tax system and administrative mechanism so that they feel pride in the procedure and not any hindrances. The sort show range specific provisions to enhance the satisfaction level of taxpayer by emphasizing and giving top priority to tax policy tax system administrative mechanism, taxpaying procedure public services.

5.1.1 Perception on tax

It is encouraging to note that majority of the respondent taxpayers realize that people should pay tax on their income as per the prevailing rules and regulations and that if someone fails to do so, s/he deserves punishment. However, they feel that the tax procedures are not clear and simple and the tax rates are too high.

5.1.2 Perception on Public Service

The Analyses show that on average, over two- thirds of the respondents were not satisfied with the public services: security, electricity, drinking water supply and social benefits. In telecommunication, transportation and education over 50% of the respondents' felts satisfied. The Taxpayers' satisfaction level increases automatically as and when the government is capable of delivering the public services appropriately.

5.1.3 Quality of Service of IROs

In brief, one can conclude that although the quality of services of IROs has improved over the past 8 years without exception, less than 40% (except in the case of location and accessibility) were found satisfied up to a moderate level. Combining the respondents who rated moderate satisfaction with those who rated okay level of satisfaction, about 72 percent were satisfied with the overall services.

On the one hand there is improvement in the quality of services but on the other it is disappointing to note that man of the taxpayers still feel that behavior of tax officials is not friendly and fair. Moreover, over two-thirds reported that they had to bear extra costs to get their job done.

5.1.4 Administrative Mechanism and tax Procedures

In brief majority of respondents except in the case of tax refund, were found satisfied up to an acceptable level on the tax procedures and administrative mechanism. Four in every five respondents have improvement on in this respect in the past 8 years. In case of tax refund, over 70 percent of the respondents are not satisfied.

5.1.5 Availability of information

The respondents have ranked the "newspapers" as the most important and "colleagues/relatives/friends" as the least important sources of information on tax. In case of income tax, three in every four respondents were satisfied with the availability of information and ease in understanding printed documents. In case of VAT, four in every five respondents were satisfied. With regards to the contents and coverage of the documents, over 79% were satisfied in both the cases.

5.1.6 Tax System and Tax Policy

Overwhelming majority of the respondents felt knowledge and information on the tax system and tax policy to be important. Four in every five respondents felt that there was improvement in the situation of tax policy and tax system in the country during the past three years. Significantly over two thirds of the respondents did not feel that the tax money was utilized properly.

5.1.7 Overall Level of Satisfaction

On the Whole, about two-thirds of the respondents were satisfied but just at the minimum level which leaves one third of them not satisfied. The rating on the overall tax regime has improved compared to the rating in the previous study.

However, Less than 19.3% of the respondents felt that the tax regime was good in country. This clearly indicates the government needs to put more effort in order to improve to the tax administration in Nepal.

5.2 Conclusions

Based on the findings discussed above, the following conclusions can be drawn:

- i. There is basis for one to conclude that the tax administration in Nepal is on an improving trend over the past 8 years. Although this is an encouraging result, the pace for improvement, however seems slow.
- ii. The IROs is slightly improving its administrative mechanism and tax system helping by Project like GTZ, Danida etc.
- iii. The Taxpayers' satisfaction level increase automatically when the government is capable of delivering basic public services to the public.
- iv. 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 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.

- v. 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.
- vi. It is pity to note that over two-thirds of the respondents have indicated that they have to bear extra costs to get their job done. Compare the previous study that there are positive changes but not enough. The government should be serious to address the issues related to corruption and unfair and unfriendly behavior of the officials particularly in IROs.

5.3 Recommendations

The recommendations in this report are based on the finding of the survey. When people pay taxes on their income as per the prevailing rules and regulation, there should be an environment for them to feel proud as taxpayers. When taxpayers are not satisfied, the tax authorities have to identify the reasons for their dissatisfaction and take corrective measures.

The task given to I was to suggest major policy and strategic measure for improvement of tax administration. Considering the findings of the study, recommendations are made mainly in the following areas:

- i. The Primary responsibility of tax officials is too ensuring compliance with tax laws/system. At the same time, they should ensure that the tax system is simple, transparent and minimize uncertainty. Thus, the officials should aim to develop and update the existing tax policy to motivate people to pay taxes. While designing the policy, consultations should be held with relevant stakeholders including the business community.
- ii. The tax system should fairly balance the need to protect the taxation revenue base with the principal of good tax system.
- iii. It is useful to identify the status of our country with regards to taxpayers' satisfaction level in relation to those of the developed as well the developing countries and the neighbors. Such a comparison was intended. However, in

absence of reliable data, it was not feasible for the study to do so. Thus, I recommends to the Inland Revenue Department to identify where the country stands in this respect to that the scope for further improvement can be assessed.

- iv. The tax officials working in the field level should emphasize compliance by taxpayers. Voluntary compliance should always be the primary focus of tax officials. To ensure tax compliance, tax procedures should be fair efficient and transparent. The process should be simple, clear and certain. There should be low compliance costs.
- v. Many of the tax officials still have to learn and practice how to deal with taxpayers in fair and professional manner irrespective of the amount of taxes the taxpayers pay and their social status. The tax officials should be provided with effective orientation on the basic principles of good tax administration. Such orientation should be provided to both old and new staff members on a regular basis.
- vi. There is a need to introduce an effective reward and punishment system. Particularly those officials, who do not behave appropriately with the taxpayers and those who seek undue advantages, should be punished.
- vii. For tax officials, it is very important to develop and sustain a good public image. In absence of these, neither can they succeed in their professional career nor can they live in the community with prestige. This needs to be communicated to the officials.

Scope for further research

ICT Application in Service Delivery: A Case of Inland Revenue Department, Nepal

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