

# **A Study on Revenue Management of Baglung Municipality**

**A Thesis**

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## **RECOMMENDATION**

This is to certify that the thesis

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

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## **VIVA –VOCE SHEET**

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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 the partial fulfillment of the requirement for Master’s degree in Business studies (M.B.S.)

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## DECLARATION

I hereby declare that the work done in this thesis entitled “**A Study on Revenue Management of Baglung Municipality**” has been submitted to Central Department of Management, Tribhuvan University is my own work is reported for the partial fulfillment of the requirement of Master's Degree in Business Studies (MBS) course under the guidance of respected Supervisor **Prof. Dr. Santosh Poudel**, Central Department of Management, Tribhuvan University.

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## ABBREVIATIONS

%	:	Percent
&	:	And
$\Sigma$	:	Summation
AD	:	Anno Domini
BMC	:	Baglung Municipality
BS	:	Bikram Sambat
CEDA:		Center for Economic Development and Administration
DDC	:	District Development Committee
Etc.	:	Etcetera
FY	:	Fiscal Year
FY	:	Fiscal Year
i.e.	:	That is
KMC	:	Kathmandu Metropolitan City
KTM	:	Kathmandu
LSGA	:	Local Self Government Act
MBS	:	Master of Business Studies
Mgmt.:		Management
Mis.	:	Miscellaneous
N.G.	:	Nepal Government

No.	:	Number
Rs.	:	Rupees
S.N.	:	Serial Number
Sec.	:	Section
Sq. ft.	:	Square feet
TR	:	Tax Ratio
TR	:	Total Revenue
TU	:	Tribhuvan University
TU	:	Tribhuvan University
VAT	:	Value Added Tax
VDC	:	Village Development Committee

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of Study

Nepal is an independent, indivisible, sovereign, secular, inclusive democratic country. Every citizen has to initiate efforts to safeguard their indivisibility and independence. All citizens have given equal right by protecting and promoting their castes, language, religion and cultures.

Nepal is small landlocked country boarding china to the north, and India to the south, east and west. Nepal is divided into three geographical regions on the basics of topographical features. Nepal is predominantly agricultural base country. Majority of the people are engaged in agriculture. Raw materials needed for industry are produced from agriculture. There is a great importance for agriculture in Nepal .Peoples living standard improves by its development. The agriculture sector has provided most employment opportunities in Nepal. Apart from this, the major portion of people of Nepal is in village area and most of them live below the poverty line. Widespread poverty, rapid population growth, low income distribution, heavy dependence on foreign aid, unemployment, unexploited resources, lack of infrastructure, adverse balance, lack of saving and capital etc are the major characterizes of Nepalese economy which shows the poor performance of the Nepalese economy.

Every nation in the world worried about overall development along with increase its economic growth .Nepal is not exception from this ever continuing process aimed at the betterment of its people. Capital plays vital role in the rapid economic development programmed to solve the various socio- economic problems.

The interim constitution of Nepal has clearly direct Nepalese government for a self reliant economic system, encouragement to national enterprises, prevention

of economic exploitation as well as uplifting the people's standard for a self-reliant economic system and sound infrastructure for the development, the government should generate sufficient revenue. Government revenue is the most important sources of financing government expenditure. The government is required to make and implement various policies and planning acts and procedures. Besides this, *revenue mobilization* is one of the important functions of government.

The major burning issue of today is decentralization. In the process of reconstruction, the participation of the whole people is essential. Different countries have proved that decentralization is their major objective. Political parties, civil coordination groups as well as other groups concerned to it. Country internalizing decentralization as a directive principle of state policy envisages local government as an integral part of the modern state system. They do not deny the fact that the success of democracy is attributed to sharing power and authority at the local level.

To manage at the ground level in economic sources, human resources, the decentralization is most important. The Nepali experience deals with decentralized local self government practice amidst the several political system and situation. During the authoritarian regime, it was a matter of shows to safeguard interest of the authority, treating decentralization as a more appendage of the center. From 1990 onwards, the local self-government act (LSGA) 1999 and regulations emphasized vertical and horizontal decentralization to consolidate the governing capacity of local bodies, but ambiguity as well as overlapping in function and duties between central and local agencies interrupted the smooth institutionalization of local democratic practice despite the devolution of power.

In connection with the underdevelopment of decentralization in Nepal, professor Lok Raj Baral argues that despite various admissions formed and declarations made for decentralized power structure, Nepal tradition as base of

power – the authoritarian culture militated against the spirit of decentralization of power. Apparently, both centralized unitary pattern of the Nepali state and mono- institutional culture of ruling elites hampered full fledged democracy at the local level. Janaandolan II directed a political way to replace the authoritarians regime to concretize people's sovereignty and authority .

Local democracy and decentralization refer to meaningful participation of the local people in the domain of planning and decision making in the states political framework. Decentralization is supposed to take decision of one's own life which affects in human beings. In modern political era the small unit should get the authority to solve the problem of their regions /areas .That supposition is called decentralization.

Now the main sources of revenue are in the hand of central government. Custom, vat, income tax, and excise duty are in the hand of central government .some other sources of revenue are given to the local bodies.

There are mainly two types of taxes: Direct tax and Indirect tax .This direct tax are income tax, expenses tax, death tax etc. Vat, sales tax, hotel tax are indirect taxes which are not collected directly from customers but this tax is collected by the businessman and companies. Among these taxes, Local Tax is one of the prominent taxes in Nepal.

Revenue is the means all ' incomings and receipts of public authority including loan from internal and external sources and receipts from sale of public assets. In narrow sense it means government income. In other words it includes all the resources the government can tap except loan and assets sale. In a specific sense it means only tax revenue. So Revenue management is the management of tax revenue and non-tax sources .Tax sources are house and land tax, malpot tax, business tax, rent tax, vehicle tax, entertainment tax, advertisement tax etc in the context of municipality. Non tax revenue is fine and penalties, fees, license, grants etc. Local tax is one of the sources of government revenue.

Local tax is a direct tax which is collected by local body of the nation. Local self governance act (LSGA) 2055 has given authority to local body to collect local tax. A local tax assessed and levied by the local authorities such as usually municipality or VDC/DDC .A local tax is usually collected in the form of property tax and is used to fund a wide range of civic services from garbage collection to sewer maintenance. The amount of local taxes may vary widely from on jurisdiction to the next. It is also known a municipal tax.

Unlike, federal or state taxes, the benefits arising from local taxes are generally apparent at the community level. Municipality have to face a constant balancing act with regard to levying local taxes, since rising taxes may lead to 'taxpayer revolt ' while low taxation levels may lead to cutback of essential serves (Wikipedia)

This Baglung Municipality (**BMC**) is one of the beautiful towns of western Nepal. It is the administrative headquarters of Baglung district and Dhawalagiri zone. It is 275 km west of Kathmandu. Baglung is a major business, financial, education and health centre for the people of Kaligandaki valley. It is mostly known as the city of bridges and is also famous for its map which is similar to map of Nepal.

Baglung bazaar is situated on a plateau overlooking the Kaligandaki George directly south of the Dhawalagiri Himalayan range steep cliff rising from the valley flank the plateau on three sides city limits are roughly determined by the Kathekhola to the south, Kaligandaki River to the east and Dhodeni khola to the north. Baglung is high above 35c (95f) and lows below 0c (32f) are rare. There are around 30763 inhabitants (census 2012) .Annual population growth rate is 3.30% in 2011. It is the 38<sup>th</sup> largest municipality in Nepal, up from 47<sup>th</sup> in 2011. Apart from Nepali other language spoken includes Newari, Gurung, Thakali, Tibetan and Magar.

Baglung is a multicultural and multiracial community. Majority of the population belongs to ethnic communities of Brahmin, Magar, Chhetri,

Chhantyal and Dalits .Small groups of near Gurung and Thakali also live in the area. Majority of the population from Baglung practice Hinduism. Other religion practiced in the area included Buddha and Islam. There is also small Tibetan refugee camp located at Dhorpatan. Baglung and adjacent areas are well known for the folk Nepali music. The area has given rise to some of the major prominent name in folk music ,Annual folk song competition held during chait dashain festival attract many artist from all over nation .

Baglung is connected to Beni of Myagdi district to the north and Kushma of Parbat district which located 13 km to the north and 12 km to the south respectively .A paved highway connected Tibet to the town Pokhara, 72 km to the east. Tracks for the highway to connect Tibet to the north via mustang, rukum to the west via burtibang and sera bazaar to the south .Balewa airport have been completed recently. It is located in balewa, 12 km to the south of the town across the valley from Kushma. Water transportation is virtually absent, however the adjoining Kaligandaki river offer of the best white –water rafting in Nepal and attract a decent number of thrills seekers every year. Baglung being the zonal and district headquarter has a larger presence of government and non – government institutions. Administrative as well as service centers are located within the city limits .A number of government as well as political conferences and rallies are held through the year. Baglung is also a Banking and financial hub of the region .In the recent year ,many national bank have opened branches and regional officials ,A large number of people are employed overseas and in neighboring India .people from Baglung are employed in British and Indian army. Baglung and the region receive one of the highest amount of remittance earned from foreign employment in Nepal .As of 2010, pension fund alone distributed to ex – service man of the Indian army by the pension paying office at Baglung stands at around USD20 million .There are many shops and restaurants catering to the local and occasional visitors .The town is building with grocery newsstands, repair shoes, tailors, beauty parlors, clothing and electronic outlets. There are few small scale industries. Most of

the manufacturing works revolved around production of construction materials and home furnishing school and institutions of higher education's also employed a significant number of people.

Baglung posses one of the greatest concentrations of artechetrual treasure in world and they are still pat of the living culture .Baglung has been a densely inhabited centre of historical times. The indigenous people are Magars .The national census 2012 counted 30763 peoples and 7859 households .The populations density is 1676 .The municipality is spread over and area of 18.35 sq. km. Administratively it is divided into 11 wards .The area households size is 3.91.

### **1.2 Statement of the problem:**

Nepal is a mountainous country .Due to difficult landform our country has to face the problems of development. Many parts of our country are remote and economically disadvantage.

In order to bring balanced development throughout the country and for the purpose of effective efficient administration and local government .Through the history of decentralized governance in Nepal began in 1960s with the establishment of districts, municipality and village level Panchayat.(GON 2001;7). The Panchayat elected LGS and had the authority to formulate policy, undertaken programme and taxes.

During the thirty year Panchayat rule several experiments were conducted to implement decentralization and local governance but due to the lack of political will and commitment and federal nature of the system nothing could be materialized empowering the people through locals' government bodies (Khanal 2006:36)

After the restoration of democracy in1990, a new constitution was promulgated which has envisioned decentralization and local government .The constitution gave directive principles of state polices (article 25/4) to in value more citizen

in governance through the process of decentralization. Accordingly, acts of DDC, VDCS and municipality were formed in 1992. However some shortcomings have been seen such as conflict between staff and line agencies, duplication in planning, implementation and resource mobilization etc.

The present system of local government came into effect in 1999 after the enactment of local self Government Act (LSGA/1999). This act makes provision conducive to the enjoyment of the fruits of democracy through the utmost participation of the sovereign people in the process of governance by way of decentralization. Institutionalization of participatory development involving socio-economically backward groups in mobilizing and allocating means for local bodies capable of bearing responsibility.

Before local self government act 2055, tax was collected by local body. Nowadays that duty is abolished and central government only collect custom duty of 1.5% for local development fees but this is not stable in future because the country has been entering into the globalization which deducts the tax rate, in this condition other local taxes increase the development local level, it is one of the problems.

Despite the government's commitment towards decentralization and local self government efforts towards decentralization and local self government have been interrupted since 2001 due to several reasons. Maoist insurgency that had been simmering since 1996 is one of the problems. The unstable politics has great impact on the smooth functioning of local government which has multidimensional adverse effects in the national life. People are becoming more fragmented in terms of ethnic identity, regionalism, language for which the various dimensions in the politics reduced the level of faith to the citizen. This is also a problem.

Nepal has been facing various problems for the implementation of local tax. Firstly, government's inefficiency of its dependence on the political pressure is for

from expectations .In this condition specific statement of problem are as follows:

- What is the trend of revenue management in BMC?
- What is the contribution of local tax on the total revenue of BMC?
- What is the relationship between the performance of local bodies and central government?

### **1.3 Objectives of the Study**

The present study is related to understand the revenue management of local body of BMC with the prime objectives of how different factor influence the tax revenue provision in local bodies .To achieve this objectives the present objectives also find the following specific objectives:

- i. To analyze the contribution of revenue in BMC?
- ii. To analyze the trend of local tax.
- iii. To study the effectiveness of local tax in BMC.
- iv. To analyze lacks and betterment.
- v. To recommend measure for the improvement of tax revenue administration to BMC.

### **1.4 Scope of the Study**

- i) Role of tax revenue in BMC
- ii) Easiness in collection of tax revenue
- iii) Identification of public duties to fulfill the rules and regulation of local bodies

### **1.5 Significance of the Study**

Revenue management is the challenging task of the Government in the developing country like Nepal .To manage the revenue the government has greater responsibility of the developing country than developed country because more money is needed for economic development of the nation.

Local tax has been essential to empower the local bodies .It is also necessary to empower the central government. This study helps to suggest measure to improve the revenue collection system in Baglung Municipality.

### **1.6 Limitations of the Study**

Most research studies are imperfect having limitations regarding research design and the meaning of the data collected .This research study is no exception. Below is a list of limitations associated with this tax revenue analysis

- i) This study is carried out for the partial and fulfillment for MBS .*Revenue management of BMC*
- ii) This study is based on revenue management of BMC not the complete study of the nation.
- iii) The study is based on secondary data however primary data are also collected and analyzed.
- iv) The study is performed in limited time and resources (*e.g. for 5 years*)
- v) The opinion survey is kept limited to Baglung Municipality only.
- vi) Despite the limitations of this research study .It is expected to generate useful data worthy of analysis and discussion.

## **1.7 Organization of the Study**

The thesis is presented in five chapters. The first chapter deals with the introductory aspects of the study .It discuss the general background of the study ,statement of the problem ,objectives of the study ,scope of the study, significance of the study ,limitations of the study and organization of the study.

The second chapter is Review of literature which includes conceptual review and review of related studies. It also describes the theoretical and conceptual foundations of the local government and its revenue management.

The third chapter explains the methodology adopted for the study. It includes research design, population and sample, nature and type of data, data collection, data analysis etc.

The forth chapter deals with data presentation and analysis .It tabulates, describe and analyze the data and finding in the form of table, chart, diagram to get knowledge and idea numerically.

The final chapter winds up the study by giving the general summary and recommendation for whole study. It shows the tax revenue management on current situations and way for improvement.

## CHAPTER –II

### REVIEW OF LITERATURE

#### 2.1 Conceptual Framework:

This Chapter explains the theoretical and conceptual foundation of local government and its revenue management. It is divided into two major parts: first part dealing with local tax and second part revenue management. The first part starts with the historical background of local government in Nepal. Further it is narrowed down to municipal government with classification, meaning and duties and sources of income in municipality. Finally it is concluded with the dark side or criticism of local tax. In the second part, revenue management has been dealt with special focus on definition and importance of revenue management. Then it proceeds toward brief introduction of Baglung Municipality and ends with review of previous research studies in the field revenue management.

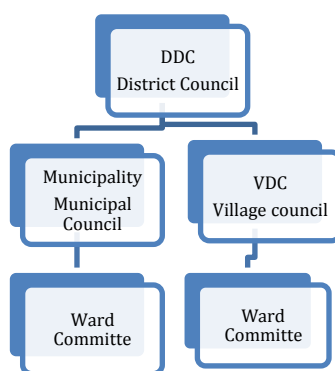
A review can be just a simple summary of the sources, but it usually has an organization pattern and combines both summary and synthesis. Review of literature gives the framework of the research process. Review of literature facilitates to find out what research studies have been done in once chosen field of study. Review of literature helps till the last step of the research process. Review of literature is useful in research because it provides the insight and general knowledge about the subject matter of the research.

So in this chapter the emphasis is given to revenue management of Baglung Municipality. Similarly more emphasis is also given to the rule and regulations of different taxes prescribe in LSGA 2055. Past is the foundation of future so past data can't be ignored.

## 2.2 Local Government System in Nepal

The formal initiation of the decentralization and local government process in Nepal dates back 1919 when the Kathmandu Municipality was established. After that in 1926, Manyajan Kachaharies is established at village throughout the country. In 1947, an act was promulgated to established village, Municipality and district Panchayat and some legal authorities were also provided. However systematic efforts for decentralized governance in Nepal began in 1960s with the establishment of separate journal, district, Municipality and village level Panchayat. After restoration of democracy in 1990, local authorities exercised a little. They had been used extensively as an extended arm of the central government and hence become centrally driven and non-effective. The presence system of local government came into effect in 1999. The constitution of Kingdom of Nepal(1990), in the directive principles and polices of the state, stipulates that it shall be the chief responsibility of the state to maintain conditions suitable to the enjoyment of the fruits of democracy through wider participation of people in the governance of the country by decentralization. (LSGA, 2055)

## 2.3 Structure of Local Government:



VDC: Village Development Committee

DDC: District Development committee

*Source: Country Report on Local Government System of Nepal*

## **2.4 Concept of Municipality and Village Development Committee.**

Nepal Government specified the area within the kingdom of Nepal, having the population of at least 20,000 and with electricity, roads, and drinking water and communication facilities in the Municipality area. Nepal Government specifies hilly and mountainous area having a population of at least 10,000 and with electricity, transportation, drinking water and communication facilities.

The geographical area, population, unity and differences in resident socio-culture, defining four side boundary throughout the kingdom of Nepal is VDC as per LSGA 2055, Sec: 4.

## **2.5 Local Tax and Revenue Management:-**

Every Government has to spend a lot of money to fulfill its responsibilities towards the people. The responsibilities either for handle day to day administration, maintain peace and security, health, education, or launch other developmental activities. To run such activities, government need fund for the creation of various socio-economic infrastructure. The government collect fund mainly from two sources: debt and revenues.

Government revenue refers to the income of a government from various sources. In the early days of human civilization, the role government was limited. They were limited population and they had limited needs and demand. Along with the increase in public need, the role of government also increases subsequently in different sector of the economy. Government of the twentyfirst century has to carry out various socio-economic tasks to maintain economic stability to attain high economic growth and to maintain peace and order. In order to carry out these entire task, it has to collect revenue from different sources is government revenue. Thus the systematic process of identifying, mobilizing and monitoring of the sources of revenue is the revenue management. Basically revenue is collected from three sources via tax sources, nontax sources and foreign grants.

Tax is the main sources of government revenue. Government collects revenue from both direct and indirect taxes. Direct taxes are imposed on income, wealth and corporate profit. Indirect taxes are imposed on in goods and services that people purchase. Customs, tax on consumption and production of goods and services, land revenue and registration fees, profit and property are indirect taxes. Non tax revenue are gifts, license and permit fees, fine and penalties, special assessment or betterment levy etc To institutionalize the process of development by enhancing the participation of all the people including the ethnics communities, indigenouse people and downtrodden as well socially and economically backwards group in bringing out social equality in mobilizing and allocating means for development of their own region and in the balance and equal distribution of the fruits of development, Local Self Government Act (LSGA) has formed. Local Self Government Act has the provision of local tax.

Local tax is a direct tax. It collects through local bodies of the state. In Nepal, LSGA has given authority to collect this tax. This tax play vital role to collect the revenue of nation. Most of the collected revenue is financed in same local places. In the republic country this tax mostly collects from state government. Some countries having different constitution collect tax from local government. Thus local tax play vital role to collect revenue.

## **2.6 Role of Baglung Municipality on Local Tax**

Baglung Municipality was established in 2054 B.S. its main purpose is to identify and mobilize of required sources and manage the fund to fulfill its increasing responsibility and working sector. The Municipality has the efficient and effective polices and guidelines, directions and decisions related to revenue. Baglung Municipality invested a lot of fund on different sector i.e. keeping town clean, developing infrastructure of town according to public wants, environmental service and its daily administrative work. Recently Baglung Municipality facilitates four Municipal buses for the convenient of the public. The act has provided authority to BMC to performed job according to

the law. BMC has the provision of job planning for mobilizing revenue and monitoring its planning. BMC effectively collected revenue according to revenue collection planning. BMC plays systematic recording procedure related to tax, fees, rent etc. it also controlling the evasion by managing effective tax collection system. It is providing help to municipal consultant committee.

**Table 2.1,  
Last five year view of BMC on Revenue Collection.**

s.n	Income Head	F/Y 064/065	F/Y 065/066	F/Y 066/067	F/Y 067/068	F/Y 068 /069
1	Tax Revenue	1986346.69	2285953.21	2458431.7	3029121.59	4648216.42
2	Non-Tax Revenue	2445870.04	3093461.1	3100086.1	3290408.16	4071057.11
3	Internal sources of Revenue	4432216.8	5379414.3	5558517.8	6319529.75	8719273.53
4	External Sources of Revenue	47216	123390	185101	89175	175343
5	Total Reveune	4479432.8	5502804.3	5743618.81	6408704.75	8894616.53
6	Ratio=3/5	98%	97%	96%	98%	98%
7	Ratio=1/3	44.81%	42.49%	44.22%	47.93%	53.30%

*Source: BMC 2068/69*

### **2.6.1 Tax Revenue:**

This revenue only includes the tax of BMC. It does not include not tax grants, fees, and other income of the BMC. Currently Municipalities in Nepal benefit from the large variety of revenue titles that are listed in the respective law, the local self government act of 1989. Some of the revenue title is not collected by municipalities because their yields are very low. The local tax revenue play vital role to collect revenue of BMC than other sources. Mostly local body (BMC) imposed house and land tax, land tax, business tax, vehicle tax, rent tax, entertainment tax and advertisement as local tax. These are mentioned below.

#### **2.6.1.1 House and Land Tax:**

Local self government act (LSGA) 2055 and regulation 2056, house and land act and rules 2020 and approved decision from the council of BMC imposed

this tax since fiscal year 2057-58 on its area. Municipality may levy house and land tax on each house and land within their jurisdiction on the basis of size, type, design, construction and structure of the house and area covered by the house as approved by the Municipal council.

According to LSGA 2055, the ward office gets responsibility to collect house and land tax. Every tax payer has to give statement of their house and land on related Wada office on first Shrawn. Wada office examines their applications and provides information how much amount they have to pay as tax. 10% discount is given to the tax payer who paid to tax their tax in Shrawn end. The BMC also provision of fine and penalties for those tax payer who do not pay tax in time and violate rules and regulations.

***When the tax pays the following documents should attached;***

- Photocopy of house and land certificate.
- Photocopy of house map certificate.
- Photocopy of payment bill of Malpot.
- Photocopy of registration document of Malpot office in case of purchase of houses land.
- Clear required document in case joint ownership.

**Table 2.2  
Evaluation of house and land tax and tax rate.**

S.N	Type of House	Evaluation rate per sq.ft	Annual Dep. %	Total Life
1	Raw bricks with soil and wood attach	Rs. 450	3	25
2	Strong bricks or stone with soil attach	Rs. 525	2	30
3	Strong bricks or stone with cement attach	Rs. 575	1	70
4	RCC Frame	Rs. 635	0.75	100

Note: No valuation made of the house having used raw bricks or wall or soil or bamboo or wood having the roof made of hay.

**Evaluation of house and land:**

While evaluating house and land, the rate should be prescribed by local committee constituted for that purpose. For the purpose of registration, in case there do not determined value of any house and land, in case will valued according to Malpot rate by the land revenue office. After registration if house and land purchase or sell on that condition, the tax will take on high value on comparison between determined value and registration value.

#### **2.6.1.2 Business Tax:**

Municipalities are empowered to levy a business tax on the specified industry, trade, profession, or occupation. Minimum and maximum rates for each category of profession are fixed and the municipalities can fix rates according to their local conditions within their limits. Business tax is that tax where municipality gives authority according the LSGA 2055 and regulation 2056.

This tax is collecting through the responsibility of Wada secretary by providing full authority and made a provision to keep record of tax payers. For the provision of the business tax, a tax payer has to apply with the required documents for register of their trade, business and profession or other business transaction. The required documents while applying business tax are:

- Photocopy of natural citizenship
- Photocopy of house rent agreement.
- Photocopy of certificates given by different office which require operating business.
- Photocopy of company registered certificate.
- Photocopy of registered certificate of IRD

**Table 2.3**  
**Rate of business tax in the area of BMC (Minimum - Maximum)**

S.n	Types of Good	Minimum Rs	Maximum Rs
1	Cigarette, alcohol, jewelery, video, cassette, recoder etc	750	10,000
2	Construction materials, computer, electronic equipment, camera, t.v, radio, carpet, petroleum product etc	500	5000
3	Daily consumption goods	360	1000
4	Expert consultant and other business services	360	3000
5	Surgeon	360	1000
6	Computer, insurance agent, surveyer, veterinary doctor	360	3000
7	Professional painter	5000	15000
8	Industry related to production	2000	10,000
9	Agricultural and forest industry	1500	10,000
10	Industry related to energy	2000	5000
11	Tourism industry	1000	50,000
12	Service industry	4000	7000
13	Construction industry	1000	10,000
14	Commercial banks except government ownership	5000	50,000
15	Branch office of commercial companies	1000	3000
16	Insurance company	5000	10,000
17	Foreign currency exchange	1000	3000
18	Transaction of security board	1000	3000
19	Co-operative banks	1000	2000
20	Private hospitals	1500	5000
21	Nursing home	2500	5000
22	Clinic or lab	500	3000
23	Private school, campus, universities	360	1000
24	INGOs	2500	5000
25	Private post office, telephone, fax, e-mail, internet	360	1500
26	Advertisement service	360	1500
27	Beauty parlor	360	1500
28	Housing companies	1500	5000
29	Pool house	360	1000
30	Butcher shop	1000	3000
31	Foreign employment service	1000	5000

*Source: BMC, 068/069*

### **2.6.1.3 Land Tax (Malpot):**

According to the decision of BMC, land tax is collected through related wada office of the BMC. For the purpose of land revenue, land is divided into four categories, on the basis of productivity of land (Abbal, Doyam, Seem and

Chahar). For the purpose of the Bhumi Kar urban is divided into six categories on the basis of residential and commercial importance of land.

Rate per ropani – Rs 1 to 100

Rate per Kattha – Rs 1 to 64

Municipality can charge from Rs 15 to Rs 400 per ropani and from Rs 10 to 200 per kattha with the approval of the concerned municipal council taking into consideration the productivity. Government of Nepal divided Rs 5 for each plot of the land owner in the district of the hilly region where land survey has not been completed and the land revenue act 2034B.S (1977) has not been enforced. In case where total amount of the land revenue and tax is less than Rs 5 per land owner per annum. The minimum annual and land tax shall set at Rs2.

#### **2.6.1.4 Advertisement Tax:**

According to local self government act 2055 section 43 and advertisement index 2064 has provision to collect advertisement tax through BMC. Municipalities can levy an advertisement tax at the rate ranging from Rs 200 to Rs 1000 on signboards, global board, stall etc permitted to be proceed by roads, junctions, public places etc under their jurisdiction.

*Following documents should submit at the time of application for advertisement tax-*

- Rent agreement letter of house with house owner.
- Photocopy of natural citizenship if concern with natural person.
- Photocopy of business registration if concern with entity.
- License for board marker or site visiting report for first beginning advertisement board.

### **2.6.1.5 Entertainment Tax:**

Municipalities may levy entertainment tax at the rate of 2 to 5 percentage of entrance fee on the means of entertainment such as cinema halls, video halls and cultural show halls. Similarly municipalities may levy entertainment tax on the circus and magic shows at the rate of Rs 200 to Rs 500 per day. No entrance fee is levied to Nepalese citizen to enter into the historical place, archaeological places and religion importance gift. BMC has authority to implement this tax to the cinema hall, video hall, cultural exhibition hall etc. this tax give less contribution on total revenue of nation than other taxes.

### **2.6.1.6 Rent Tax:**

Rent refers to all payment including premium receive from lease of tangible assets including rent of house however it doesn't include natural resource payment. Rent tax is a kind of direct tax. Municipalities are empowered to levy a rent tax on the amount of rent in case where any houses, shop, garage, godam, stall, factory, shed; land or pond is rented wholly or partly within jurisdiction. The rent tax levied not exceeding 2 % of rent. On the other hand, municipalities can also levy a tenancy tax on operated shop or permission given to operated temporary shops in public places, unregistered land ( Aailani) or roads sides at the rate of Rs 2 to Rs20 per sq.ft.

***Following are the documents should be attached by the tax payer at the time of rent tax application.***

- Photocopy of rent agreement letter between house owner and rent holder.
- Photocopy of registration certificate.
- Photocopy of citizenship certificate.
- Photocopy of Lalpurja.

### 2.6.1.7 Vehicle Tax:

Municipalities are authorized to levy an annual vehicle tax on the specified vehicles within their area of jurisdiction and per entry tax on all kinds of vehicles entering into their area. Municipalities can also levy per entry tax of the use of the road constructed by them a transport to them from other organizations. Municipalities can levy registration tax on cart, Rikshaw and Tanga at rates ranging from Rs 15 to 50. According to LSGA 2055 section 139 and regulation 2056 an approved rate municipal council or board, BMC imposed vehicle tax.

**Table 2.4**  
**Rate of Vehicle Tax of BMC**

S.n	Types of vehicle	Minimum rate Rs	Maximum rate Rs
1	Bus, truck, lorry and other heavy vehicle	1000	3000
2	Car and jeep on hire	200	500
3	Auto rickshaw on hire	100	300
4	Minibus on hire	500	1000
5	Private car, autorickshaw, minibus	100	300
6	Scotor, motorcycle	50	
7	Car and rickshaw	25	50

*Source: BMC, 068/069*

Note: In case where a municipality has levied vehicle registration and annual vehicle tax in respect of a motor vehicle, no other municipality shall be entitled to levy such vehicles registration and annual vehicle tax.

**Table 2.6**  
**Temporary Vehicle tax rate**

S.n	Types of vehicle	Minimum Rs	Maximum Rs
1	Private or on hire bus, truck and tractor	5	20
2	Minibus	5	10
3	Other vehicles	Up to 5	Up to 5

*Source: BMC, 068/069*

### 2.6.2 Non- Tax Revenue:-

Non- tax revenue are that type of revenue of BMC which is not in actual but is fees, public participation, grants, fine and penalties, license, permits, escheats,

special assessment or betterment levy etc. BMC providing different services and product and get earn money which is self income of BMC.

#### **2.6.2.1 Property Valuation Fees:**

BMC provides service to valuation of property of people who lives in the area of BMC. BMC charge fees Rs 1 on valuation of property per 1000. For simplicity, BMC use house and land tax determination method to evaluate the property of the people of BMC.

#### **2.6.2.2 Service Fees:**

This fee is taken through service holder lives in BMC and its area. The service fees are parking fees, electricity, water, public telephone fee, sanitation, public lavatories, park bathroom, swimming pool, guest house, tourist site, hostel, Haatbazar, street lights, roads, drainage etc.

#### **2.7 Revenue Structure of BMC:**

Revenue structure of BMC is the tax revenues such as property tax, business tax, rent tax, entertainment tax, vehicle tax, advertisement tax, land tax and non tax revenues such fees income, income from own assets, income from investment through banks, sales of seeds, agricultural equipments, collection from different penalties like delays fees, penalty from contractor, collection government and non government grants.

The largest portion of revenue which is collected in the fiscal year 68/69 is Rs 8970694.77 and lowest portion is 4542678.80. [Revenue structure of BMC from fiscal year 64/65 to onwards]

**Table 2.6**  
**Revenue Mobilization**

S. n	Income Head	064/065	065/066	066/067	067/068	068/069
1	Malpot	35858.73	46535.67	55814	80033.38	107965.64
2	House and land tax	1057714.26	1130856.24	1363836.2	1787875.86	2671254.7
3	Panjikaran	-	-	-	88520	90850
4	Property valuation tax	301097.11	382029.39	283037.76	211795	263410.6
5	Rent tax	26588.70	15707.80	14492.8	27720.35	51108
6	Sarsafai kar	466413.5	451265	337751	499196.5	680850
7	Business tax	858530	1036451	1012493.7	1123450	1712948
8	Entertainment tax	63246.07	57446.77	57644.23	23086.5	76078.24
9	Advertisement tax	-	14120	4960	5700	4090
10	Vehicle tax	7665	42282.5	6835	4342	100850
11	Maintenance tax	89680	94950	93400	111000	165000
12	House map merit fee	989824.43	1267056.73	1492644.35	1582306.66	1838881.51
13	Application fee	590855.00	879160.00	872253	764440	947515
14	Nata pramanit sulka	8000	19000	21000	29150	84550
15	Parking	-	-	-	4000	-
16	Misc.	47216	123390	185101	89175	175343
	Total	4542678.8	5560251.1	580163.04	6431791.25	8970694.77

*Source: BMC, 068/069*

## **2.8 Role of Local Tax in Government Revenue**

The declaration of the Republic of Nepal marked the end of a long lasting monarchy and gives opportunities to design a political system that fits most the ethnic diversity and the urgent need of social inclusion and participation in Nepal. However, the functionality of a political system and inter- governmental transfers, apart from the administrative system and the design of the judiciary system. The large ethnic diversity, the ongoing problem of social inclusion and the need to establish sound participation opportunities, local government

finance in Nepal is an important issue that will determine the functionality of federalism and the change of empowerment of local people.

Local self governance act 2055 (1999) made provision of local tax through the utmost participation of the sovereign people in the process of governance by way of decentralization. Local tax is a important source of government revenue. Local tax may depend upon environment in which they are levied and effective for quotable and efficient way to raise revenue. In most countries, taxes on land, property, rent are almost oldest form. Central and Eastern Europe, Asia, Africa and Latin America have the potential contribution of the local tax to the revenue of urban and rural government. Local tax is the sources of revenue of the country. It is best minor sources of revenue in all countries. It is sub-national sources of revenue and much more important in developing or development countries.

In Nepal constitution has empowered local body of the country. VDC, municipality and DDC get authority and made empowered by LSGA 2055. If a local body collects more revenue than its annual requirement budget then the government took, such money and expend in other sector of the country.

The local tax has major part of local government revenue sources in many countries. The role of local tax as a local revenue source which impose as ; property tax, land tax, business tax, rent tax, entertainment tax, advertisement tax etc.

A government requires sufficient revenues to carry out development plans, handle day to day administration maintain peace and security and launch other public welfare activities. For this government collects resources mainly from two sources: debt and revenue. The debt can be internal and external. The revenue on the other hand, comes basically from two sources: tax and non-tax sources. Tax sources can be direct and indirect which has the significant role to collect government's revenue. Local tax is also a kind of direct tax which is collected by local body which in turn raise revenue of government.

## **2.9 Characteristics of Local Tax**

Local tax is a tax assessed and levied by a local authority such as a country or municipality. A Local tax is usually collected in the form of property taxes, is to fund a wide range of civic services from garbage collection to sewer maintenance. It is also known as municipal tax. Local tax is very visible tax. It is paid directly by tax payer in periodic lump sum payment. It is a tax upon all wealth, tangible and intangible, that process exchange value. Local taxes are the sources of government revenue. This tax is mostly collect by the local bodies such as VDC, Municipality and DDC. Mostly rate of local tax are determined by related local authorized person or after approving the rate of this tax from municipal council.

## **2.10 Criticism of local bodies and local tax**

Local government has to shoulder the increasing responsibility for the provision of public good and services and management of public money. In order to fulfill this responsibility effectively and properly, local government bodies must maintain fiscal discipline .i.e. the ability to spend tax-paid money and local resources effectively and in accordance with national or local macroeconomic objectives and targets.

The scenario of fiscal discipline among the local bodies in Nepal has not been up to the mark. Though huge amount goes to the local bodies in the name of local development every year, the effectiveness of the grant is still far –fetched reality. The effectiveness and transparency of the development grants the local bodies receive annually have failed to be ascertained in the absence of elected people’s representatives. Mismanagement, corruption and misallocation of resources are common practices among the local bodies.

Since the dissolution of the local bodies in 2002, they are functioning without elected people’s leadership and are involved in corruption and misappropriation at a degree never seen before. Corruption and

unaccountability in the local bodies were not at such a wide spread level when they were governed by elected people's representatives. Local bodies are the lowest units of the government service delivery mechanism. When they themselves are not in order, people cannot expect smooth delivery of public services and effective execution of development works at the grassroots. The government is inflating the volume of grants every year, but the local bodies capacity to manage the resources is not satisfactory and billions of rupees are being allocated are not spend accountable and transparently.

*There are some theoretical and practical for administrative limitations local tax in Nepal as follows.*

- There is a chance of evasion; administration could not find out exact measurement of minor or general activities of people.
- Mostly local people don't understand the system of local tax.
- Mostly the local person doesn't understand the matter of local tax in which activities touch by local tax and increase the tax liabilities.
- A liability of this tax could not transform to other people ( related person should pay tax)

## **2.11 Penalties, actions and appeals**

Penalties are fixed to correct the misbehavior of the tax payers. If the penalties are not levied or actions are not taken on – over the tax payer who had violated the act, the tendency of follow rules and non-compliance will increase.

Local self government 2055 has made provision according to the section 70 and section 165 by VDC and municipality respectively, if anyone doesn't pay any taxes, fees, charges, duties, tariffs and other due amount.

### **a) In case of VDC**

If a person does not pay tax a fine up to Rs 500 is imposed

If anybody disobeys or violate rules and regulations, order by law him or her liable to fine up to Rs 500. Again if the penalized person does such

error repeated, he penalized double in each time in section 70.4 of act 2055.

**b) In case municipality**

- 1) According to the section 165.2, if anyone doesn't pay the taxes imposed by municipality, it may take following actions.
  - If any one doesn't pay the taxes or charges, the municipality may write to concern body to seize the transfer of the moveable and immovable property of such persons or lock of the trade, profession and withhold the transactions export and import
  - If the collection due amount is not collect or covered up even in the above conditions then the municipality may recover it by auctioning the person house, land or other asserts if any.
- 2) According to section 165.5 if anyone doesn't pay any taxes under the act, the municipality may stop the provided services in regard to such person
- 3) According to the sub-section, 1(b) if municipalities divest the business, it should do so according to the present law of Nepal.
- 4) If anyone commits an action in contribution of the act or the rules or orders under the act such person will be punished , if the punishment is not prescribed by municipality will find Rs. 1000 according to section 165.5
- 5) According to section 165.6 if anyone who had already punished under the above section and commits the same offence again the municipality may punish such person with two –fold punishment for instance.

**2.12 Appeals:**

If any tax payer is not satisfied with the punishment imposed by VDC or municipality according to LSGA 2055 has a provision to appeal against such punishment according to section 70.5 and 165.7 of LSGA 2055. They can

appeal to district court or appellate court within 35 days from the date of notice.

### **2.13 Property not included in valuation for tax purpose.**

- a) Books and equipment, pots and equipment except valuable metals.
- b) Tools, machinery and equipments related to profession and decoration of house except valuable metal.
- c) Equipments for singing, dancing and physical education as well as equipment related with first aid.
- d) Furniture and equipments (except T.V, VCD, refrigerator, washing machine, camera etc). They are exempt in developed countries.
- e) Transportation equipments, weapons and tools use for personal safety.
- f) Patent and copy right.
- g) Amount deposited for life insurance.
- h) Any domestic animals such as buffaloes, cows, oxen and others.
- i) Growing crops, grass or growing tree are excluded.

### **2.14 Review of Literature:**

#### **Review of books, previous related researcher and dissertation**

In the present world local tax plays an important role in revenue management .The various studies carried out by different individuals and institutions are mentioned in this topic. The purpose of the review is to bring insight in brief about the important work done on local taxation in Nepal. Here in this topic, we mentioned the vision of researcher. Some of the literatures related to local tax are as follows.

*Bhattraai and Koirala(2012)*; have provide basic knowledge of general principles and practices of tax laws in Nepal and develop basic skills to handle the tax matter independently. They describe about income tax system, tax planning and its importance in the nation, this book gives good vision to readers.

*Shrestha(2013)*; prepare a book ,*Esthiniya Nikayesambandhi kanun*, describes the role of LSGA 2055 regarding difference taxes and their rates. He describes the role of different local taxes in the revenue of municipality. This book is very useful to know different acts related to municipality.

*Dhakal, K.S(2058)* has prepared a book' *Aayakar Tatha Gharjagga kar Sambandhi kanoon Ra lekha*. He has described detail about house and land tax, income tax, duty of tax payers and importance of tax. This book helps to evaluate the rate and importance of house and land tax also.

*Adhikari C.M(2060)* has prepared '*Modern Taxationin Nepal: Theory and practice* has tried to give depth knowledge about income tax act 2058. He has described on his book that the importance, meaning of tax.

*Pradhan(2007)* has attempted to focus on '*Contribution of income tax from public enterprises to public revenue in Nepal* ', with reference of NTC. In his research, he has summarized that the share of income tax from PES 99% and it share has decreased to 58% in the fiscal year 1998/99. His major findings are income tax is suitable source of mobilizing internal resources.

## **2.15 Review of Thesis:**

*In 2011, Padam Raj Bastakoti*, in his thesis entitled, '*A study in house and land tax in Bharatpur municipality* 'has tried to analyze the contribution of house and land tax in Bharatpur municipality. He analyzes property tax legal aspect, evaluation procedure of house and land, rebates of tax payer in Bharatpur municipality, penalty system of house and land tax, exemptions in house and land tax etc. he also given suggestion that to make conscious to the

tax payer, the administration should operate conscious program and provide door to door services. He also suggests keeping the record suspected tax payer house.

*In 2009, Om Narayan Shrestha*, entitled a thesis ‘*Contribution of local tax on total revenue in Kathmandu Metropolitan city*. He analyzed meaning of local tax, role of local tax in Kathmandu metropolitan city, description of different local taxes, revenue structure of KMC. He also writes about the characteristics and criticisms of local tax in KMC of representing the total revenue of Nepal.

*In 2058, Prajit Kumar Timilsina* in his thesis ‘*Taxation of Nepal*’ special reference to Land revenue and land registration tax has stated that problems of systemantic record of land registration in Nepal. He also explained about the classification of land according to usage and area. He also suggests the policies and guidelines that the government should restructured regarding land registration taxation.

*In 1983, Kem Kumar Misra* conducted a research entitled ‘*Local finance of Rajbiraj Town Panchyat*’. This study was based on secondary data only and focused on the evaluation of municipality and its functions, sources of incomes, expenditure patterns and development activities of the municipality.

*In 2002, Gyan Bahadur Shrestha* entitled a research ‘*citizen trust on local government in Lalitpur*’ also shed light on the significance of local tax in the municipality as well as he also made linkage of people’s trust in local government asking that “Is trust contingent on citizen’s socio-economic background like level of education on gender, economic status etc?”

According to the *Gorkhapatra Daily* dated 2066 Bhadra 11 titled ‘*Corruption in the local bodies*’ showed the mismanagement, corruption and misallocation of researches which were common practices among the local bodies. The editor wrote about vacuum spurs corruption. Taking the advantage of vacuum, the local bodies transferred around Rs three billion of the unspent development

funds to their non-freezable banks account last year. This scenario about the unspent resources at the local level sheds lights on how dysfunctional the local bodies have become in the absence of elected representatives over the last eight years.

### **2.16 Research Gap:**

Generally research is an effort to search new facts, knowledge and principle in the scientific manner. It is the process of investigating or finding the problems again and again. There is a research gap in the study of local tax and its revenue management. The research tries to fulfill that gap because the data using here are original and research objective are innovative. Various reports, articles, books and thesis have been reviewed while preparing this thesis. So this study fulfills research gap. Finally the researcher believes that it is unique and original.

## CHAPTER- THREE

### RESEARCH METHODOLOGY

Research Methodology is a scientific method to complete the research report. In this chapter we study about the research design, nature and sources of data and tools employed. Research methodology should be devoted, applied in the study or the achievement of desire objectives. The main objectives of this study are the real situation of revenue management of Baglung municipality, a very small town. To fulfill the objectives and requirements of the studies, a research methodology has been designed as follows:

#### **3.1 Research design:**

In common parlance research design is the conceptual structure with in which the research is preformed. A research design is the arrangement of conditions for collections and analysis of data in a manner that aims to combined relevance to the research purpose with economy in procedure. Research design constitutes the blueprint for collection, measurement and analysis of data. The research design serves as a frame work for the study guiding the collection and analysis of data, the research instruments to be utilized and the sampling plane to be followed. Thus in this study historical empirical, descriptive and analytical research design are used.

#### **3.2 Types of Research**

There are certain elements of design common to the empirical and the analytical study except the interpretation. The suitable research design is selected on the basis of purpose, level and nature of study. The study includes three types of research

***Descriptive research:*** descriptive research essentially facts findings appropriative largely to the present, and abstract generalizations by the cross

section study of the subject matter. Adequate facts of the topic are collected and the conclusion drawn in this design.

**Analytical research:** The research uses the facts and information already available and analyzes critical evaluation If the material is analytical research.

**Empirical research:** Empirical research is the data based research coming up with conclusion. It is appropriate when proof is sought that certain available on observations along after without due regard for system and theory. In this research respondents are classified into tax administrators and tax payers' opinion of 40 respondents are collected to achieve stated objectives.

### 3.3 Population and Sampling:

The population for this study is the persons having habitations and residing within the boundary of Baglung municipality. It is divided in 11 wards about 30763 populations (Census 2012) .Among the populations of the sample are chosen and selected which represent the characteristics of whole population. Sample is a tool which enables us to draw conclusions about those Characteristics of populations after studying only those objects are items that are included in sample. Due to the limits of time, it is not an easy task to visit and observe throughout all people. Therefore some person are selected as sample and divided into two groups.

**Table 3.1**  
**Group of responded and sample size:**

S N	Group of respondents	Sample size
1	Tax administrators	10
2	Tax payers	30
	Total	40

*Source: BMC, 068/069*

### **3.4 Nature and sources of Data:**

Depending upon the sources, there are mainly two types of data i.e. primary data and secondary data

*a) Primary sources of Data:* Primary data are those data, which are collected a fresh and for the first time on the account of the concerned inventions. The primary data is thus original in characters primary data are now in nature. The primary data is thus original in character. Primary data are raw in nature .The primary data needed are the opinion of tax payers and tax administrators. The needed primary data are collected through observation method and mailed questionnaire method .The same questionnaire was distributed to tax payers and tax administrators. Tax administrators are the officers and personnel of the BMC. Tax payers are the selected candidates of different field i.e. teaching, finance and business.

*b) Secondary data:* Any data that have been collected earlier for same purpose secondary data

The degree of accuracy of this type of data is comparatively less than that of primary data .The major sources of data:

- 1) Reports and publications of BMC journals
- 2) Officials website of BMC: [www.bglnp.gov.com](http://www.bglnp.gov.com)
- 3) Annual reports of BMC unpublished reports of BMC
- 4) Various magazine and journals.

### **3.5 Data collection procedures:**

To know deeply from their mind and heart different methods like questionnaire, short talks, and interviews had been conducted .A set of questionnaire was developed and distributed to the selected respondents in order to get actual information's. Distribution of questionnaire is through field

visit. A total of 40 questionnaire were distributed in which total were returned with their responses. Except this, interview and observations method are also taken.

**3.6 Data Analysis Tools:** To get the reliable conclusion through tabulation and Presentation of statistical tools to make easy to understood

- Time series
- Co- relation
- Simple chart
- Pie chart
- Multiple Bar diagram
- Percentage bar diagram
- Simple percentage

## CHAPTER IV

### PRESENTATION AND ANALYSIS OF DATA

The data collection activities are the most important part of the research activity. The data collection is the linkage to the world of reality for the researcher. Facts, information or premises, systematically collected and formally presented for drawing inferences may be called data. Statistical information collected, compiled and presented for establishing relationships between variables can be included in the data.

Once the data are collected, they have to be processed and analyzed according to the outline laid down while preparing research. Data processing includes editing, coding, classification and tabulation of collected data. Data analysis refers to the computation of certain measures along with searching for patterns of relationship that exists among the data groups.

#### 4.1 Revenue Composition

Municipality has given authority to collect various tax revenues and non-tax revenues. Besides this, central government as well as national and international financial institutions and development agencies provide external resources to the municipality as grant and loan.

**Table 4.1**  
**Revenue Composition**

S. No.	Income Head	F.Y 2064/65	F.Y 2065/66	F.Y 2066/67	F.Y 2067/68	F.Y 2068/69
1	Tax revenue	1986346.9	2285953.2	2458431.7	3029121.59	4648216.42
2	Non-tax revenue	2445870.04	3093461.1	310086.1	3290408.16	4071057.11
a	Internal source revenue	4432216.8	5379414.3	5558517.8	6319529.75	8719273.53
b	External source revenue	47216	123390	185101	89175	175343
c	Total revenue (a + b)	4479432.8	5502804.3	5743618.81	6408704.75	8894616.53
	Ratio: a/c	98%	97%	96%	98%	98%
	Ratio: 1/a	44.8%	42.49%	44.22%	47.93%	53.30%

*Source: BMC, 068/069*

In the above table 4.1, the highest tax revenue is Rs. 4648216.42 of FY 2068/69 and lowest tax revenue is Rs. 1986346.90 of FY 2064/65. Again the BMC contribute Rs. 4071057.11 in FY 2068/69 which is highest among other and Rs. 2445870 in FY 2064/65 which lowest among the non-tax revenue sources. Internal source contribute Rs. 8719273.53 in FY 2068/69 and Rs. 4432216.80 in FY 2064/65. Again the highest tax revenue from non-tax sources is Rs. 175343 of FY 2068/69 and Rs. 47216 that the revenue composition of BMC is increasing year by year. The internal source (tax and non tax source) in F.Y 68/69 is 98%. In the same fiscal year municipality total revenue is Rs. 8894616.53. The tax revenue of F.Y 64/65 is 53.30% which is the highest among other fiscal year

**Table 4.2**  
**Revenue Mobilization** **in Rs.**

S. N.	Income Head	064/065	065/066	066/067	067/068	068/069
1	Malpot	35858.73	46535.67	55814	80033.38	107965.64
2	House and land tax	1057714.26	1130856.24	1363836.2	1787875.86	2671254.7
3	Panjikaran	-	-	-	88520	90850
4	Property valuation tax	301097.11	382029.39	283037.76	211795	263410.6
5	Rent tax	26588.70	15707.80	14492.8	27720.35	51108
6	Sarsafai kar	466413.5	451265	337751	499196.5	680850
7	Business tax	858530	1036451	1012493.7	1123450	1712948
8	Entertainment tax	63246.07	57446.77	57644.23	23086.5	76078.24
9	Advertisement tax	-	14120	4960	5700	4090
10	Vehicle tax	7665	42282.5	6835	4342	100850
11	Maintenance tax	89680	94950	93400	111000	165000
12	House map merit fee	989824.43	1267056.73	1492644.35	1582306.66	1838881.51
13	Application fee	590855.00	879160.00	872253	764440	947515
14	Nata pramanit sulka	8000	19000	21000	29150	84550
15	Parking	-	-	-	4000	-
16	Misc.	47216	123390	185101	89175	175343
Total		4542678.8	5560251.1	580163.04	6431791.25	8970694.77

*Source: BMC, 068/069*

The total revenue of BMC is divided into tax revenue and non-tax revenue. There are seven different tax revenue and eight other non-tax revenues. From the above table, the highest contribution among the local tax revenue is 30% of total revenue can be seen in F.Y 68/69. Among non-tax revenue the highest contribution is house and building permit fees contributing 20% in F.Y 68/69. While comparing total income, income of F.Y 68/69 has the highest amount Rs. 8970694.77. In FY 2064/65, there is no any advertisement tax paid to BMC. Again, the parking fees are only collected in FY 2067/68. The above table presents last five years data. We are going to analyze the trend of this revenue mobilization through time series. The time series or trends analysis is calculated to forecast the revenue of coming year. The revenue of last year is in increasing trend. Trend analysis helps to know the revenue of F.Y 070/71.

**Table 4.3**  
**Calculation of Fitted Trend Line and Trend Value**

Fiscal Year X)	Revenue (Y)	X = X-66	X <sup>2</sup>	XY	Trend Value (Yc)
64/65	4542678.80	-2	4	-9085357.60	4315821.51
65/66	5560251.10	-1	1	-5560251.10	5288578.59
66/67	5801263.04	0	0	0	6261335.67
67/68	6431791.25	1	1	6431791.25	7234092.75
68/69	8970694.17	2	4	17941388.34	8206849.83
Total	ΣY=31306678.36	ΣX=0	ΣX <sup>2</sup> =10	ΣXY=9727570.8	

Here,

$$\Sigma X = 0 \quad \Sigma Y = 31306678.36 \quad \Sigma X^2 = 10 \quad \Sigma XY = 9727570.8 \quad n = 5$$

Since,

$$\Sigma X = 0$$

$$\text{So, } a = \frac{\Sigma y}{N} = \frac{31306678.36}{5} = 6261335.67$$

$$b = \frac{\Sigma XY}{\Sigma x^2} = \frac{9727570.8}{10} = 972757.08$$

Find Trend Values,

$$\text{When } x = -2 \quad y = 6261335.67 + 972757.08 \times (-2) = 4315821.51$$

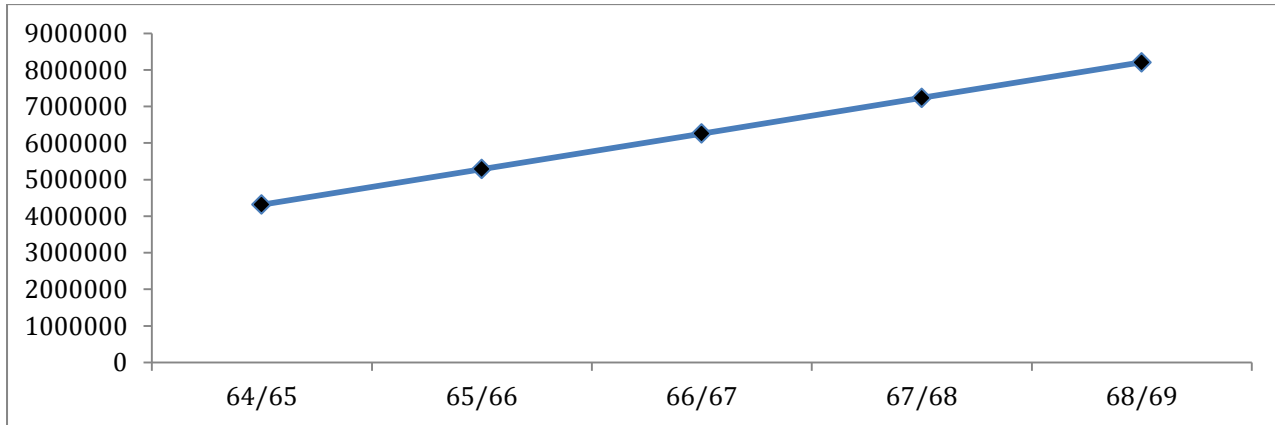
$$\text{When } x = -1 \quad y = 6261335.67 + 972757.08 \times (-1) = 5288578.59$$

When  $x=0$   $y= 6261335.67 + 972757.08 \times (0) = 6261335.67$

When  $x=1$   $y= 6261335.67 + 972757.08 \times (1) = 7234092.75$

When  $x=2$   $y= 6261335.67 + 972757.08 \times (2) = 8206849.83$

**Fig. 4.1**  
**Trend Line**



To find out the forecasted revenue of 70/71 the following steps should be considered:

Substituting the value of a and b in equation,

$$Y = a + bx$$

$$Y_c = 6261335.67 + 972757.08x$$

For FY 70/71,

$$\begin{aligned} X &= X - 62 = 3 \\ &= 6261335.67 + 972757.08 \times 3 \\ &= 15016149.39 \end{aligned}$$

The estimated revenue of FY 70/71 is Rs. 15016149.39.

**Table 4.4**  
**Calculation of Arithmetic Mean**

Fiscal Year	Revenue (X)	d= Y - 5801263
2064/065	4542679	-1258584
2065/066	5560251	-241012
2066/067	5801263	0
2067/068	6431791	630528
2068/069	8970694	3169431
	$\sum x = 31306678$	$\sum d = 7975116$

Source: BMC, 068/069

Here,

$$A = 5801263, \quad \sum d = 7975116, \quad n = 5$$

$$A.M = A + \frac{\sum d}{n} = 5801263 + \frac{7975116}{5} = 7396286.2$$

The average total revenue is Rs. 7396286.2 among five year revenue,  
 = 7396286 (approx)

The revenue of BMC comprises tax revenue and non-tax revenue. If we study only tax sources then total revenue only from taxes will seen follows:

**Table 4.5**  
**Total Tax Revenue**

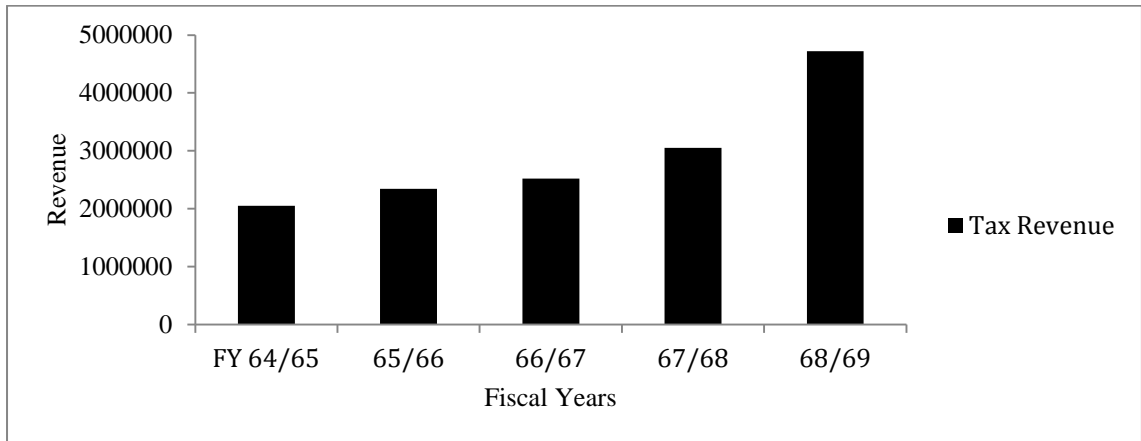
S. No.	Income Head	FY 64/65	FY 65/66	FY 66/67	FY 67/68	FY 68/69
1	House and land tax	1057714.26	1130856.24	1363836.2	1787875.86	2671254.7
2	Malpot	35858.73	46535.67	55814	80033.38	107965.04
3	Rent tax	26578.70	15707.8	14492.8	27720.35	51108
4	Business tax	858530	1036451	1012493.7	11234.50	1712948
5	Entertainment tax	63246.07	57446.77	57644.23	23086.50	76078.24
6	Vehicle tax	7665	42282.5	6835	4342	100850
7	Advertisement tax	-	14120	4960	5700	4090
Total		2049592.7	2343399.9	2516075.9	3052208.09	4724294.5

*Source: BMC, 068/069*

The above table 4.5 shows the total contribution of tax revenue of BMC. The highest contribution of tax revenue is in FY 2068/69 Rs. 4724294.5 and the lowest contribution of tax revenue is in FY 2064/65 Rs. 2049592.7. Hence the tax revenue collection of BMC is in increasing trend during the study period.

**Fig. 4.2**

**Bar diagram of total tax revenue of BMC**

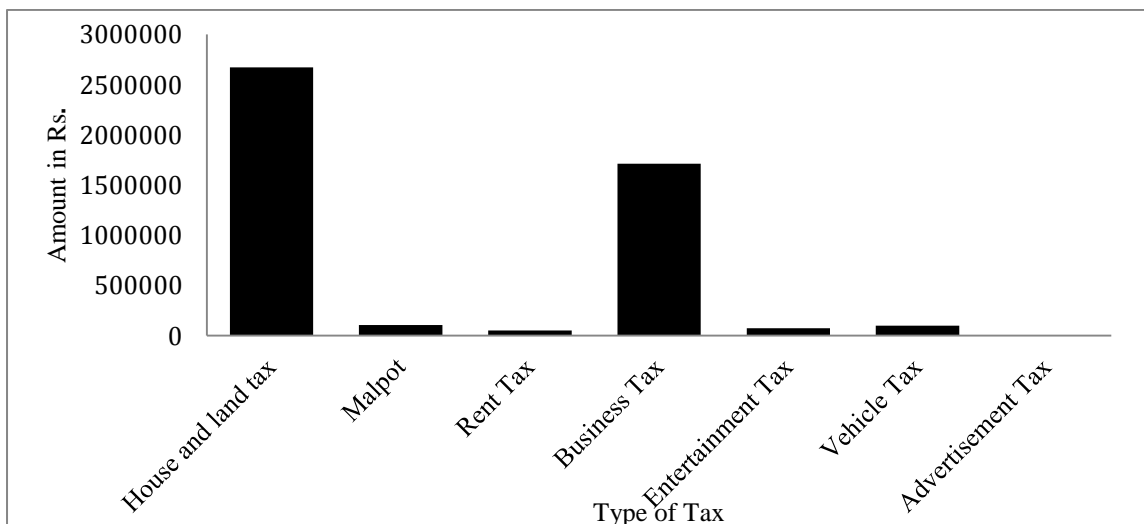


According to above figure 4.2, the tax revenue of BMC is increasing trend during the study period. The highest contribution goes to FY 68/69 and the lowest contribution on tax revenue of BMC is in FY 64/65, i.e. Rs. 4724294.5 and Rs. 2049592.7 respectively.

**Figures and Diagram of Tax Revenue Management of BMC**

The diagram and figures shown below represent the linkage of information or premises systematically and formally presented in drawing interference.

**Figure 4.3**  
**For FY 68/69**

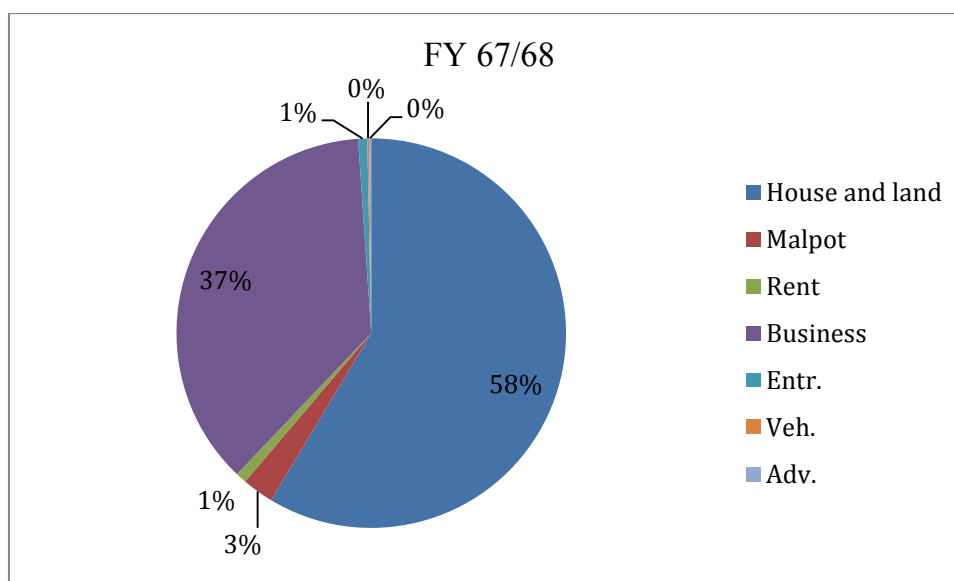


In the above bar diagram, House and land tax contribute huge portion to the total tax revenue of BMC. It contribute higher amount Rs. 2671254.7 in FY 68/69. It contribute 56.54%. Similarly Malpot, Rent, Business tax, Entertainment, Vehicle tax, Advertisement tax, contribute 2.28%, 1.08%, 36.25%, 1.61%, 2.13%, 0.086%, respectively. Advertisement tax contribute smallest amount on total tax revenue.

#### FY 67/68

House and land	Malpot	Rent	Business	Entr.	Veh.	Adv.
58.57%	2.62%	0.90%	36.80%	0.75%	0.14%	0.186%

**Figure 4.4**

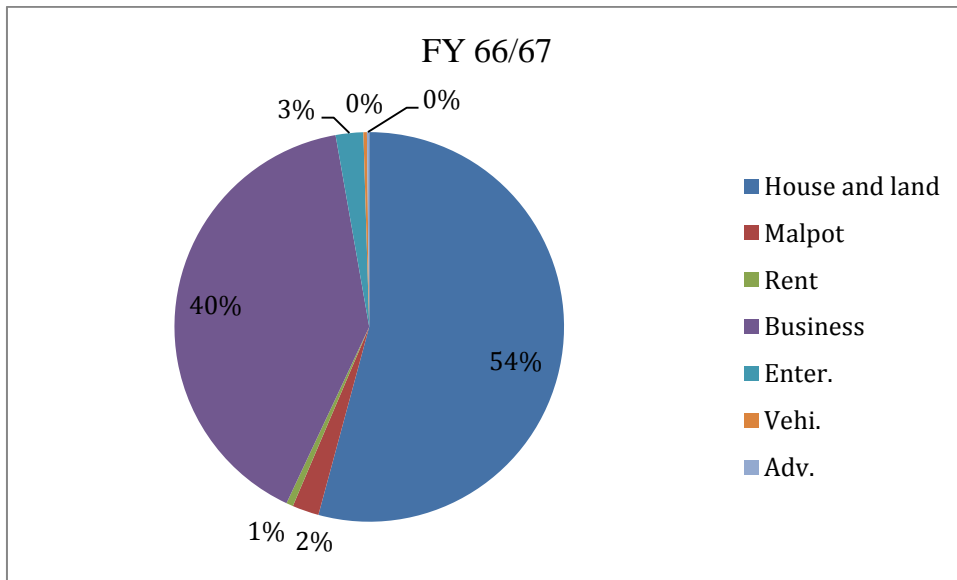


The above pie chart shows the structure of revenue in FY 67/68 in BMC. Here also, House and land tax contribute highest portion 58.57 %. Malpot contribute 2.62%, Rent 0.90%, Business 36.80%, Entertainment 0.75%, Vehicle 0.14% and advertisement 0.18%. Vehicle tax contribute smallest amount.

#### FY 66/67

House and land	Malpot	Rent	Business	Enter.	Vehi.	Adv.
54.20	2.21	0.57	40.24	2.29	0.29	0.19

**Figure 4.5**

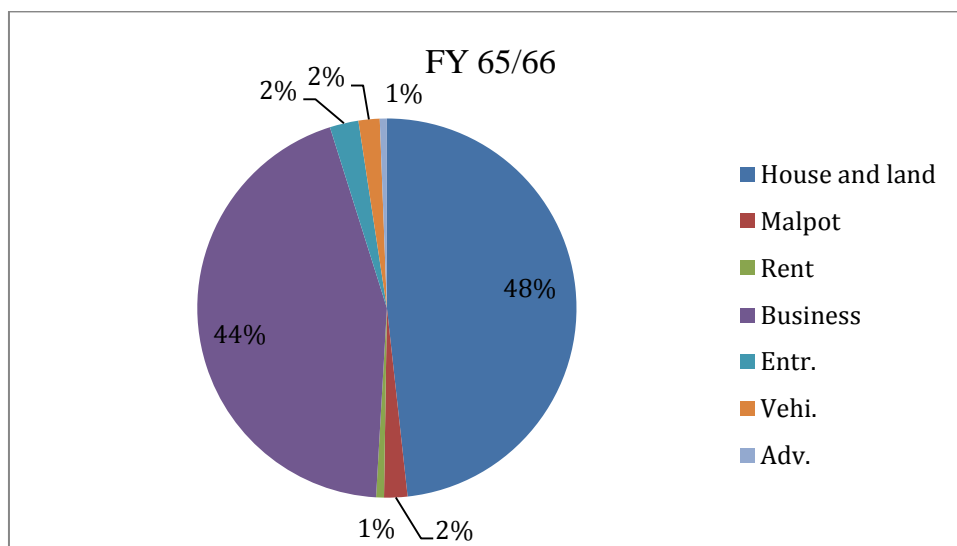


In above pie chart House and land tax contribute 54.20%. After this, Business, Malpot, Rent, Entertainment, Vehicle, Advertisement contribute 40.24%, 2.21%, 0.57%, 2.29% and 0.27% respectively. House and Land Tax contribute highest amount and advertisement tax contribute smallest amount.

**FY 65/66**

House and land	Malpot	Rent	Business	Entr.	Vehi.	Adv.
1130856.24	46535.67	15707.80	1036451	57446.7	42282.5	14120

**Figure 4.6**

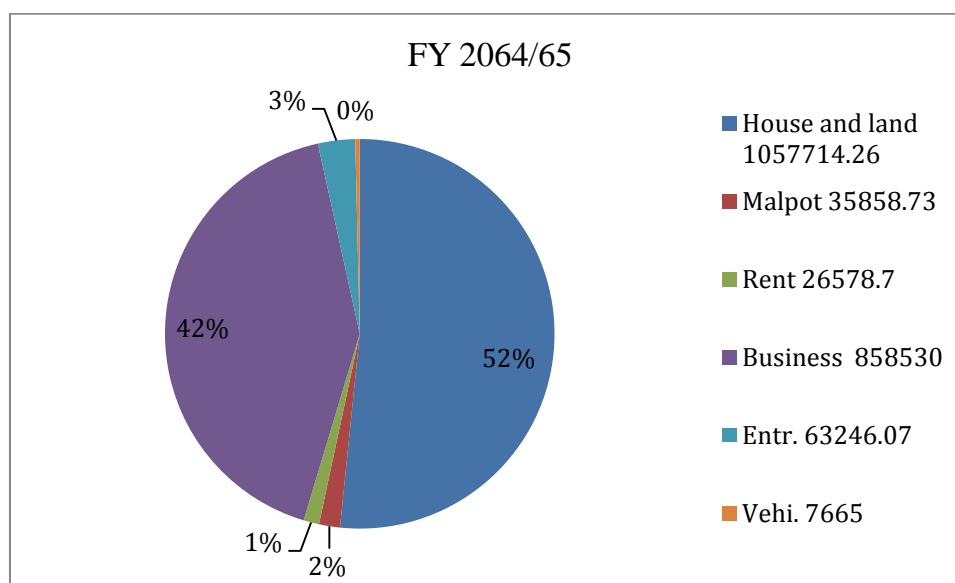


The above pie chart shows the contribution of tax revenue to total revenue in BMC. Here also, House and land tax contribute highest amount and advertisement expenses contribute smallest amount. In FY 65/66 House and land tax contribute 1130856.24 and advertisement tax Rs.14120

### FY 2064/65

House and land	Malpot	Rent	Business	Entr.	Vehi.	Adv.
1057714.26	35858.73	26578.70	858530	63246.07	7665	-
51.60%	1.74%	1.29%	41.88%	3.08%	0.37%	

**Figure 4.7**



There is no any contribution of Advertisement tax in FY 64/65. House and land tax contribute 51.60%. Likewise vehicles taxes contribute 0.37% of total tax revenue.

### 4.3 Expenditure Composition of BMC of Last Five Years

BMC has divided the expenditure into different heading. BMC has several expenditure heads. BMC use its fund in administrative and corporate development, urban development and physical infrastructure, Economic and social development, Urban poverty reduction program, Health and Sanitation

program, Ward office operation cost, Periodic planning, Water Supply in BMC, Gau Nagari Sajhedari etc.

Although there are several headings of expenses, BMC Categorize those headings into four headings. They are capital or administrative expenses, Salary and remuneration, office operation and infrastructure development etc.

**Table 4.6**  
**Total Expenses of BMC of Last Five Year**

<b>Topic Budget</b>	<b>64/65</b>	<b>65/66</b>	<b>66/67</b>	<b>67/68</b>	<b>68/69</b>
Capital Expenses	1185605	1496709	1610809	2014170	2417504
Salary and Remuneration	1508705	1708991	2005608	2510896	2810000
Office Operation	1096897	1207000	1356700	1408909	1689609
Infrastructure Development	535502	517195	429239	486130	133852
<b>Total</b>	<b>4326709</b>	<b>4929895</b>	<b>5402356</b>	<b>6420105</b>	<b>7050965</b>

*Source: BMC, 068/069*

The above table shows that the highest contribution of BMC is Rs. 7050965 of FY 68/69 and lowest contribution is Rs. 4326709 of FY 64/65. It shows that the expenses of BMC are increasing with respect to its revenue.

**Table 4.7**  
**Budgeted Provision for all Wada for FY 68/69**

<b>S. No.</b>	<b>Budget Topic</b>	<b>Annual Budget (Rs.)</b>	<b>forecasted</b>	<b>For per Wada (Rs.)</b>	<b>For all Wada (Rs.)</b>
1.	Drinking Water and Electricity	100000		4563	50198
2.	Newspaper and Book Purchase	40000		2277	25047
3.	Telephone	200000		12168	13384
4.	Fees	30000		1644	18082
5.	Festivals and Jatra Operation	40000		2568	28250
6.	Drinking Water Tap Expenses	70000		3646	40105
7.	Road Electricity Expenses	100000		5655	62205
8.	Temple Cleaning Painting	80000		3653	40185
9.	Dhunge Dhara Maintenance/ Health and Sanitation	400000		255634	2811976
10.	Road and Vehicle Maintenance	500000		364756	402315
<b>Total</b>		<b>1560000</b>		<b>328383</b>	<b>3612211</b>

*Source: BMC, 068/069*

The above table shows that the budgeted provision of BMC for all wada of 2068/69. BMC allocated Rs. 500000 for Road and Vehicle Maintenance which is the highest budgeted amount of BMC. Again, it allocated Rs. 40000 in Newspapers and Book purchase as well as festivals and jatra operation which is the lowest amount among the budget heads.

#### **4.4 Comparative Study between Revenue and Expenditure in BMC**

To know the actual financial performance of BMC, comparative study between revenue and expenditure is necessary. To get the appropriate revenue structure there should be appropriate expending habit. There should be good control over expenditure. If the expenditure is within the limit of planning and budgeting, then there can be good and strong financial structure.

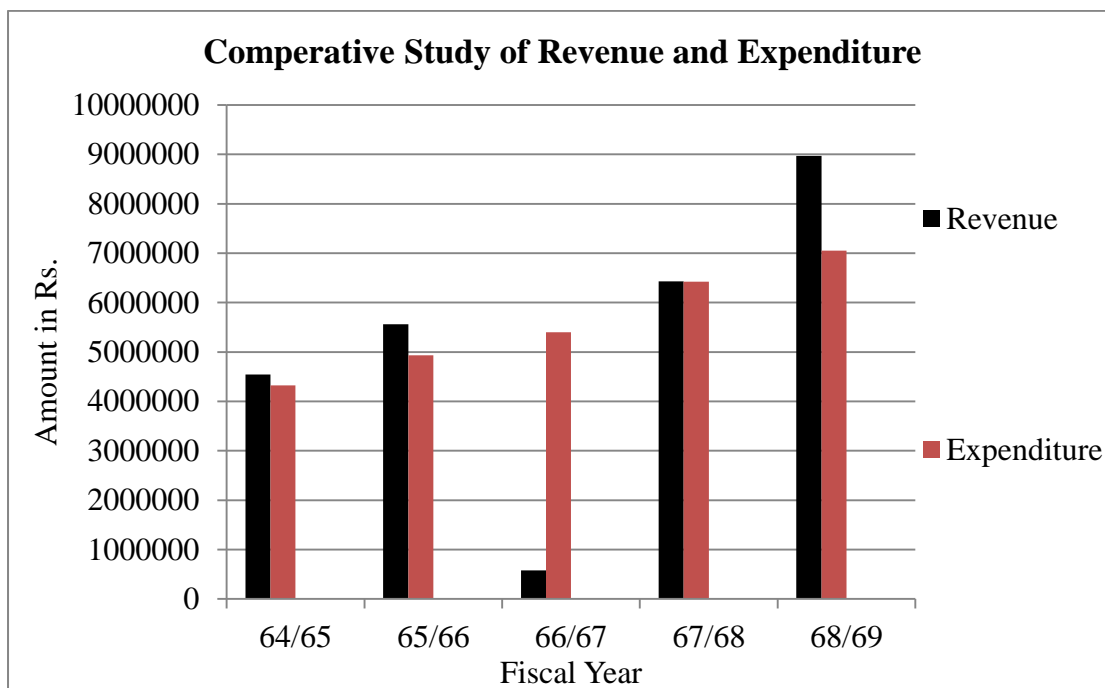
Following table and diagram help to study of BMC's revenue and expenditure.

**Table 4.8**  
**Revenue and Expenditure of BMC of Last Five Year**

<b>FY</b>	<b>64/65</b>	<b>65/66</b>	<b>66/67</b>	<b>67/68</b>	<b>68/69</b>
Revenue	4542678.88	5560251.1	580163.04	6431791.25	8970694.77
Expenditure	4326709	4929895	5402356	6420105	7050765
% of Revenue	51%	53%	52%	50.05%	56%
% of Expenses	49%	47%	48%	49.95%	44%

Source: BMC, 2068/069

**Figure 4.8**



The revenue of BMC is higher than its expenses, In FY 67/68 there is equal distribution of revenue and expenses, In FY 68/69 there is the highest revenue i.e. 56% and expenses is 44%. In FY 67/68 there is 50% revenue and 50% expenditure of BMC.

To find out the trend relation of revenue and expenditure of BMC, We have to calculate correlation co-efficient. Two variables (ie. revenue and expenditure are said to have 'correlation' When they are so related that the change in the value of one is accompanied by change in the value of other.

**Calculation of Correlation Co-efficient (in thousands)**

FY	X	Y	dx	dy	dx <sup>2</sup>	dy <sup>2</sup>	dx dy
64/65	4542.679	4326.709	-1258.59	-	1584048.788	1157016.469	1353798.558
65/66	5560.252	4929.895	-241.011	-472.461	58086.302	223219.396	113868.298
66/67	5801.263	5402.356	0	0	0	0	0
67/68	6431.791	6420.105	629.737	1017.749	396568.689	1035813.027	640914.202
68/69	8970.694	7050.965	3169.431	1648.609	10045292.86	2717911.635	5225152.471
Total			Σdx=2299.567	1188.25	dx <sup>2</sup> =12083996.64	Σdy <sup>2</sup> =5133960.527	Σdx dy=7333733.529

Let, X = Revenue,  
Y = Expenditure  
 $\Sigma dx = 2299.567$   
 $\Sigma dy = 1188.25$   
 $\Sigma dx^2 = 12083996.64$   
 $\Sigma dy^2 = 5133960.527$   
 $\Sigma dx dy = 7333733.529$

Now,

$$\text{Correlation}(r) = \frac{N\Sigma XY - \Sigma X\Sigma Y}{\sqrt{N\Sigma X^2 - (\Sigma X)^2} \sqrt{N\Sigma Y^2 - (\Sigma Y)^2}}$$

$$= \frac{5 \times 7333733.529 - 2299.567 \times 1188.25}{\sqrt{5 \times 12083996.64 - (2299.567)^2} \sqrt{5 \times 5133960.527 - (1188.25)^2}}$$

$$= \frac{33936207.16}{36570253.75}$$

$$= 0.92$$

There is perfectly positive correlation between revenue and expenditure. It means increasing and decreasing trend of revenue and expenditure is perfectly correlated.

#### **4.5 Empirical Investigation**

An empirical investigation conducted in order to find out various aspects of revenue management from the experience of real life situation. The major tool used for this purpose is an opinion questionnaire which was dispatched to 40 selected persons as a sample size. Among them 10 were administrators and remaining were tax payers.

The questionnaire was asked for yes/no response for rendering of the choice according to the number of alternatives and fill up opinion of respondents. For the purpose of empirical investigations, structured questionnaire was developed

and distributed to all the selected respondents. The sample of questionnaire is shown in the appendix I.

The response received from all respondents was tabulated into a separate table format and they were presented in percentage of total and analyzed into a descriptive way to know the real revenue condition of BMC.

The following table shows the number of respondents of different types.

S. No.	Respondents	Sample Size
1	Tax administrators	10
2	Tax payers	30
Total		40

#### 4.5.1 Do you consider that local tax is a suitable means of raising government tax revenue?

The opinion of respondents in above questions is presented below:-

Response Respondents	Yes		No		Total
	No.	%	No.	%	
Tax administrator	10	25%	-	-	25%
Tax payer	20	50%	10	25%	75%
Total	30	75%	10	25%	100%

In the above questionnaire most respondents selected the option 'yes' as their opinion. The total tax administrators agreed on these questions. As we seen, 25% of tax administrators and 50% of tax payer agreed on the questions of local tax is suitable means of raising government revenue. It concludes that tax is necessary to up thrust revenue.

#### 4.5.2 Do you think present tax policy of Nepal is applicable?

To know the response of this questionnaire most of the respondent tick on the option 'No'. It means, they do not agree that the Nepalese tax system is sound and effective.

Respondents	Yes		No		Total
	No.	%	No.	%	
Tax administrator	-	-	10	25	25%
Tax payer	5	12.5%	25	62.5%	75%
Total		12.5%		87.5%	100%

According to above table 75% tax payer and 25% tax administrators tick on the option 'No'. So, it can be conclude that the tax policy of Nepal is not applicable.

#### 4.5.3 If No, what are the major problems of local tax system in Nepal?

To know about the findings of this questionnaire, there were ten options ranking. Respondents are asked to tick on the suitable options according to their view.

S. No.	Major Problems	Tax Payer	Tax Adm.	Total Frequency	%
1	Complexity in local tax act and regulation	10	3	13	32.5
2	Mass poverty	-	-	-	-
3	Inappropriate rate and exemption	4	-	4	10
4		3	-	3	7.5
5	Ineffective economic policy	5	2	7	15
6	Tax evasion	-	-	-	-
7	Illegal activity	3	2	5	12.5
8	Lack of awareness about tax payer	-	-	-	-
9	Lack of incentives	1	1	2	5.1
10	Lack of transparency Management problem	4	2	6	15.1
Total		30	10	40	100

According to above table the most favorable answer for respondents is complexity in local tax act and regulations and management problems in tax system in Nepal. They also exhibit their view on the lack of consciousness about tax payment. 32.5% respondents ticked on option 1.

#### 4.5.4 If the management problem is the weakness for sound and efficient tax policy in Nepal, How can we mitigate this problem?

To know the answer of these question five options were given, but most of the respondent select in option 1.

S. No.	Major Solution	Tax Payer	Tax Adm.	Total Freq.	%
1	Tax payer friendly taxation system	8	4	13	32.5
2	Productive taxation policy	8	3	11	27.5
3	Widening the tax base	5	2	7	17.5
4	Strong mechanism tax avoidance and evasion	5	1	5	12.5
5	High fine and penalty	1	-	1	2.5
6	Harmonizing tax rate and concession	3	-	3	7.5
Total		30	10	40	100%

The above table shows that management of local tax system will be improved if only creating tax payers friendly taxation system and productive taxation policy. Among the respondents, 32.5% select the option no. 1. Accordingly the rank found descending order.

#### 4.5.5 Do you think tax evasion and corruption is the major challenges of Nepalese tax system?

Respondents	Yes		No		Total
	No.	%	No.	%	
Tax administrator	25	62.5%	5	12.5	75%
Tax payer	10	25%	-	-	25%
Total	35	87.5%	5	12.5%	100%

The above table shows that tax corruption and evasion is the major problems of Nepalese tax system. Out of total, 95% respondent shows their view in 'yes' and 5% select the option 'No', so tax evasion and corruption is the major challenges of Nepal.

**4.5.6 What may be the common practices among the local bodies? (Please Rank it in orderly)**

To know the answer of the above questionnaire some causes of the problems are laid down below:-

S. No.	Major Causes	Tax Payer	Tax Adm.	Total Freq	%
1	Mis Management	5	1	6	15%
2	Corruption and Misallocation	15	1	6	15%
3	Absence of elected representatives	15	8	23	57.5%
4	Lack of Scrutiny	5	-	5	12.5%
Total		30	10	40	100%

The above table shows that 57.3% among the representative ticked in the option 3. It means the reason being defective local tax system is due to the absence of elected people representatives.

**4.6.7 What should be done to maintain transparency system and accountability in the tax revenue system? (Please rank it in orderly)**

S. No.	Major Causes	Tax Payer	Tax Adm.	Total freq	%
1	Must Maintain fiscal discipline	3	-	3	7.5
2	Timely Election	13	5	18	45
3	The Grants and Budget from Central Government must Spur Development at Expected Levels	2	-	2	5
4	Good Political Climate	9	1	10	25
5	Effective Operation of National Vigilance Centre (NVC)	3	4	7	17.5
Total		30	10	40	100%

The above table shows timely election is necessary for transparent local tax system. 50% respondents select the option of timely election.

**4.6.8 Which local tax are you paying among the given local tax? (Need to Orderly Ranking)**

To know the answer of this questionnaire, different types of local tax were laid down:-

S. No.	Type of Tax	Tax Payer
1	House and land	✓
2	Malpot	-
3	Business	-
4	Rent	✓
5	Vehicles	✓
6	Advertisement	-
7	Entertainment	-

Most people in BMC pays House and land tax. Except this tax, Rent tax and Business tax is also paid in BMC. In the research time, It was found that most general house owner has not paid rent tax timely but office /organization has paid rent tax on time. It was found that some respondents are hesitating to fill the questionnaire after reading it carefully. It also shows that they are doing big tax evasion.

#### **4.6.9 In your opinion, What is the further direction of local body like BMC? [Questionnaire to tax administration only]**

To know the answer of the questionnaire different option were laid down:-

S. No.	Actions	Tax Administrator	%
1	Simplified tax laws	4	40
2	Voluntary Compliance by tax payers	-	-
3	Action towards trained and competent tax personnel	-	-
4	Effective tax system	3	30
5	Regular supervision	1	10
6	Several actions to corrupters	1	10
7	Moral education to tax payers	1	10
8	Development of check and balance system	-	-
9	Addition incentive to tax personnel	-	-
Total		10	100

From the above table, 40% tax administrators have ticked on the option 1. They focused on simplified tax laws. Except this future direction of local self bodies also to amend in tax rate system and trained tax personnel.

**4.6.10 Do you have any comments on the tax revenue mobilization in BMC?**

Respondents	Yes		No		Total
	No.	%	No.	%	
Tax administrator	10	25%	20	50	75%
Tax payer			10	25	25%
Total	10	25%	30	75%	100%

Above table shows that 25% of tax administrator and tax payer have comments on same subject.

**4.6.11 If you have comments, what may be your comment?**

The respondents comment on some points, while asking the questions to them. They express their obstacles at the time of the payment of tax. They also comment on the compulsory obligation of tax. It means the service delivery by the local entity should satisfactory compared to the tax payment. The inefficient use of tax compliance that privilege, public does not know that where their tax goes exactly. They want the tax system should be transparent. There should be honest bird eye view making practical rational legal system.

**4.6.12 What may be the objective of local tax system? (Please rank it in order)**

To know the opinion of this questionnaire, different options were ranked and ask them to tick in the appropriate option.

## Objective of Local Tax System

S. No.	Objectives of Collection	Tax Payer	Tax Admin	Freq	%
1	Develop Localities	2	4	6	15
2	Redistribution of Income	8	2	10	25
3	Exploit resources	7	2	9	22.5
4	Welfare of public	5	-	5	12.5
5	Maintain fiscal discipline	2	2	4	10
6	Spur development at expected level	4	-	4	10
7	Smooth delivery of public services	2	-	2	5
Total		10			100

From the above questionnaire it concludes that Redistribution of income and exploit resources was ranked by the respondents 25% and 22.5% respectively.

### 4.6.8 Do you have any suggestions regarding local tax revenue management in achieving effectiveness of tax in Nepal? (Please rank it in order)

The respondent has given some suggestions and they were ranked accordingly:-

1. Local administrators should mobilize effectively.
2. Necessary actions should take who doesn't pay tax.
3. Up to date prevailing tax system should clearly reviewed.
4. Additional moral and legal tax system should be applied.
5. Transparency in local taxation.
6. Election procedure should held.
7. Punish to dishonest, corrupt leader and administrators.
8. Tax system should be pragmatic and scientific.
9. Tax payment and registration system should be short and simple.
10. Correct record of income and expenditure.
11. Financial regularities should process.

## 4.7 Major Findings

This research studied the revenue management of Baglung municipality. The highest contribution of local tax is in FY 68/69 Rs. 4724294.5 and lowest contribution is in FY 64/65 Rs. 2049592.7. It shows that the revenue of BMC is in increasing trend. Among the seven taxes the house and land tax contributing highest amount and advertisement tax contributing lowest amount in FY 68/69 Vehicle tax in FY 2067/68, Advertisement tax in FY 2066/67 and tax in 2065/66 and vehicle tax in 64/65 .

The major findings from the empirical investigation are as follows:-

- BMC collect local tax as per LSGA 2055 and regulations 2056.
- House and land tax has been considered as a suitable resource for the collection of revenue .It contribute huge amount in every fiscal year.
- The taxpayers are not interested to pay tax due to the lack of regular information.
- Big wholesaler and retailer are involved in tax evasion. Some people do not want to listen the word of ‘tax’.
- The total internal tax (tax sources and non-tax sources, collected is Rs. 8970694.77 in FY68/69 , Rs. 6431791.25 in FY 67/68, Rs.5801263.04 in FY 66/67 Rs.5560251.10 in FY65/67 , 4542678.8 in 64/665 . Among these the tax revenue of FY 68/69 contributes highest amount and FY 64/65 contribute lowest amount.
- Among the non-tax revenue, house map permit fee contribute highest amount Rs.1838881.51in FY 68/69, Likewise 1582306.66, Rs 1492644.35, 1267056.73, Rs 989824.43 in FY 67/68, Fy 66/67, FY65/66, FY 64/65 respectively.
- The total income till FY 68/69 from tax and non –tax revenue is Rs 9844368.04.
- Local tax has been considered as a suitable source of mobilizing internal sources. It is positive instrument to boost up government revenue.

- Municipality has not deliver service satisfactory [lack of street, electricity, water crisis is prevalent]
- Media also helped to collect revenue in BMC [Dhawalagiri FM, Baglung FM , Radio Nepal, TV etc]
- Most of the tax payers do not conscious about the tax.
- Adequate tax education is necessary in BMC.
- From the field study, the tax personnel do not work, systematically for public [Kinship while delivering services is prevalent]
- Tax corruptions and illegal activity is prevalent in BMC. Political parties hide such people who involve in corruption for their political interest.

## CHAPTER V

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the last part of research writing in which summary, conclusion generalizations, suggestions and recommendation are involved. The summary is a brief statement of the essential findings .This study helps to know the summary conclusion and recommendations about the revenue management in BMC. Recommendation are usually further study broaden or test understandings of the subject area.

#### 5.1 Summary:

Nepalese government is trying to extract money or valuable contribution from people through taxation .Local taxation is the important sources in government revenue. In Nepal Local Self Government Act 2055 made provision of local tax. Local tax also play vital role to collect revenue of nation .According to LSGA 2055 BMC has prescribe different local taxes such as House and land tax ,business tax ,vehicle tax ,rent tax entertainment tax ,advertisement tax etc .BMC also collect non tax revenue like panjikaran ,maintenance tax ,drinking water and sanitation tax ,parking fees ,house map building permit fees ,peoples participation, royalties ,miscellaneous tax, application fees etc.

Local taxes are the main sources of financing government activities .This local taxes helps to develop the local area .Local government have shoulder the increasing responsibility for the provision of public goods and services and the management of public money .The government maintain fiscal discipline (the ability to spend tax paid money and local resources effectively and in accordance with national or local macro-economic objectives and targets The study has focused the role and trend of revenue (tax and non taxes) in BMC.

Baglung is the headquarter of Dhawalagiri Zone. it has 11 wards .Total population of Baglung is 30763 (Census 2012) where male were 14710 and female were 16053( Central bureau of statics 2012). Municipality of Nepal is governed 64.68% of total revenue .The highest contribution of BMC on the total revenue is house and land tax which contribute 56.54% in FY 68/69,58.57%in FY 67/68, 54.20% in FY66/67,48.25% in FY 65/66, 51.60% in FY 64/65.

## **5.2 Conclusion:**

Nepal is economically poor country. Nepal is highly depend upon tax revenue .Public revenue and remittance is the major sources of the country .Due to the unstable political climate of the country ,the current expenses has been increasing comparison to capital expenses. Government of Nepal has not concentrate towards huge investment in the development project .All the political parties ,civic society ,constitutional bodies are concentrate to make constitution .so in this situation tax sources is the major income of the country. But due to the poor performance of internal revenue collection system and mismanagement the tax revenue system has not become so effective. The Government of Nepal has to depend on foreign grants and loan.

Instead of some weakness of the revenue system, Nepal is improving social and economic problems by posing ,regulating and controlling the tax payers .Nepal has not performing well in tax collection due to the lacks of skills and technology and knowledge ,they are not properly utilized .

The government of Nepal has made some provisions instead of weakness. The major steps are:

- a) Providing suitable environment in tax payment
- b) Identifications of new sector in economic activity.
- c) Attraction of foreign capital through good investment climate

- d) Leading the economy towards industrial development.
- e) Controlling over foreign currency and made investigation towards money laundering.
- f) Being responsible to concerned entity to collect non tax revenue
- g) Proper implementation of the act of public revenue

The contribution of government revenue is not so satisfactory. In this context of municipality, most people are not aware about property tax .Due to the lack of tax education property owner are deprived from right of paying tax .There are lot of weakness for effective administration also .There must be high degree of honesty and morality as well as they must encourage and inspire the tax owner for paying different taxes.

In the context of BMC, people invest towards real state and luxury housing towards. Investments in such sectors creates problem in the economy. Consumption of luxury goods pushes inflation .Thus in this regard taxation necessary which reduce and real estate.

The revenue administrations of BMC is weak because of the lack clear policies, lack of information and records ,lack of trained staff and heavy depend on the non technical staffs lack of proper accounting and auditing system.

In year another shocking disclosure, through a study related is that, the NVC found that millions of rupees allocated to the KMC had been grossly misused in the last years. The national vigilance centre study revised that a total of Rs. 124.5 million is still awaiting clearances from the respective receptions similarly around two dozen of government office, institutions and corporation have taken million in advance under different heading from the KMC. There is no accurate record of income and expenditure and the finical irregularities have crossed the limit, the NVC report monition

The KMC is just the representative episode in the cycle of corruption and mismanagement that have spread roots in local bodies in the absence of elected representatives. Imagine in the conditions of KMC is chaotic, what is the state of other municipality around the country? (Kathmandu post 2012 Jan 4 )

### **5.3 Recommendation:**

To boost by the national economy local tax plays vital role. It is accepted as an important source of government revenue of Nepal. The growing need of resources for the development of Nepalese economy can be meet through effective volume of tax. Although there are so many weakness and problems of local tax, the contribution of local tax is likely to be significant in future. In the light of findings of present study, the following specific recommendations is necessary for sound and effective local tax system

#### **Recommendation to local tax system of Nepal**

- 1 Timely election is necessary to strengthen democracy and the development of local bodies.
- 2 Corruption is prevalent so anticorruption actions should implement.
- 3 Government of Nepal should focus on human resource management.
- 4 Government should maintain fiscal discipline properly.
- 5 Political stability is necessary for efficient local tax climate.
- 6 Financial discipline and regularity in local level on present budget is necessary.
- 7 Transparency and accountability is necessary for the development of local tax revenue at the expected level.
- 8 Appeal and penalty system of local tax should not be used in practice is the LSGA act and provision.

## **Recommendation to BMC**

- 1 Motivate to the tax payers through different schemes from effective media.
- 2 BMC should organized seminar and meeting of local tax for the improvement of tax administration
- 3 Proper tax education and awareness programs should given to the people of BMC
- 4 Grants from the central government annually have failed to spur development at the expected level. So BMC has to pressurize the government should take necessary step and allocates resources timely and properly Hefty amounts goes to the local bodies in the name of local development every year, the effectiveness of the grants should be managed properly by the government.
- 6 The focus of BMC should be in the properly accounting system and computerized billing system.
- 7 Regular feedbacks from the public people is necessary to improve the local tax system in BMC.
- 8 Monitoring and controlling in revenue collection is necessary.

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## Appendix I

### Ward profile of BMC

Annual report 68/69 – Internal revenue Department specimen of Questionnaire  
to Tax administration / Tax payers

Name..... Location: .....  
Occupation: ..... Phone: .....  
Office/org..... Email:.....

Please tick (✓) the answer of your choice. All number stands equal important

(1) Do you consider that local tax revenue is a suitable means of raising Gov  
revenue?

Yes ( )                      No ( )                      I don't Know ( )

(2) Do you think present tax policy of Nepal is applicable?

Yes ( )                      No ( )                      I don't know ( )

(3) Do you think tax evasion and corruption is the main Challenges and  
problems of Nepalese tax System?

Yes ( )                      No ( )                      I Don't know ( )

(4) What is the major problem of local tax system in Nepal? { please rank }

- |  |   |
|--|---|
| (a) Complexity in local<br>tax act and regulations | (e) Tax evasion ( )                             |
| (b) Mass poverty ( )                               | (f) Illegal activity ( )                        |
| (c) Inappropriate rate and<br>exemption ( )        | (g) Local of awareness<br>about tax payment ( ) |
| (d) Ineffective economic<br>policy ( )             | (h) Lack of incentive ( )                       |
|  | (i) Lack of transparency<br>Mgmt problem ( )    |

(5) What may be the Soln regarding local revenue system in Nepal ? [Please rank]

- (a) Tax payers friendly relation is needed ( )
- (b) Productive taxation policy ( )
- (c) Widening the tax base ( )
- (d) High fine and penalty ( )
- (e) Harmonizing tax rate
- (f) Strong mechanical to tax avoidance and evalion ( )

(6) Which local tax are you paying ? ( Please Rank)

- (a) House and Land tax
- (b) Land tax ( )
- (c) Vehicle ( )
- (d) Rent ( )
- (e) Business ( )
- (f) Entertainment ( )
- (g) Advertisement ( )
- (h) If other tax ( )

(7) Do you have any comment?

Yes ( ) (No) I don't know ( )

(8) What may be the objective of BMC in local tax system? ( please rank)

- (a) Develop localities
- (b) Redistribution of income
- (c) Exploit resources
- (d) Welfare of Public
- (e) Smooth delivery of public services
- (f) Maintain fiscal discipline