

**INCOME TAX CONTRIBUTION OF JOINT VENTURE BANKS IN  
NEPAL**

By

**Prabin Subedi**

**Central Department of Management**

**Tribhuvan University, Kirtipur**

**T.U. Registration No. 7-2-54-560-2003**

**Campus Roll No. 44/063**

**A Thesis Submitted to:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**

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

**Kirtipur, Kathmandu, Nepal**

**Feb 2013**

**RECOMMENDATION**

This is certify that the thesis

Submitted By

**MR. PRABIN SUBEDI**

Entitled

**INOME TAX CONTRIBUTION OF JOINT VENTURE BANKS IN NEPAL**

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

.....

Dr. Gopi Nath Regmi  
Supervisor

.....

Lecturer Binod Shah  
Supervisor

.....

Prof.Dr. Bal Krishna Shrestha  
Chairperson, Research Committee  
and Head of Department

Date: 12-02-2013

VIVA-VOCE SHEET

We have conducted the viva voce examination of the thesis is presented by

Mr. Prabin Subedi

Entitled

**INCOME TAX CONTRIBUTION OF JOINT VENTURE BANKS IN NEPAL**

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

Masters Degree in Business Studies (M.B.S)

Viva-Voce Committee

Chairperson, Research Committee

.....

Member (Thesis Supervisor)

.....

Member (Thesis Supervisor)

.....

Member (External Expert)

.....

Member (Central Department of Management)

.....

Date: 20-02-2013

## DECLARATION

I hereby declare that the work reported in this thesis entitled “**Income Tax Contribution of Joint Venture Banks in Nepal**” submitted to **Tribhuvan University, Central Department of Management, Kirtipur**, is my original work done in the form of partial fulfillment of the requirements of the Master’s Degree of Business Study under the supervision of Dr. Gopi Nath Regmi and Lecturer Binod Shah.

**Date: February 2013**

-----

Prabin Subedi

T.U. Regd No. 7-2-54-560-2003

Campus Roll No. 44/063

## ACKNOWLEDGEMENT

First of all, I would like to thank Tribhuvan University for giving chance to prepare the thesis for a partial requirement to the fulfillment of MBS program held under Tribhuvan University.

I express my deep gratitude to my supervisor Dr. Gopi Nath Regmi and Lecturer Binod Shah for their patient and continuous guidance with valuable comments and kind support to me all way through this thesis.

This research work has also enhanced the practical experience and practical knowledge of research work. So I am very much thankful to library staff member of Center Library, Tribhuvan University, Kirtipur, who provide me the necessary data and information, have helped us to prepare this thesis and I would like to express my sincere thanks to staff members of each joint venture banks and all teacher and tax experts of tax offices for their kind help, suggestions and active cooperation.

At last but not least, my paramount dedication is to my family members/my own official staffs & other friends who have been continuous source of sustain for me while during the tribulation of this research work.

I have tried to cover all the possible are that I felt, important to sum up the **“Income Tax Contribution of Joint Venture Banks in Nepal”**. I am hopeful

that this task will be helpful to the students of business studies & to those who want to make further researchers under this topic.

**Prabin Subedi**

## Contents

	<b>Page No</b>
Recommendation	
Viva-voce sheet	
Declaration	
Acknowledgment	
Table of Contents	
List of table	
List of Figure	
Abbreviations	
<b>CHAPTER-ONE: INTRODUCTION</b>	
1.1 Background of the study	1
1.2 Introduction of Bank	5
1.2.1 Origin of Bank	5
1.2.2 History of Banking in Nepal	6
1.2.3 Joint Venture Bank	8
1.3 Statement of the Problem	11
1.4 Objectives of the study	13
1.5 Hypothesis formulation	13
1.6 Significance of the study	14
1.7 Limitations of the study	15
1.8 Organization of the study	16
<b>CHAPTER- TWO: CONCEPTUAL FRAMEWORK &amp; REVIEW OF LITERATURE</b>	
2.1 Introduction of Tax	18
2.2 Classification of Tax	19
2.3 Objectives of Tax	21
2.4 Income Tax	23
2.5 Evolution of Taxation	25
2.6 Development of Income Tax laws in Nepal	26

2.6.1	Business Profit and Remuneration Tax Act 2017	27
2.6.2	Income Tax Act 2019	28
2.6.3	Income Tax Act 2031	29
2.6.4	Income Tax Act 2058	31
2.7	Corporate Taxes and its Development in Nepal	33
2.7.1	Concept	33
2.7.2	Development of Corporate Tax in Nepal	34
2.7.3	Corporate Tax Base in Nepal	35
2.8	Tax Incentives	36
2.8.1	Tax Incentives in Nepal	37
2.9	Income Tax Administration in Nepal	39
2.10	Meaning of Bank	42
2.11	Kinds of Bank	43
2.12	Development of Banks in Nepal	45
2.13	Meaning of Joint Venture Banks	48
2.14	Special Provision for Bank in Income Tax Act 2058	49
2.15	Brief Review of Some studies in Taxation	50
2.16	Research Gap	60

### **CHAPTER-THREE: RESEARCH METHODOLOGY**

3.1	Research Design	61
3.2	Populations and Sample	62
3.3	Sampling Procedures	62
3.4	Nature and Sources of Data	63
3.5	Data Collection Procedure	63
3.5.1	Secondary Data	63
3.5.2	Primary Data	63
3.6	Method of Data Presentation and Analysis	64
3.7	Respondents Profile	64

### **CHAPTER-FOUR: PRESENTATION AND ANALYSIS OF DATA**

<b>4 (A)</b>	<b>Presentations and Analysis of Secondary Data:</b>	<b>66</b>
4.1	Structure of Nepalese Government Revenue	66

4.2	Contribution of Tax Revenue to the Total Revenue	72
4.3	Share of Direct Tax on Total Revenue and Total Tax Revenue	74
4.4	Structure of Income Tax in Nepal	77
4.5	Income Tax Collection form Joint Venture Bank	80
4.6	Contribution of Income Tax Collection from Joint Venture Banks to Total Tax Revenue and Total Revenue of Government	83
4.7	Contribution of Income Tax Collection from Joint Venture Banks to Total Income Tax Collection.	86
4.8	Relation of Income Tax from JVBs with Tax Revenue and Income Tax Revenue.	87
<b>4(B)</b>	<b>Empirical Studies:</b>	<b>88</b>
4.9	Opinion towards the Income Tax is the Suitable means of Raising Domestic Resource in Nepal	89
4.10	Opinion towards Contribution of JVBs to Income Tax Revenue	90
4.11	Opinion towards the specific Objectives of Income Tax Policy of Joint Venture Bank.	94
4.12	Opinion towards the Income Tax Assessment Procedures.	95
4.13	Opinion towards the Special Facilities and benefits provided to banks by Income Tax Act 2058.	98
4.14	Opinion towards the Reasons to go the Revenue Tribunal for Filling Appeals.	99
4.15	Opinion towards Fines and Penalties Imposed by IRD.	100
4.16	Opinion towards the problem related to Income Tax, which are facing by JVBs.	101
4.17	Opinion towards the complain of JVBs.	103
4.18	Opinion towards the loan loss provision.	104
4.19	Opinion towards the type of facilities should Government give the Bankers for Generating Income Tax.	105
4.20	Opinion towards the problems relating to Income Tax Payment.	107
<b>4(C)</b>	<b>Major Finding:</b>	<b>108</b>

## **CHAPTER-FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION**

5.1	Summary	112
5.2	Conclusion	116
5.3	Recommendations	118
5.4	Avenues for Further Research	121

### **Bibliography** **122-124**

Appendix-One: Cover letter

Appendix-Two: Questionnaire

Appendix-Three: Calculation of Correlation Coefficient of Total Tax Revenue and Income tax collection from Join Venture Banks of Nepal.

Appendix-Three: Calculation of Correlation Coefficient of Total Income Tax Revenue and Income tax collection from Join Venture Banks of Nepal.

## LIST OF THE TABLE

	<b>Page No</b>
Table 3.1:	Respondents Profile 62
Table 4.1:	Composition of Government Revenue in Nepal 68
Table 4.2:	Contribution of Tax Revenue to the Total Revenue 72
Table 4.3:	Share of Direct Tax on Total Revenue and Total Tax Revenue. 75
Table 4.4:	Structure of Income Tax in Nepal. 79
Table 4.5(a):	Income Tax Collection from JVBs. 81
Table 4.6:	Contribution of Income Tax Paid by Joint Venture Bank to Total Government Revenue and Total Tax Revenue 84
Table no. 4.7:	Contribution of Income Tax Collection from Joint Venture Banks to Total Income Tax Collection. 86
Table 4(B):	Structure of the Respondents. 89
Table 4.9:	Opinion towards the Income Tax is suitable means of raising domestic Resource in Nepal. 89
Table 4.10 (a):	Opinion towards significant Contribution of JVBs to Income Tax Revenue. 90
Table 4.10 (b):	Reasons for Unsatisfactory contribution of Income Tax from JVBs in Income Tax Revenue. 92
Table 4.11:	Opinion towards the Specific objectives of Income Tax Policy of JVBs. 94
Table 4.12 (a):	Opinion towards the Income Tax Assessment Procedure of JVBs. 95
Table 4.12 (b):	Problems of Income Tax Assessment Procedure of JVBs. 96
Table 4.13:	Opinion towards the special facilities and benefits provided to banks. 98
Table 4.14 (a):	Opinion towards the Filing Appeals. 99

Table 4.14 (b):	Opinion to go the Revenue Tribunal for Filling Appeals.	99
Table 4.15:	Opinion towards Fines and Penalty.	100
Table 4.16 (a):	Opinion towards the problem related to Income Tax, which are facing by JVBS.	101
Table 4.16 (b):	Opinion towards the problems of JVBS.	102
Table 4.17:	Opinion towards the complains of JVBS.	103
Table 4.18:	Opinion towards the loan loss provision.	104
Table 4.19:	Opinion towards the type of Facilities should be Government gives the Bankers for Generating Income Tax.	105

## **LIST OF THE FIGURE**

	<b>Page No</b>
Figure 4.1:	Composition of Government Revenue in Nepal. 71
Figure 4.2:	Contribution of Tax Revenue and Non Tax Revenue to Total Revenue. 73
Figure 4.3:	Ratio of Direct Tax in Total Tax Revenue and Total Revenue. 77
Figure 4.5:	Income Tax Collection from Joint Venture Banks. 83
Figure 4.6:	Contribution of Income Tax paid by Joint Venture Bank to Total Government Revenue and Total Tax Revenue. 85
Figure 4.7:	Contribution of Income Tax Collection from Joint Venture Banks to Total Income Tax Collection. 87

## **ABBREVIATIONS**

ADB:	Agricultural Development Banks
C.V.:	Coefficient of Variation
CEDA:	Center for Economic Development and Administration.
DBL:	Dubai Bank Limited
FY:	Fiscal Year
I.R.O.:	Internal Revenue Office
ITA:	Income Tax Act
JVBs:	Joint Venture Banks
Ltd:	Limited
MOF:	Ministry of Finance
NABIL:	Nepal Arab Bank Limited
NIDC:	Nepal Industrial Development Corporation
NO:	Number
NRB:	Nepal Rastra Bank
PES:	Public Enterprises
S.B.I.:	Nepal State Bank of India Limited.
M.B.S.	Masters of Business Studies