

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



A Thesis Submitted by:
PRIYANKA KUMARI SAH
Campus Roll No.: 386/065
T.U. Registration No.: 7-2-238-228-2005
Thakur Ram Multiple Campus, Birganj



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

In Partial Fulfillment of the Requirements for the Degree of
Master of Business Studies (MBS)

Birganj
OCTOBER, 2012

Recommendation

This is to certify that the thesis

**Submitted by:
Priyanka Kumari Sah**

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

**Has been prepared as approval by this department in prescribed format
of the Faculty of Management.
This thesis is forwarded for the Examination.**

.....
(Rajendra Kumar Lal Das)
Thesis Supervisor

.....
(Dr. Deepak Shakya)
Chairman of Research Committee

(Campus Chief)

Viva-voice Sheet

We have conducted the Viva-voce examination of the thesis

Submitted by:
PRIYANKA KUMARI SAH

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

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

Viva-voce Committee

Head of Research Department

Member (Thesis Supervisor)

Member (External Expert)

Date:

Acknowledgement

This thesis has been recently prepared for partial fulfillment of the requirements for the Degree of Master of Business Studies (MBS), Tribhuvan University, Nepal. Although VAT is no longer a new topic in the T.U. curriculum, still I chose this topic mainly because of my curiosity to know why VAT is falling short of target in spite of its implementation more than 13 years ago. In fact, VAT promises a great change in the revenue structure of any country and is said to be more efficient and superior to sales tax in revenue generation. Moreover, many people are still ignorant and confused about the very name VAT. Firstly, I owe a debt of gratitude to my respected thesis supervisor Mr. Rajendra Kumar Lal Das, Lecturer, Department of Accountancy & Taxation, Thakur Ram Multiple Campus for patiently guiding me in the completion of this thesis. Apart from the guidance he gave me moral support, encouragement and comments. It was due to his scholarly guidance and creative suggestions that I was inspired and could complete the thesis in time & also I would like to express thanks to associate professor & chairman of research committee Dr. Deepak Shakya, associate professor Mr. Abhinash Pd. Singh & all faculty member of management department of this campus.

My thanks also go to all the respondents who gladly and unhesitatingly gave their valuable views and answers to all questions for my research purpose. I am also thankful to the personnel of Inland Revenue Department, Birganj and Connection Cyber for their kind and indefatigable co-operation in providing me the necessary data and supportive materials. I would like express my gratitude to officials of Thakur Ram Multiple Campus, Birganj and Library of the same campus for their kind help and co-operation.

I would like to express thanks to Mr. Saroj Kumar & Mr. Omprakash Kumar of Ekta Designing & Printing Center, Birganj who typed & printed the thesis in time.

I would like to extend my heartfelt thanks towards all the members of my family & friends who provided regular inspiration and continuous for my success.

Priyanka Kumari Sah

OCTOBER, 2012

DECLARATION

I hereby declare that thesis entitled to "Tax Reform in Nepal: A study of Nepalese Value Added Tax System" Submitted to the office of the Dean, Faculty of Management, Tribhuvan University is my original work which has been prepared as the partial fulfillment of the requirements of the Degree of Master of Business Studies (MBS) under supervision & guidance of Mr. Rajendra Kumar Lal Das Lecturer of Thakur Ram Multiple Campus, Birganj.

Priyanka Kumari Sah
(Researcher)

Campus Roll No.: 386/065
T.U. Regd. No.: 7-2-238-228-2005
MBS 2nd Year Symbol No.: 150181
Thakur Ram Multiple Campus, Birganj

OCTOBER, 2012

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Abbreviations

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