

**TAX REFORM IN NEPAL:
A STUDY OF NEPALESE VALUE ADDED TAX
SYSTEM**



**A Thesis Submitted By:
BINOD KUMAR RAUT
Campus Roll No.: 92/2063
T.U. Registration No. 7-1-15-317-99
MBS II Year Symbol No.: 575
Thakur Ram Multiple Campus, Birgunj**



**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 (MBS)**

**Birgunj
September, 2010**

Recommendation

This is to certify that the thesis

Submitted by :
Binod Kumar Raut

Entitled:
Tax Reform in Nepal:
A Study of Nepalese Value Added Tax System

has been prepared as approved by this Department in the prescribed format
of the Faculty of Management.

This thesis is forwarded for the examination

.....
(Rajeshwar Pd. Acharya)
Thesis Supervisor & Chairperson
of Research Committee

.....
Campus Chief
T.R.M.Campus, Birgunj

Date.....

Viva-voce Sheet

We have conducted the viva-voce examination of the thesis

Submitted by :
Binod Kumar Raut

Entitled :
**Tax Reform in Nepal:
A Study of Value Added Tax System**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirements for the Master's Degree in Business Studies (MBS)

Viva-voce Committee

Head of Research Department

Member (Thesis Supervisor)

Member (External Expert)

Date:.....

Declaration

I hereby declare that the thesis entitled “**Tax Reform in Nepal: A Study of Nepalese Value Added Tax System**” submitted to the Office of the Dean, Faculty of Management, Tribhuvan University is my original work. It has been prepared for the partial fulfillment of the requirements for the Degree of Masters of Business Studies (MBS) under the supervision of **Mr. Rajeshwar Prasad Acharya**, Associate Professor, Thakur Ram Multiple Campus, Birgunj.

BINOD KUMAR RAUT
Campus Roll No.: 92/063
T.U. Registration No. 7-1-15-317-99
MBS II Year Symbol No.: 575
Thakur Ram Multiple Campus,
Birgunj, Nepal

Acknowledgement

The present research study “**Tax Reform in Nepal: A Study of Nepalese Value Added Tax System**” has been prepared for the partial fulfillment of the requirement for the Degree of Masters of Business Studies (MBS). Although VAT is no longer a new topic in the T.U curriculum, still I chose this topic mainly because of my curiosity to know why VAT is falling short of target in spite of its implementation more than 11 years ago. In fact, VAT promises a great change in the revenue structure of any country and is said to be more efficient and superior to sales tax in revenue generation. Moreover, many people are still ignorant and confused about the very name VAT. I am immensely indebted to my thesis supervisor Rajeshwar Prasad Acharya Associate Professor, Department of Accountancy and Taxation, Thakur Ram Campus for patiently guiding me in the completion of this thesis. Apart from the guidance, he gave me moral support, encouragement and comments. It was due to his scholarly guidance and constructive suggestions that I was inspired and could complete the thesis in time. My thanks also go to all the respondents who gladly and unhesitatingly gave their valuable views and answers to all questions for my research purpose. I am also thankful to the personnel of Inland Revenue Department, Birgunj, and Connection Cyber for their kind and indefatigable co-operation in providing me the necessary data and supportive materials. I would like to express my gratitude to officials of Thakur Ram Multiple Campus, Birgunj and Library of the same Campus for their kind help and co-operation. Last but not the least, I would like to thank my family and friend Mr. Niranjana Mahato & Shiva Kumar Das (Computer Operator) who directly or indirectly helped me to complete this thesis. Without their support & help, it would be difficult for me to prepare and complete this thesis in time.

Binod Kumar Raut

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Abbreviations

C-VAT	-	Consumption Type Value Added Tax
DANIDA	-	Danish International Development Agency
DG	-	Director General
EC	-	European Community
EEC	-	European Economic Community
e.g.	-	For example
FY	-	Fiscal Year
Fig.	-	Figure
GDI	-	Gross Domestic Income
GDP	-	Gross Domestic Product
GON	-	Government of Nepal
GST	-	Goods & Service Tax
GTZ	-	Deutsche Gesellschaft Fu'r Technische Zusammenarbeit (German Technical Co-operation)
HIID	-	Harvard Institute for International Development
i.e.	-	that is
IRD	-	Inland Revenue Department
I-VAT	-	Income Type Value Added Tax
MBS	-	Master of Business Studies
MIS	-	Management Information System
MOD VAT	-	Modified Value Added Tax
MOF	-	Ministry of Finance
MST	-	Multi-stage Sales Tax (also Manufacture Level Sales Tax)
No.	-	Number
NRB	-	Nepal Rastra Bank
PAN	-	Permanent Account Number
P-VAT	-	Product Type Value Added Tax
Rs.	-	Rupees
RST	-	Retail Level Sales Tax
SAARC	-	South Asian Association for Regional Co-operation.
TPIN	-	Tax Payer's Identification Number
TR	-	Total Revenue
TXR	-	Total Tax Revenue
UML	-	United Marxist Leninist (Communist Party of Nepal)
USAID	-	United States Agency for International

Development

VAT — Value Added Tax

viz. — Videlicet

vs. — versus

WST — Wholesale Level Sales Tax

WTO — World Trade Organization