STRUCTURE & CONTRIBUTION OF TAX TO ANNUAL REVENUE OF BHAKTAPUR MUNICIPALITY

A Thesis

By

Medolamu Sherpa

Central Department of Management

Exam Roll. No: 737/16

Registration No. 7-1-38-1294-2004

Submitted in Partial Fulfillment of the Requirement of Degree Of

Masters of Business Studies (MBS)

In the

Faculty of Management

Tribhuvan, University

Kathmandu, Nepal

August, 2019

CERTIFICATE OF AUTHORSHIP

I certified that the work in thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certified that the thesis has been written by myself. Any help that I have received in my research work and preparation of the thesis itself has been acknowledged. In addition, I certified that all information sources and literature used are indicated in the reference in section of the thesis.

………………..

Medolamu Sherpa

Date: August, 2019

RECOMMENDATION LETTER

It is certified that thesis entitled **"STRUCTURE & CONTRIBUTION OF TAX TO ANNUAL REVENUE OF BHAKTAPUR MUNICIPALITY"** submitted by **Medolamu Sherpa** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. The thesis is forwarded for examination.

....

Nirajan Basnet

Thesis Supervisor

Central Department of Management

Tribhuvan University,

 Kirtipur, Kathmandu, Nepal

Date:

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"STRUCTURE & CONTRIBUTION OF TAX TO ANNUAL REVENUE OF BHAKTAPUR MUNICIPALITY"** presented by **Medolamu Sherpa** a candidate for the degree of **Master of Business Studies** (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

....
Nirajan Basnet
Thesis Supervisor

....
Prof. Dr. Puspa Raj Sharma
Internal Examiner

....
Phul Prasad Subedi
External Examiner

....
Prof. Dr. Ramji Gautam
Head of Department
Chairperson, Research Committee

Date:

ACKNOWLEDGEMENTS

This study has been prepared for partial fulfillment of the requirement for the Master's Degree in Business studies. It is my privilege to complete this thesis entitled **"Structure & Contribution of Tax to Annual Revenue of Bhaktapur Municipality"**, is an outcome of continuous and immeasurable co-operation and support of several hand. I would like to express my heartfelt gratitude to all for their support.

During the research work many individuals have supported me. First of all, I would like to thank my thesis supervisor Nirajan Basnet, who encouraged me from the very beginning to the completion of this task with his guidance and profound comments and suggestion. Without his guidance the thesis would not have been completed.

I am thankful to Central Department of Management (CDM) for providing opportunity to carry out this research programme. I am grateful to Prof. Dr. Ramji Gautam, the head of CDM and all the staff of CDM for providing necessary support and environment for the completion of my thesis.

I must not forget to thanks the Bhaktapur municipality, library of central department and other libraries from where I benefited by collecting information for providing me the related data.

I also wish to express my special gratefulness to my family, and friends for providing necessary suggestion and support during the preparation of thesis.

Last but not the least, I would like thank all those who directly or indirectly helped me to complete this thesis.

Thank you

Medolamu Sherpa

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATION

%	=	Percentage
&	=	And
	=	Summation
A.D	=	Anno Domini
B.S	=	Bikram Sambat
BM	=	Bhaktapur Municipality
CDM	=	Central Department of Management
DCC	=	District Co-ordination Committee
IPT	=	Integrated Property Tax
LSG	=	Local Self –Governance
MOF	=	Ministry of Finance
VAT	=	Value Added Tax
VDC	=	Village Development Committee
Sq.Ft	=	Square Feet
OSM	=	Offinso South Municipality
T.U	=	Tribhuwan University

ABSTRACT

Tax is the kinds of money which is the legal duty of every citizen of the country to pay honestly. It is the amount by government to it's people, institution or the company. Tax is the main and greatest source to generate revenue to fulfill expenditure bore by government for it's development. The ultimate goal of the underdeveloped countries like Nepal is to achieve the economic development and ensure the rapid rate of economic growth. It needs huge amount of investment in economic overhead and other economic activities for which taxation is a primary source of revenue of the government. For the raising fund for national needs, only one reliable source is different kinds of taxes imposed to the local people, different types of business and organization.

The research attempts to identify the "structure & contribution of tax to annual revenue of Bhaktapur municipality using ten years data. Data were taken sources from account and tax section of Bhaktapur municipality. Descriptive method was used to analyze the trend and contribution of house and land tax of Bhaktapur municipality.

Nepal is one of the lowest taxed countries in the world. The revenue administration in Nepal is weak because lack of the proper tax policies, lack of trained staff, lack of proper accounting and auditing system in public and business organization. So, the government of Nepal shows the way to improve social and economic problems by regulating and controlling, all the persons and business that earn incomes and profits by different kinds of taxes. The contribution of house and land tax (property tax) of Bhaktapur municipality is very low comparison to other types of local tax. Most of Nepalese people are not familiar with property tax due to lack of tax education, property holders deprived from the right of property tax. If they are informed effectively about the property tax we can expect the increase in the volume as well as paying property tax in timely.

CHAPTER - I

INTRODUCTION

1.1 Background of the study

Nepal is a landlocked country in the south Asia and is covered by china and India. It is located in the Himalayas and contains eight of the world's ten highest peaks. It covers an area of 1,47,181 square kilometers. Nepal has divided into seven provinces. It includes six metropolitan, eleven sub metropolitan, 276 municipalities, and 460 village bodies. The primary goal of any nation including Nepal is to embark upon the path of economic development by economics growth rate and developing all sectors of economy.

The government of a country requires sufficient revenues to carryout development plans, handle day to day administration, maintain peace and security and launch other public welfare activities. The government collects the revenues through various sources. Revenue comes basically from two sources tax and non-tax. Tax revenue includes custom duty, excise duty, value added tax, income tax, house and land tax, vehicle tax etc. Whereas, non-tax revenue includes: charges, fees, fine and penalties, royalty, dividend, sales of fixed asset etc. In Nepal around 80% of the government revenue comes from taxation. Hence taxation is the most important sources of government revenue (Dhakal, Koirala, & Bhattrai, 2074).

The government has to spend its fund for fulfilling the basic needs of people. Such as health, education, communication, drinking water and other public facilities etc. similarly, government has to spend on development of socio-economic infrastructure, promote economic growth, stability and equitable income distribution in the economy. All around prosperity sector in the development activities, industry and commerce as well. The revenue of government basically comes from the sources: Tax and non-tax. Hence the tax is the major sources of government revenue.

In general tax can be defined as a levy or other types of financial charges or fees imposed by state or central government to legal entities or individual .it is a compulsory levy for individual, household and firms to pay fees to the government. It is the responsibility of every citizen of the country to pay tax honestly. Tax is

computed and paid as prescribed in the law. A taxpayer is not entitled to compel the government while paying taxes to give something to him in return of the amount he has paid. Taxation can be considered as a convenient method of raising revenue which in turn with the welfare of the people directly and indirectly.

Tax is the main and greatest sources to generate revenue to fulfill the expenditure bore by government for its development. So, the local government imposes direct and indirect tax. Tax has the objectives of raising revenue to have resource mobilization, equal distribution of wealth and income in the society, encouragement in production in certain products, encouragement in employment, saving and investment, removal of regional imbalances and enforcement of government policy.(Kandel,2004)

Tax is a source of collecting revenue for the government. It is the main sources of revenue in the developed countries as well as developing countries. Tax has become an institution of social and economic policy for the government. The major objectives of taxation are as follows:

1. Raising revenue
2. Regulating the economy
3. Preventing concentration of wealth
4. Reducing unemployment problem
5. Removing regional disparities
6. Boosting up economy
7. Redistributing wealth for common goods

Classification of tax

Modern tax system comprises of different types of taxes. Proper classification of the taxes is essential to understand the nature and significances of different taxes. Usually, taxes are classified on the basis of form, nature, aim and methods of taxation. A commonly applied classification of taxes is into direct and indirect taxes. This classification is based on the shifting of the burden of tax.

Figure 1.1

Taxes

Direct Tax		Indirect Tax

Direct Tax box	Indirect Tax box

Direct Tax:
- Income tax
- Property tax
- Vehicle tax
- Casual gain tax, etc.

Indirect Tax:
- Value added tax(VAT)
- Excise duty
- Custom duty
- Service tax etc.
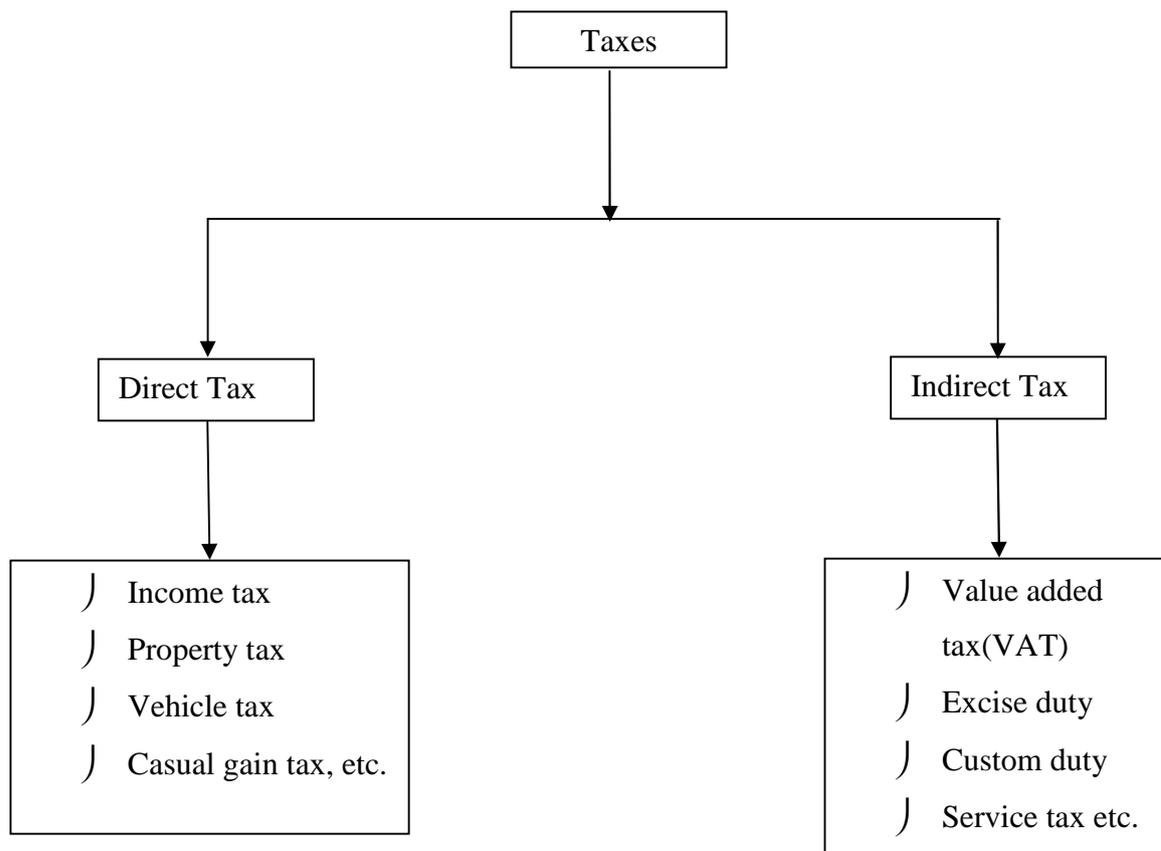
Sources: Tax law& Tax Planning in Nepal by Kamal D Dhakal, Ishwori P Bhattrai & Girija P Koirala.

a) Direct tax: A direct tax is a form of tax paid by a person on whom it is legally imposed. It is collected directly by the government from a person who bears the tax burden. Tax payers need to file tax returns directly to the government. Therefore, direct tax cannot be shifted. The impact of the money burden and the same person, who pays and bears the tax burden. It is the tax on income and property. For example direct tax includes income tax, property tax, vehicle tax, interest tax, gift tax etc.

b) Indirect tax: An indirect tax is a form of tax imposed on one person but partly or fully paid by another person. It is collected by mediators who transfer the taxes to the government and also perform functions associated with filling tax returns. Hence, indirect tax can be shifted. In indirect tax, the impact and incidence of tax are on different persons. In other words, the person paying and bearing the tax is different. It is tax on consumption or expenditures. For

Example, value added tax, (vat) customs duty, excise duty, import duty, export duty etc.

Bhaktapur is the smallest district of Nepal, which occupies an area of 119 square kilometers. It is surrounded by Kavrepalanchowk district in the east, Kathmandu and Lalitpur district in the west. Kathmandu and Kavrepalanchowk district in the north and Lalitpur district in the south. From geographical point of view, Bhaktapur covers the region between the northern latitude of 27 36 -27 44 and the eastern longitude of 85 21- 85 32. The east west length of the district is 16 kilometers. Bhaktapur is also well known for mask making and painting. The wall painting showcased inside 55-window durbar is popular all over the world. It was enlisted in world heritage site in 1979 A.D. there are six municipalities in the Bhaktapur districts. The main sources of the district is revenue from sand, stone, soil, mines etc. Juju dhau, (yoghurt) Bhadgauletopi, (black cap) Hakupatasi, (black saree with red boarder) pottery, and handicrafts are the identifiers of the city are well known for their uniqueness. Majority of the inhabitants are either Hindus or Budhists. The pagoda and shikhar style temples vihars and Bahis, Lonha Hiti, ponds, pati, sattal, stupa, city gates terracotta temples, dyochhens (residences of Hindu deities), palaces, artistic private house and other cultural and historical heritages are the major monuments of the ancient city.

Government collects revenue from public to maintain economic system and sound infrastructures for development. The municipality is mainly generating revenue by two sources, one is imposing and collecting as taxes and other is entrance fee charged on visitors or foreigner for visiting around the city. It is needed to collect income and revenue to utilize on the behalf of its local public.

According to oxford advanced learner dictionary; property refers to "a thing or things that are owned by some body. In other word any kind of asset such as building, land, vehicle, silver, plant and machinery equipment etc. Owned by someone are properties". The property tax is the compulsory payment to the public authority, which is based on the capital value of property. In law the court defines property is the right of profession enjoyment and disposition of all things themselves, which are the subject of ownership. The tax which is levied on some personal possession is known as a property tax. So the property tax has a great potentiality of sources

mobilization on the developing countries, legally all property can be divided into two classes: personal property and real property.

Property tax is the annual amount paid by a land owner to the local government or the municipal area of his area. The property includes all tangible real estate property, house, office building and the property has rented to others.

In Nepal property tax was performed in fiscal Act 2017 B.S. at that time government had authority for collection of property tax. There were different rules for tax rate. But the property tax Act revised in 2019 B.S. since the period the property tax system has been implemented in urban houses and property. Property tax becomes the most important internal sources for country and local government. Property tax was first introduced in European countries more than 100 years ago. Right now, property tax has been the major sources of revenues in the most of countries of the world including Nepal. The first elected government introduced this tax. Property tax was introduced by financial Act 1959 as a central tax. Due to ineffectiveness in collection revenue from property tax it was replaced by urban house and land property. The interim government of 2047 again introduced the property tax in 1990 by the finance Act. It was again replaced by urban house and land tax in 1995/96.

After the introduction of local self-government (LSG) Act in 1999, property tax is given to local bodies right now. Local bodies, i.e. village bodies and municipalities have the right to collect property tax whereas the right of collecting unified property tax is given to municipalities. Property tax is one of the important sources of revenue collection in Bhaktapur municipality. Property tax is the major sources of total revenue of Bhaktapur municipality which helps a great amount in fulfilling it's responsibilities. It has great potentialities of resources mobilization on the development countries.

1.2 Statement of problem

Nepal is poor and developing country. Nepal has been facing the economic problem from its beginning development phase to present situation. It needs huge amount of capital for economic development as well as other development also. There is a huge gap between government expenditure and revenue. The rate of government expenditure is exceeding the rate of growth revenue almost every year. The budget deficit has been growing and this may have impact on economy.

In context, property tax is one of the most important source of revenue collection this of the nation. Property tax is the kind of direct tax. Nepal has been facing various problem for implementing property tax. It is due to lack of information or computerized system, lack of trained and skillful personnel, poor taxpaying habit of tax payers, inequality or minimum valuation of house and land for different purposes, corruptions, and unfair duties and facilities etc.

Research Question

    (i) What is the trend of house and land tax in Bhaktapur municipality?

    (ii) What is the contribution of property (house and land) tax on Bhaktpur municipality?

1.3 Objectives of the study

Objectives are the destination point of every plan and work. Every work starts with a particular objectives. So we also have certain objectives of the study as we are student of taxation. Every people who are concerned to this topic can be benefited as they can gain knowledge about classification of tax, rate of tax, tax rebates, tax exemption, procedure of tax etc. The main objectives of the study the contribution of house and land tax to the revenue of Bhaktapur municipality .The specific objectives of the study are:

    (i) To analyze the trend of house and land tax of Bhaktapur municipality.

    (ii) To analyze the contribution of house and land tax of Bhaktapur municipality.

1.4 Significances of the study

This study provides guideline for government, Bhaktapur municipality office tax. This study is done depending on the contribution of property tax to total revenue of Bhaktapur municipality. Taxation 1is the most important sources of revenue for modern government.

Revenues come from basically two sources, tax and non- tax. The government needs sufficient resource to carry out development plans, day to day administration, maintain peace and security and lunch other public welfare activities and government may use tax to regulate the economy, promote economic growth. So, property tax may help to government to raise revenue of local bodies.

1.5 Limitation of the study

The study was focus on property tax (house and land) only of the Bhaktapur municipality. This study mostly concerned about Bhaktapur municipality only from Bhaktapur district. This study is based on secondary data.

a) This study totally based on secondary data from fiscal year 2064/65 to 2073/74.
b) Limited statistical tools and techniques have been used.
c) This study has been done for partial fulfillment of MBS degree in management.

1.6 Organization of the study

Chapter 1: Introduction

This chapter introduces the major issue related contribution to the total tax revenue through property tax (House and land) objectives, significances and limitations of the study.

Chapter 2: Literature review

This chapter is the review of literature related to this study. It's includes a discussion on the conceptual framework and review of the major studies .it gives overview of the related literature done on the past related to study.

Chapter 3: Research methodology

Research methodology describes the different methodologies applied in this study sources of data are mention and describes.

Chapter 4: Result

This chapter presents and analysis the data obtained during the study different tools and techniques of data analysis have been taken for the purpose of analysis of data. This is the major part of study.

Chapter 5: Conclusion

This chapter includes the summary conclusion and recommendation of the study. It also provides the suggestion to organization

CHAPTER- II

LITERATURE REVIEW

This chapter is mainly classified in to the conceptual part and other review of the earlier studies, review of journal articles, research gap which are described as follow:

2.1 Conceptual Part

2.1.1 Meaning of property

Property refers to any kinds of capital, goods that are owned, machinery, equipment, land, building, patent etc. are the example of property includes all tangible and intangible property. It is a term of wide important and significances every interest, which a person can hold, enjoys or transfer and which have a monetary value. According to oxford advanced learners dictionary (1996) defines property is "A thing or land, building, vehicles, silver, gold, furniture, plant and machinery, equipment etc. owned by someone are called property". Property may be movable and immovable. The term a movable property refers to standing timber, growing crops and grass, copyright, patent right, royalty, shares, government security, debenture, coin, currency, note, jewelry, furniture etc. are the examples of movable property. The term a immovable property includes land benefits to arise out of land and things attached to earth like tree and building property can be classified in to two types:

1) Real property
2) Personal property

Real property: Real property consists mainly of land and building. (or its called improvement on the land). Land and improvement are very important in taxation. Land and building values are subject to different conditions. Land may increase in value whereas on it decreasing value. Different methods are used in evaluating the two kind of property, for instant depreciation must be considered in the case of building but not for a land. (Adhikari, 2003).

Personal property: personal property can be classified in to tangible and intangible. Tangible personal property includes variety of goods, inventories, furniture, plant and machinery, jewelry and other personal effect. And intangible property includes copy

right, and patent, money deposits, goodwill, debenture etc. intangible property can easily escape taxation whether by migration or by hiding.

2.1.2 Meaning of Tax

Tax is a kind of money which is the legal duty of every citizen of the country to pay honestly. Tax is the amount by the government to its people, institution, or the company in revenue which is utilized for the welfare of the people. It may be levied on income, property and even at the time of purchasing a commodity.

It is a compulsory monetary contribution to the states revenue, assessed and imposed by a government on the activities, enjoyment, expenditure, income, occupation, privilege property etc. taxation is also defined as the a levy on individuals or local government in order to finances the expenditure of the government and also as a means of implementing its fiscal policy.

Tax is classified in to different kinds according to the form, nature, essentially, methods and volumes.

1. On the basis of nature
   i) Income tax
   ii) Property tax
   iii) Tax on consumption goods
   iv) Tax on capital goods
   v) Tax on consumption goods
2) On the basis of volume
   i) Single tax
   ii) Multiple tax
3) On the basis of form
   i) Direct tax
   ii) Indirect tax
4) On the basis of methods
   i) Progressive tax
   ii) Proportional tax
   iii) Depressive tax
5) On the basis of essentially

   i) Specified tax

   ii) Advertorial tax

2.1.3 Property tax

Property tax is the annual amount paid by a land owner to the local government or municipal corporation area. The property includes all tangible real estate property offices building and the property he has rented to others. The property taxation is the compulsory payment to the public authority, which is based on the capital value of property. In the law of courts defined property tax as the right to possession, enjoyment and disposition of all things subject to ownership. Property taxation is the backbone of municipal finances in a number of developed countries (Kitchen, 1992).

Property taxation is the backbone of municipal finance for developing and developed countries. The property tax rate varies on depending on the tax revenue needs of the government. The rate is usually based on property assessed valuation. This is a certain percent of the property's total value as determined by the government property is rarely taxed at its full market value. (Bird & Slack, 2002)

Wealth taxes occupy a dominant position in the tax, structure of local bodies. They are justified done two grounds benefits and ability to pay. Since property receives certain special benefits from government it should be tax for those benefits. Wealth taxes based on benefits consideration are in rare type. Property tax while ability to pay consideration point to a personal taxed on net wealth (Singh, 1991).

2.1.3.1 General property tax

It is a tax on wealth tangible and intangible which possess exchange value. The related to general property tax is described as under (Singh, 1991)

Figure 2.1

```
                        ┌─────────────────────┐
                        │  General Property Tax │
                        └──────────┬──────────┘
                ┌──────────────────┴──────────────────┐
                ▼                                      ▼
          ┌──────────┐                           ┌──────────┐
          │ Personal │                           │Real state│
          └────┬─────┘                           └────┬─────┘
         ┌─────┴─────┐                         ┌───────┴────────┐
         ▼           ▼                         ▼                ▼
   ┌──────────┐ ┌───────────┐           ┌────────┐      ┌────────────┐
   │ Tangible │ │ Intangible│           │  Land  │      │Improvements│
   └──────────┘ └───────────┘           └────────┘      └────────────┘
```

Tangible	Intangible	Land	Improvements
Furniture	Stock	Merchandise land	Business Building
Automobile	Money	Residential	Part building
Livestock	Notes	Forest Land	Resident building
Merchandise	Mortgages	Part Land	Vacation
Jewelry	Bond		Cottage
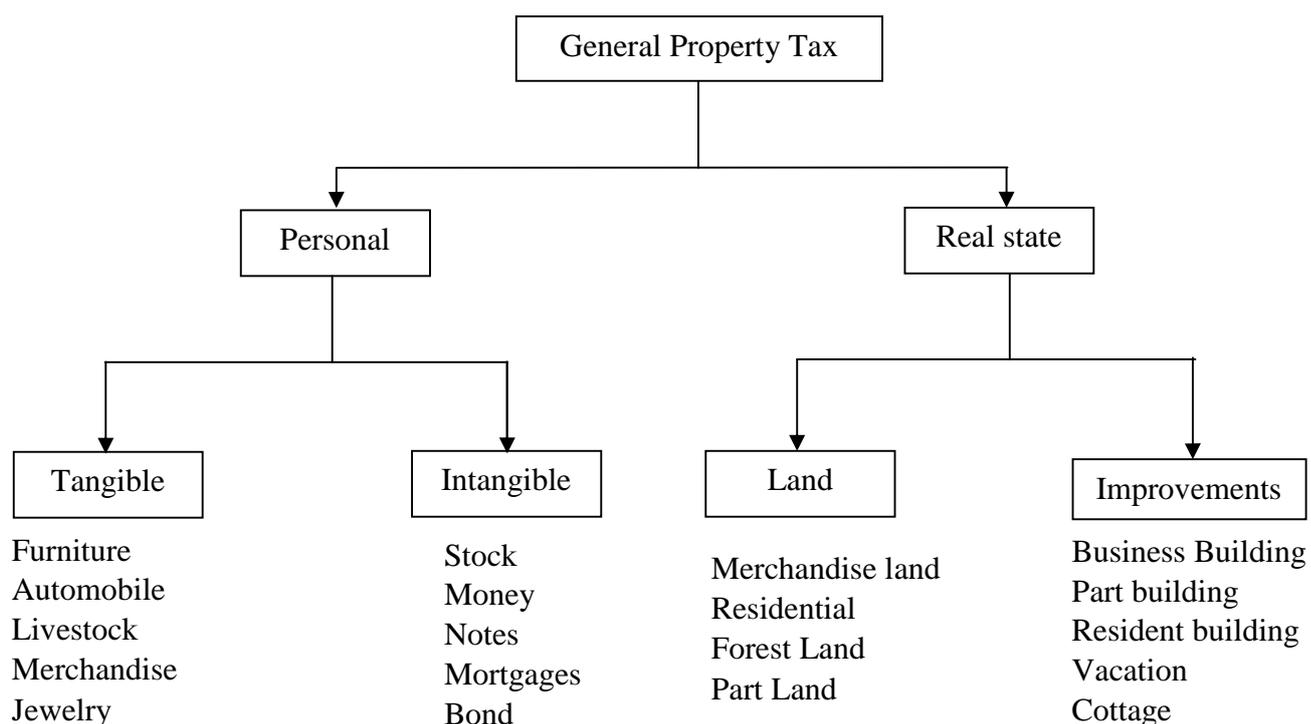
Sources: Taxation in Nepal by Amatya, Pokhrel and Dhakal (2004)

2.1.4 Historical background of property tax

Property tax has its origin in early American history. Initially it was assessed in the selected items of property such as land, cattle with different related imposed in various categories. Thus classified property tax was the main sources of revenue to the colonies. During the 18th and 19th centuries a greater variety of property emerged making it difficult to maintain such differentiation. Thus the property tax developed in to a general and uniform tax rate. The uniform tax was applied as a property independent with total property viewed as general measures of property form. The growing importance of intangible tax has been supported by much narrow approaches. It becomes selective tax on real estate and business personality and has reminder over.

Tangible property other than real estate held by persons now largely escapes tax and the attempt is made to reach intangible property. While the share of the property tax as in total tax revenue has declined from over fifty percent at the beginning of the century to around ten. At present property tax revenue at one percent of privately held wealth or as one percent in GNP has not charged greatly over the last century. It is estimated that the revenue wealth ratio remained at about one percent. The shares of

lower for municipality 61%, Which are increasing by developing addition revenue sources.

Nowadays, property tax has been the major sources of revenue of most of the cities of the world. Property tax gained importance because of the population increasing urbanization could in 1990. By narrowing the tax base to that property which is easily discovered imploring assessment providing better staff; many country adopted property tax in modern form. At least in sub urban area it is a fairly adequate surrogate for a local income tax since a high relationship has been found between property value and income level.

Property taxation has been the major sources of American local government since 17th century. In 1960 the selected Asian nations like republic of Korea, Laos, Thailand and Indonesia made only small use of urban property taxation. Property taxation is most important sources of revenue in developing country as well as developed country.

Brazil has power to impose a tax on rural land to ensure uniformity through the country since local government tax urban land and rates that can vary from 0.5% to 10% Colombia by municipalities. There is a national charge of 10% of the municipal tax.

In the Czech Republic's fiscal reform property tax revenue assigned to local governments. Land and building are assessed separately and tax on the basis of land area or building floor spaces. It has area based system based on information, market pricing for location and types of uses. Its strong real estate market, stable economy and administrative experience has given Czech Republic's the foundation for a modern property tax system.

Argentina's local government levy earns in tax which applies to urban and rural land import on the official value. The general tax rate in 0.1% Buenos air however, applies progressive rate with a maximum of property tax and local taxes on acquisition. A low 0.3% tax applied to land in Korea.

Estonia's land tax was introduced in 1993 as an internal part of both land and fiscal reforms. The tax on land and levied on both public and private land with few exemptions were intended to simulate the efficient use of land. Estonia's local

government selected a market value tax base. Recently the government has explored the possibility of adding buildings to the property tax base to expand revenue without increasing tax rates.

In Guatemala, a municipal tax in urban property is based on actual or presumed income. There is also a national tax in real property levied in a personal basis on the total official value of the real property of each tax payer. The rates changes from 0.3% to 0.6% revenue from property tax in selected developing countries. Poland adopted in agricultural property tax in 1985 and local estate tax in 1986. Poland's property taxes are urban agriculture and forest. Local government facing budget deficits are eager to increase property tax revenue and urban areas seeking more efficient land usage have supported conversion of the tax based to market value.

The property tax is the most widely used municipal's internal revenue sources in developing world. In large urban population some form of property tax is assigned to the supported of local government.

2.1.5 Role of property tax

Land and property tax is an important internal source of local government. But property tax is not always local tax. Property taxes may depend upon environment in which they are levied and effective for equitable and efficient way to raise revenue. There is a complex structure of property all around the world. In Germany, two variant of land tax are imposed on four different base rates by locally determined leverage factors.

In most countries, tax on land and property are oldest form of all taxes. The effort of any property tax depends upon the tax base, tax rates and administration. Land taxes can contribute to local government revenues and to more efficiency land use. In some countries one property tax covers all types of property (Bird and Slack, 2002).

Property tax has been different role, they are:

A) As a sources of revenue: the property tax as a revenue sources are as follows:

      i.   Taxes on land and property are the best minor revenue sources in all countries.

ii.   Property taxes are important of sub national revenue in many countries and more in developed or transition countries.

iii.   Property taxes are much important in rich countries than the developing countries.

B) As a local tax: the property tax main sources of local government revenue in many countries. The role of land and property tax as local revenue sources are as follows :

i.   Property taxes are essentially a tax on capital that such taxes are inherently progressive, since as a rule, income from capital constitutes a relatively higher share of income for rich people.

ii.   Taxes are residential real property as essentially taxes on having services that property. Taxes are inherently regressive, since as a rule housing constitutes a relatively larger share of consumption for poor people.

iii.   The portion of the tax that falls on land as being paid out of economic rent often consider it to be inherently equitable to tax.

2.1.6 Character and functions of property tax

Tax on property is a characteristic element of the contemporary system of local government revenues. Property tax is tax upon all wealth, tangible and intangible, that process exchange value. It is levied upon property located and the tax paid by the owner. Property tax is levied and understanding of the nature of property essential to understanding the tax.

Property tax is an annual tax on real property. It is usually, but not always a local tax. It's most commonly founded on the concept of market value. The tax base may be the land only, the land and buildings, or various permutations of these factors. The property tax is very visible tax. It is directly paid by taxpayers in periodic lump sum payment. Property taxes are visibility and inelasticity. The characters of the property tax are:

a) Property taxes are based on market value.

b) Tax rates determined by local voters.

c) Local property taxes finance services which benefits property value

2.1.7 Criticism of property tax

Criticism of property taxes falls into two classes- Theory or conception and practical and administrative difficulties. It has been said that property taxes wrong in the theory and does not work in practice. Theoretical and practical or administrative limitations of property tax are as follows:

A. Theoretical limitations are as follows:

i) A poor measures of ability to pay: Ability to pay is related an individual income. Property tax is related to an individual consumption is likely to relate to pay more closely than tax levied on business.

ii) A poor measures of benefits received: Benefits received may not always be a proper gauge for taxation. Taxation gives no clear accounting of benefits can be received. Property tax payment may not be the index of the benefits received.

iii) Property taxation of personal abilities: Property tax failed one important kinds of intangible asset that are personal in nature and not capable of exchange, except in person to levy every man according to his what so ever.

iv) Inconvenience of property tax: property may go for long period without bringing the owner. Property that retains values and prospects of future income go for several years without any return. Government must continue even through some property taxpayer have no ready cash. Income tax waits upon the taxpayer's conveniences.

v) Regressively: The property tax may be regressive in nature because the assessor may often assessor property of high value at lower ratio of assessed to true value than properties of lesser value. Regressively may appear because the owner or mare. Valuable property is more influential in the community and with the assessor than proper neighbors.

B. **Practical and administrative limitation of property tax**

Some practical and administrative limitations are as follows:

i) Fractionalized assessment: Critics of the property tax is the statistics. The property tax base represents only a minor fraction of its total. Property is legally exempt from tax. The property tax base is narrow due to the desirable practices of under assessing all taxable property. This practice is contrary to all taxable property.

ii) Inequalities: Taxes to be paid by each village town and city with its boarder, great unfairness can arise from inequalities in district assessments.

iii) Evasion: The property tax universally have large amount of evasion. Intangible property, tangible property like furniture and automobile etc. avoid.

iv) Avoidance by migration: Tangible property is less migratory than other tax bases and can't leave high tax districts for lower rates. Tangible property is highly migration.

v) Property tax is tolerated: According to professor Seligman "practically, the general property tax as actually administrated is beyond all doubt on the worst taxes known in the civilized world.

2.2 Property tax in Nepal

The history of property tax in Nepal is not long. Finance act 2016 had empowered the government to levy on property tax. Property tax act 2017 was enacted to collect tax from property. Urban house and land foreign investment were tax at the same rate. Under the provision of property tax act 2011 was introduced property tax act 2019 and was enforced subsequently. House and land tax act 2020 was then enacted which repeated the existing property tax act 2017. Centered government of local self-government act 2055 local bodies imposed property tax within their boundary. Currently house and land tax act 2019, property tax act 2047, and local self-governance act 2055 have been implemented in the collection of property tax. Property tax local bodies are levying property taxes under local governance act and rules.

2.2.1 Collection recovery and refund of tax

2.2.1.1 Collection of tax

Local self- governance Act- 2055, has empowered village body or village development committee, municipality and districts co-ordination committee (DCC).The VDC and municipality in the form of land revenue. Integrated property tax, house and land tax, entertainment tax, business tax, vehicle tax etc.

Since, the integrated property tax, vehicles tax, business tax, entertainment tax are not practices in village bodies and some municipalities also. Tax collection and realization with respect to house and land tax and revenue or land tax are discussed below:

In the case of village development committee

According to chapter 7, section 55 of local self-governance act 2055, the VDC may levy the property taxes are as follows in the area at the rate of approved by the village council, not exceeding the prescribed rate.

a) House and land tax: Annual house and land tax on each house and land on the basis of size, type, design and structure of the houses within the area of VDC.

b) Land revenue or land tax: the VDC may levy land revenue or land tax on the land within the area of VDC. Provided that the twenty-five percent amount of revenue from land revenue handed over to district development committee.

Business tax: Business tax on the prescribed industry, trade profession or occupation within the village development area.

In the case of municipality

According to chapter 8, section 136, 139 and 140 of local self-governance act 2055, the municipality levy the following property taxes within its jurisdictions:

a) House and land tax: on the basis of size, type, design and structure of the house, the municipality may levy annual house and land tax on each house and compound as approved the municipal council.

b) Land revenue or land tax; the municipality imposed land revenue and land tax as prescribed on the land within municipal area.

c) Vehicle tax: the municipality may levy on vehicles within its jurisdiction and occasional vehicle tax, as prescribed on all kinds of vehicle entering in to its area.

d) Property tax: The municipality may levy an integrated property tax, within its jurisdiction at the prescribed rate.

2.2.1.2 Refund of tax

According to section 147 of local self-governance act 2055, the municipality is not entitled to collect any kind of taxes contrary to the act. If the municipality collects such taxes, government may order to stop such collection and refund the amount of taxes so collected to the connected person.

2.2.1.3 Recovery of tax

According to section 71 and 166, the fine and punishment imposed by the village body and municipality are recovered by section 260. According to this process if any person does not pay any tax duty or charges levied on any other amount due and payable to local body. The district administration offices recover it, as government dues.

2.2.2 Penalties, action and appeals

A. penalties and Action

According to section 70 and 165 of local self-governance act 2055, has made the provision for fine and penalties. Any person does not pay taxes, fees, duties, tariffs and any other amount due and payable under the act. In this case the VDC and municipality penalize the person.

In the case of village development committee

According to section 70.2 of local self-governance act, if any person does not pay the taxes imposed by the VDC. It may be punish such person with a fine of Rs. 500 and stop service made by village development committee in regard to this person.

As per section 70.3 of local self-governance act 2055, in case any person commits any act contrary of act or rule, by law or orders made under the act such person shall be punished. If any prescribed elsewhere in act, and it punishment is not so prescribed the village development committee may punish with a fine Rs. 500.

In the case of municipality

According to section 165.2 of local self-governance act 2055, If any person does not pay the taxes imposed by municipality. The municipality may take the following actions.

If any person does not pay taxes, which may be collected under the act, the municipality may write to the concerned body to stop the transfer of ownership of property of such person may lock up the trade and profession.

According to section 165.5, if any person does not pay any taxes under the act, the municipality stops the services which are provided by it in regard to that person.

If any persons commits any action in contravention of the act, or rule by law or orders made under the act, such person punish with Rs. 1000.

As per the section 165.6, if any person who has already been punished under this sections. The municipality may punish such person two fold for each.

B. Appeals

In the case of property holder is not satisfied with a punishment imposed by VDC or municipality. The local self-governance act 2055 gas made provision of appeal against such punishment.

As per section 70.5 any person who is not satisfied with the punishment imposed by the VDC may appeal to the district court within the 35 days from the date of decision. Similarly, as per section 165.7 any party who is not satisfied with the punishment imposed by the municipality may appeal to the concerned to district court within 35 days of the knowledge of the decision.

2.2.3 Property not included in valuation for tax purpose

Some of the properties, which is not included for valuation, are mentioned in local self-governance Act 2055. The following properties are not included in valuation for tax purpose.

1. Animals: any domestic animals such as buffaloes, cows, oxen, and others.

    i) Any agricultural animal such as bullock's cow and buffaloes.
    ii) Any performing animal such as chimpanzees, bears, lions, and tiger.

2. Amount deposited for life insurance. In Nepal, there is no certain information about insurance.

3. Growing crops: Grass or standing tree in agricultural land is not included in valuation for tax purpose.

4. Patent and copy right.
5. Furniture and equipment.
6. Books and equipment for study.

7. Transportation equipment such as cycle, rickshaw.

8. Tools, machinery and equipment use for professional work.
9. Wearing clothes for personal or household use of the assesse.
10. Equipment related to arts and photograph.
11. Equipment and tools for first aid which are kept in house.
12. Equipment for physical education.
13. Singing and dances equipment for daily used.
14. Simple equipment for home decoration. (except valuable metal equipment)
15. Pots and equipment. (except valuable metals)

According to local self-governance Act-2055 the assets exempt from taxes are:

a) Gold 10 tolas with jewelries.
b) Silver 200 tolas with jewelries.
c) Loan issued by government of Nepal
d) Invested shares and debenture.
e) Stock in trade

Similarly, according to local self-governance Act - 2055, section 146 following rebates.

i. Goods and equipment for social welfare.

    ii.   Land owned by framers.

   iii.   The exemption limit for land are :

    a)   10 biga for Tarai area.

    b)   20 ropani for Kathmandu valley.

    c)   60 ropani for other hilly area.

    d)   Land covered by non-profit organization.

    e)   Land and building for hospital.

    f)   Pounds electricity house, airport, bus parks etc.

    g)   Educational institutions.

    h)   Foreign agencies organization.

2.2.4 Kind of property tax exemption

Property tax exemptions are exempt for social reasons such as homesteads, churches, lodges, private schools etc. The tax exempted intangible and certain kinds of tangible property as follows:

1) Homesteads exemption: homestead includes any dwelling occupied by the owners as a residences site upon which the dwelling is located. The exemption may include not only the land and improvements, as a place to live but also considerable property used to make a living.

2) Exemption of property used for religious and philanthropic purpose. Most of governments exempt education, religious institution from property taxation.

3) Municipal exemption :

4) Exemption encourage to economic activities are cash, bonus

2.2.5 Rebates from the property tax

Property taxes are mentioned in self-government act. From the prosperity tax the following the tax has been levied under this rule.

Prices received from social work.

      i)   Amount received from provident fund.

     ii)   Amount received from late insurance.

    iii) Dividend received from commercial institution.

iv) Amount received from foreign government.

2.2.6 Process of property tax

Process of tax assessments are as follows:

1) Necessary document should be registered in house and land tax book.
2) House valuation is done on the basis of size of house, depreciation rate and area of land.
3) Different types of house and land tax should be valued in different ways.
4) After paying house and land tax clearances certificates should be issued and keep the records.
5) If the owners are multiple persons, tax assessment should be done in the name of multiple owners like flat owners.
6) Tax assessment is done on the basis of house and land valuation.

2.2.7 Things to be considered in process of tax assessment

a) Find out actual valuation by total area of house.
b) Find out taxable value on the basis of depreciation, types of house total valuation, year and rate.
c) If approval is not taken during house construction he/she deposit Rs 10 per sq. ft.
d) Name and type of road should be defined in the map.
e) Find out area of land in Ropani/hector.
f) Actual valuations are done on the basis of types of road.

2.2.8 Mistake correction in the process of assessment (corrective measure)

1) If the tax payer complains about house and land within two years tax, tax officers can again determines the tax and valuation.
2) The administration should provide chance of revision about house and land tax if necessary.

2.2.9 Assessment of property tax

Some methods of valuation of property taxes are as follows:

1) Area based Assessment: A charge is levied per square meter of land area and per square meter of building. The assessment of property is the sum of an assessment rate per square meter multiplied by the size of building and unit value assessment, the assessment rate per square foot is adjusted to reflect location and quality of structure. Market value has an indirect influences on the assessment base properties in the different zones will have different value.

   The municipalities apply tax according to the availability of the service garbage collection street lighting covered, road covered, side walk, sanitary sewers and rain water sewer.

2) Market value assessment: market value is defined as the price that would be struck between a willing power of buyer and seller in length transaction. The following methods are used to estimate market value.

3) Rental value assessment: Under this approach property is assets approach according to estimated rental value or net rent.

4) Self-assessment: The local tax system is based on principle of self-assessment. Under this method, the responsibility lies on property holder itself. Properties are assessed at market value. Under self-assessment in some countries, people have right to buy the property at the assessment value. According to the case study in Bird and Slack 2002, self-assessment appears to have significantly increased revenues(Richard, M Bird & Enid Slack 2002)

2.3 Current provision of property (house and land) tax in Bhaktapur municipality

The current provisions of property (house and land) tax in Bhaktapur municipality are as follows

A .Necessary documents and duties for submitting required documents.

Following documents are required to submit house and land tax return in Bhaktapur municipality:

a) If any person has various land and houses in the municipal area statement should be submitted to related ward office of each house and land.

b) If any couple has separate land and house ownership statement should be submitted jointly.

c) People having liability to pay house and land property tax should be return as per act.

d) If there is any increase/decrease in house and land property. It should be reported to the ward offices.

e) If there is more than one own statement should be submitted in the name of any one owner.

f) Calculated tax as per submitted statement should be deposited in bank account of within 35 days.

g) The necessary documents are :
   i) Copy of land ownership certificate – 1
   ii) Copy of approval house map – 1
   iii) Field inspection report – 1
   iv) Copy of tax receipt if any submitted to tax office.

h) Tax officer holds rights for following action is required
   i) Necessary examination and review of statement by tax payer by issuing notice for filling and taking interview.
   ii) Field inspection

2.3.1 Penalty system of house and land tax in Bhaktapur municipality

Bhaktapur municipality is self-reliance municipality. Hence if the tax payer did not follow the rule and regulation as mentioned act and provision. They are charged by 10% only not as penalties provisions in Act which are as follows.

a) If any person submits wrong documents till Ashoj or every year, the penalty is Rs. 5000.

b) If any person does not follow rules and regulation regarding paying tax, the penalty is Rs. 1000.

c) If taxpayer does not follow direction of tax officer, penalty is Rs. 500.

d) If tax amount is not deposited within 35 days, 15% additional amount per annum shall be charged on assessment of tax.

2.3.2 Procedures of valuation of building in Bhaktapur municipality

Table 2.1

Valuation of building in BM

S. N.	Classification of house	Average cost per sq. ft. (in Rs)	Depreciation rate per year %	Total life in year
1.	Green (Raw) Bricks	Rs 525	3	25
2.	Kiln bricks (stones) with mud mortar	650	2	30
3.	Kiln bricks (stone) with cement	1000	1	70
4.	RCC frame Structure	1800	0.75	100
5.	Steel frame structure	1650	0.75	100

Sources: Economic Act 2075 of Bhaktapur municipality

Notes:

i. House and land of green (raw) brick with mud mortar and thatched roof or house made of bamboo or wood with thatched roof is not valued for the purpose of house and land tax.

ii. The main auditorium of cinema hall is valued by applying a 25% discount in aforesaid rates.

iii. Classification of house are green (raw) bricks with mud-mortar , kiln bricks (stones) with mud-mortar, kiln bricks (stones) with cement mortar, RCC frame structure and steal frame structure.

2.3.3 Rates of house and land tax in Bhaktapur municipality

Table 2.2

Rate of house and land tax of Bhaktapur municipality

Value of House and Land	Rate of tax (in Rs. and %)	Amount
First up to 10 Lakh	300	300
Next up to 20 Lakh	600	600
Next up to 20 Lakh	0.12%	2400
Next up to 50 Lakh	0.20%	10000
Next up to 1 Crore	0.30%	30000
More than 1 Crore	0.40%	-

Sources: Economic Act 2075 of Bhaktapur municipality.

In above table 2.2, rates of tax in Rs. and percentage and amount are shown in right side. Value of house and land is shown in left side. If the value of house and land is up to 10 Lakhs, she/he should pay Rs. 300. And if the value of house and land is next up to 20 lakhs, he/she must pay Rs. 600 tax. If one has value of house and land is next up to 20 lakhs, He/She must pay 0.12% or Rs. 2400. Similarly the value of house and is next up to 1 crore, He/she should have to pay 0.30% or Rs. 30000. And if the value of house and land is more than 1 crore, He/She should pay 0.40%

2.3.4 Rebates in tax payers in Bhaktapur municipality

i) 10% discount for paying tax before last of Shrawan.

ii) No penalty for paying tax till Asadh last.

2.3 .5 Exemption of house and land tax in Bhaktapur municipality

a) House and land occupied by royal palaces.
b) House and land owned by Nepal government.
c) House and land owned by municipalities and district development committee.
d) Land related to stadium garden or parks etc.
e) House and land making non-profit making organization.

2.3.6 Property tax Administration

In this part in property tax administration function of property tax administration, assessment of property tax, and method of valuation of building are included.

2.3.6.1 Steps in Property Tax Administration

Property tax administration discovery, valuable billing and collection lies with municipality officials. Properties are recorded on tax maps for purpose of permanent identification. Values are calculated on the basis of objectives, physical characteristic and standard unit cost factors of complete and up to date set up all the documents required to administer the property tax.

Some important points are as follows.

      i.   An updated municipal tax code
     ii.   An updated taxation map
   iii.   A new set up property records
    iv.   A new assessment roll
     v.   Current market prices
    vi.   A complete set of tax bills
   vii.   New unit cost table
  viii.   Property and it's tax liability

"Tax administration is tax policy" in developing country like Nepal so, property tax has not only impact on their revenue but also affect their efficiency. In many countries, poor tax administration is barrier to implementing the property tax.

2.3.7 Methods of valuation of building

There are some methods of valuations of building which are as follows:

   i.   Rental method
   ii.   Direct comparison with the capitalization value
  iii.   Valuation based on profit
   iv.   Valuation based on cost
   v.   Development method valuation

vi.   Depreciation method of valuation

Rental method: In this method the net income from rent is found by deducting all out going money from the rent. A suitable rate of interest, as prevailing in the market is assumed and years purchased is calculated. The net income multiplied by the years, gives the capitalized value of the property. This method is useful in those properties which are rented and where the rent is known. It is difficult to discover the actual net rent because the property owner seldom declares the true amount. (Dhungana, 2073)

Direct comparison with the capitalization value: The second method is adopted when the value is not available from the property concerned. This method can be used only in the conjunction with some other method, where the basis of valuation is already known. Capitalized value of property is fixed by direct comparison with the capitalized value of similar property in the locality. It is difficult to find two or more similar property in the locality.

Valuation based on profit: the third method is suitable for building like hotels, cinema halls, threats etc. for which the capitalized value depends on the profit.

Valuation based on cost: In this fourth method, the valuation based on cost. The actual cost incurred in constructing the building, is taken as the basis for determining the value of property.

Development method of valuation: this method is used for those properties in either an undeveloped stage. It is used only for specific case.

Depreciation method: This method is the depreciation method of valuation. According to this method one needs to have information on (i) walls (ii) roofs (iii) floors (iv) doors and (v) windows etc.

2.4 Review of articles

There are different kinds of literature available on property tax. To attempt the theoretical foundation and how property tax help to contribution total tax revenue, some books, journal, article, related websites and thesis will be reviewed.

Tax is the main sources of government revenue. Property tax plays a vital role in economic development of the country. Property tax has great potentialities of resource mobilization in the developing country. The main objectives of literature review to bring useful work done on property tax in Nepal.

Kitchen (1992) analyzed the assessment inequities can both reduce the tax base and cause taxpayers to lose confidence in the system. Due to their high visibility, property taxes are subject to extensive pressures because unfairness, inefficiency, and administrative problems are clearly perceptible.

De .Cesare & Ruddock (1997) mentioned on their research report property tax is one of the most popular option for raising for the financing public service at local government level and property tax system, tax base assessment and tax burden distribution.

Tripathi (2007) overviewed and explained the different aspect to income tax administration and mentioned that, tax policy, tax law, tax objectives or administration, organization, transparency, self-assessment of income and it's inspection, up to date records of tax payers and the use of information of technology tax liabilities and tax planning also help reduces tax liability with different activities

Mallik (2010) explained in his book about income Act 2058 with example. He has compared old provision and new provision of Act. The study analyzed the difference of tax rate between old and new act and found that Nepalese tax system is still poor to collect the revenue.

Boamoh (2013) analyzed property rating system in Offinso South Municipality (OSM) of Ghana. He suggested that the OSM should improve its land use planning system to facilitate compliance with property tax, address accountability and transparency problem in the property tax in order public confidence in the tax regime.

Sharma (2013) stated municipal financing source indicates the study of various sources of revenue (both internal and external) and their collection, allocation, mobilization and utilization of those resource to achieve municipality goal.

Gale and Samwick (2014) examined how to change the individual income tax affect long term economic growth. They analyzed about improve incentive, reduce existing subsidies, avoid windfall gains and avoid deficit financing which have more auspicious effects on the long term size of economy.

Felis (2014) analyzed the problems of the theoretical aspects of local tax system rationalization. The de-liberation conducted concern possibilities of referring recommendations made by the contemporary theoretical achievement describing economic effect of property taxation to the practice of certain European countries. This study described resulting from the theory of property taxation should support the operational transformations of the local tax system.

Stranahan, Vrooheees and Brog (2014) used an innovative method to analyze the burden of property taxes relatives to current income level and analyzed the incident of two important tax preferences, the homestead exemption and annual assessment caps.

Idowu, Kamarudina, Achua and Solomon (2016) examined the taxonomy of property tax with a view to understanding it composition and review the impact of valuation accuracy on property tax from existing literature. The study revealed the impact of valuation on property tax, indicating the effects of valuation accuracy on the amount of tax payable or receivable as the case may be. Valuation impact can be viewed as being accurate or inaccurate. When it is accurate the cost is low for the tax administration, low rate of avoidance and evasion, and provision and maintenance of municipal services, but the reverse is the case when it is inaccurate.

Oates & Fischel (2016) investigated about local property tax are progressive or regressive. The local property taxes are commonly regarded as regressive, but the dominant views of the property tax would disagree. Under the capital- tax view, the national elements of the tax is a tax on real estate capital. Under the benefit view, the local component of the property tax is not really but not really a tax. The study analyzed the capital-tax view applies in relatively underdeveloped areas, while the benefit view is more relevant in developed urban areas.

Beal, Borg and Stranahan (2017) examined the vertical and horizontal equity effect of assessment caps. Assessment caps can significantly affects the home owner tax burdens. Property tax cap reduced the taxable value.

Dhakal, Koirala & Bhattrai (2074) mentioned about the direct and indirect tax concession; rebates, and allowance to tax payer which can reduce tax liabilities and tax planning also help reduces tax liability with different activities. The study

analyzed the urban house and land tax. Legal aspect, evolution procedure, house and land tax, structure of tax rate, revenue potentialities and historical aspect of taxation.

Tajani, Torre & Liddo (2017) analyzed the socio-economic determinants of housing market value have been examined, highlighting their respective contribution to the formation of the property prices and verifying the property tax liability. The property tax is a factor that could determine through modest fluctuation real state contingency. The study of various sources of the revival of the property demand, generating positive effect also on construction sector, which has been currently affected by the negative.

KC (2018) analyzed the degree of relationship between tax evasion, total tax revenue and economic growth in Nepal. This study analyzed the examination of the influence of tax on total revenue.

Lin, Li, Hsieh & Chen (2018) investigated the impact of property taxation on housing markets in different regions from a viewpoint based on the stock flow model. The empirical findings verified that housing prices was the most important factor for influencing the long run housing supply and demand in region both with and without oversupply. The property tax's impact on the adjustment speed to long-run equilibrium in over supply regions was weaker than under- supply regions.

Zdrazil and Pernica (2018) analyzed the interrelationship between the level of property taxation and quality of life in the Czech municipality. The property tax is considered to be a good tax for local governments, mainly because of the connection between the types of services funded at the local level and the benefit to property values. This paper explained the property tax is under-used by highlighting some of the problems with the tax, such as its unpopularity, inelasticity, erosion of tax base, and poor administration.

CHAPTER- III

RESEARCH METHODOLOGY

3. 1 Introduction

Research is the scientific investigation of the certain topic which helps to find out fact and confusion about the investigated topic. All data collected from secondary sources. The secondary data are collected in order to fulfill the objectives of the study. To achieve objectives of the studies analysis of "structure and contribution of tax to annual revenue of Bhaktapur municipality" is done in this chapter. The methodology, which has been followed in the study of research design, nature and source of data, and method of data analysis.

3.2 Research design

Most of the data and information of the study were concerned with past performance. .After the collection of past data this study has analyzed and described its own procedures thus, this study has followed by analytical as well as descriptive research design. The study is based on Local Self Governance Act- 2055, Economic Act 2075 of Bhaktapur municipality.

3.3 Nature and sources of data

This methodology is totally based on secondary data. Which are collected from published as well as unpublished report, circular and records of property tax and tax section and account section of Bhaktapur municipality. The sources of secondary data are:

i) Economic Act 2075 of Bhaktapur municipality.

ii) Economic survey government of Nepal MOF.

iii) Local Self-governance Act-2055.

iv) Record of tax and account section of Bhaktpur municipality.

3.4 Methods of data analysis

Data, information and other things collected from various sources in the raw form. This is necessary to arrangement for decision. Thus the information and facts have been properly processed, tabulated for the purpose of analyzed financial and statistical tools to achieve the objectives.

3.5 Tools used for analysis of data

In order to analyze and interpret the collective data after necessary adjustment various financial as well as statistical tools have been used. Which are as follows:

Statistical tools

1. Simple percentage
2. Simple average
3. Graphs, charts
4. Least square method ($Y=a+bx$)

CHAPTER- IV

RESULT

Data presentation and analysis of house and land tax in Bhaktapur municipality has been done in this chapter. This is the major part of study. It aims to make clear understanding about structure and contribution of house and land tax in Bhaktapur municipality, which is present in this chapter.

4.1 Tax structure of Nepal

The funds required by government are normally collected from two sources: revenue and debt. The income of government through all sources like taxes fees, fines and penalties are collected from public revenue. Public revenue may be divided into two parts: tax revenue and non-tax revenue. Structure of tax revenue and non-tax revenue in Nepal are as follows.

Table 4.1

Tax structure of Nepal (in million)

| Fiscal year	Total revenue	Tax revenue		Non tax revenue	
		Amount	%	Amount	%
2007/08	10762.25	8515.55	79.28	2246.70	20.88
2008/09	14347.45	11705.19	81.58	2642.26	18.42
2009/10	17799.09	15978.53	89.77	1820.56	10.23
2010/11	19837.59	17722.72	89.34	2114.87	10.66
2011/12	24437.29	21172.18	86.64	3265.12	13.36
2012/13	29602.11	25921.49	87.57	3680.62	12.43
2013/14	36292.36	30343.99	83.6	5948.37	13.94
2014/15	39350.66	35350.57	89.86	4000.08	10.14
2015/16	48196.2	42109.7	87.36	6086.5	12.64
2016/17	60918	55386.7	90.92	5531.3	9.08

Sources: Economic survey government of Nepal MOF (2007/08-2016/17)

Table 4.1 has presented the detail tax structure and contribution of tax revenue and non -tax revenue of Nepal on rupees. In this table tax revenue is increasing in every

year. But non tax revenue is fluctuating trend. The non-tax revenue is increased from fiscal year 2007/8 to 2008/9 and it was decreased in 2009/10 from Rs. 2642.26 to 1820.56. The collection of tax revenue is in increasing trend up. The above table is presented in the graphs which are as follows:

Figure 4.1

Tax structure of Nepal
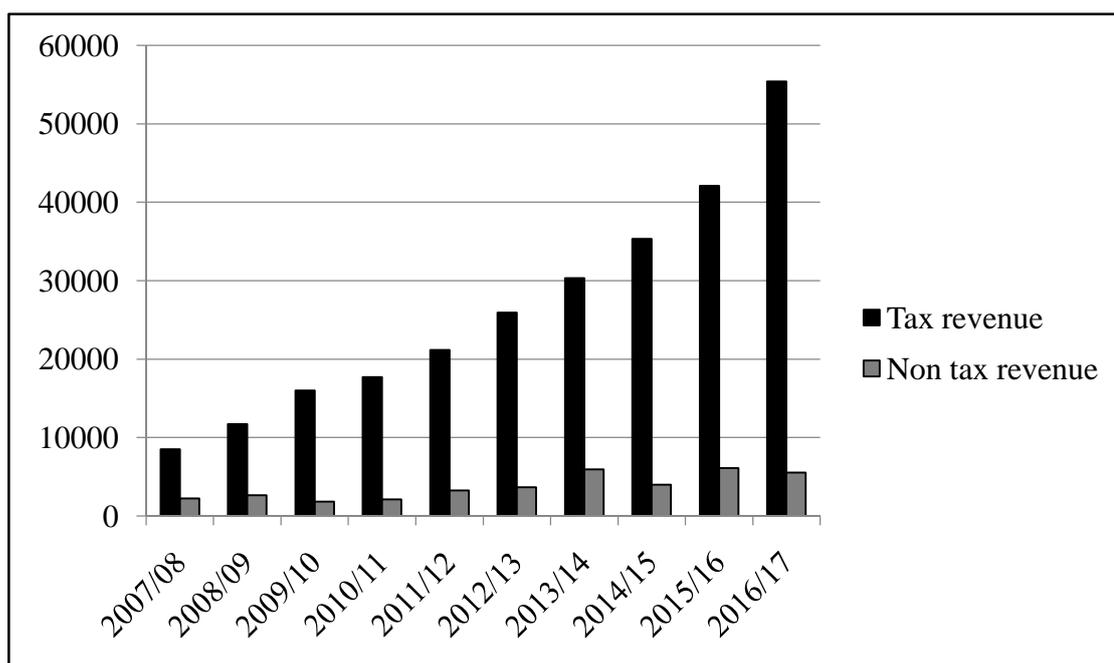
4.2 Structure of total tax revenue of Bhaktapur municipality

The Bhaktapur municipality has been collecting revenues and funds through different headings imposed to the local and other people which are the means of valid and reliable sources. The structure of total tax revenue of Bhaktapur municipality is shown in the following table. This table includes all the public and other revenue and also includes fine penalties and other types of revenue.

Table 4.2

Structure of total tax revenue of Bhaktapur municipality (in Rs. 000)

Year / Detail	2064/65	2065/66	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	2073/74
Malpotkar	791	1136	1227	1456	1540	1610	1680	1591	1731	1986
House and land tax	1132	1234	1258	1595	1725	1824	8776	14080	12806	12000
Bitauri tax	768	1015	1311	1305	1442	1530	1133	1285	1519	1800
Business tax	2410	1918	2049	2940	3035	3545	4772	4377	4231	3928
Fine and penalties	4883	5530	5350	2124	2140	1925	1889	2010	1883	2134
Service fees	3540	4310	4835	5342	7523	9786	15904	16202	15134	18160
Vehicle tax	321	213	450	533	565	620	656	470	490	510
Tourism service fee	102151	101647	106107	119260	135208	148590	215007	255346	107380	194564
Other tax	4830	5861	6113	6929	14811	7103	48242	39466	12039	17094
Total revenue	120826	122651	128700	141517	167989	176532	298062	334827	157213	252176

Sources: Tax and Account Record of Bhaktapur Municipality (2064/65-2073/74)

Table 4.2 shows the detail structure of various taxes and other income of Bhaktapur municipality in various fiscal years from 2064/65 to 2073/74 and all the figures are shown in thousand. Total tax revenue of Bhaktapur municipality is Rs. 120826 in fiscal year 2064/65.Similarly, total tax revenue of Rs. 122651 in fiscal year 2065/66. Total tax revenue total tax revenue was increasing in 2064/65 to 2071/72. Total tax revenue of BM is Rs. 157213 in fiscal year 2072/73 which is the decrease to compare in previous year. Total tax revenue of Rs. 252176 in fiscal year 2073/74. Hence, this showed that the total tax revenue of Bhaktapur municipality is fluctuating. As shown in the table, the total revenue of Bhaktapur municipality is increasing trend in fiscal year 2064/65 to 2071/72. And total revenue of Bhaktapur municipality is Rs. 157213 in fiscal year 2072/73. This has been decreasing. The reason behind to decrease in fiscal year 2072/73 due to the earthquake in Nepal and the consequences was

destroyed the house and buildings, cultural & historical heritage. However, it was progress in fiscal year 2073/74. The total tax revenue of Bhaktapur municipality is Rs. 252176 in fiscal year 2073/74. This is increased compare to previous fiscal year.

4.3 Total house and land tax and other taxes in Bhaktapur municipality

Table 4.3 shows the total property income and other taxes in Bhaktapur municipality. Here percentage of property tax is drawn on the total tax revenue of BM which is shown in the following table. This table will be helpful to express the comparison between house and land tax and other sources of income.

Table 4.3

Total house and land tax and other taxes in Bhaktapur municipality

Fiscal year	Total tax revenue	House and land tax	% of house and land tax	Other taxes	% of other taxes
2064/65	120826	1132	0.94	4830	4.0
2065/66	122651	1234	1.00	5861	4.77
2066/67	128700	1258	0.98	6113	4.75
2067/68	141517	1595	1.12	6929	4.9
2068/69	167989	1725	1.03	14811	8.81
2069/70	176532	1824	1.03	7103	4.02
2070/71	298062	8776	2.94	48242	16.18
2071/72	334827	14080	4.2	39466	11.78
2072/73	157213	12806	8.15	12039	7.6
2073/74	252176	12000	4.76	17094	6.7

Sources: Tax and Account Record of Bhaktapur Municipality (2064/65-2073/74)

Table 4.3 shows the total tax revenue from property tax and other taxes and total tax income of last 10 year from 2064/65 to 2073/74 and the all the figure are shown in thousand. It also shows total tax revenue, house and land tax revenue and percentages of other taxes.

In the table, total tax revenue was Rs. 120826 in fiscal year 2064/65 of which house and land tax was Rs 1132 and house and land tax consisted 0.94% and other tax

income was Rs. 4830 of which other taxes was 4.0%. Similarly, in fiscal year 2065/66, total tax revenue was 122651 of which house and land tax was Rs. 1234 and H&L tax consisted 1.0% and other taxes Rs. 5861 of which other taxes was consisted of 4.77%. Total tax revenue was Rs. 141517 in fiscal year 2067/68 of which house and land tax was Rs 1595 and house and land tax consisted 1.12% and other tax income was Rs. 6929 of which other taxes was 4.9%. Similarly, in fiscal year 2068/69, total tax revenue was 167989 of which house and land tax was Rs. 1725 and H&L tax consisted 1.03% and other taxes Rs. 14811 of which other taxes was consisted of 8.81%. In fiscal year 2072/73 total tax revenue of BM was Rs. 157213 of which house and land tax was 12806 and H&L tax consisted 8.15% and other tax revenue was Rs.12039 which it's consist of 7.6%. And total tax revenue of Bhaktpur municipality was Rs. 252176 of which house and land tax was 12000. H&L tax consisted 4.76% and other taxes of Rs. 17094 it's consist of 6.7%.

4.4 A study about contribution of house and land tax to total revenue of Bhaktapur municipality

 Property taxation is the backbone of municipal finance in a developed or developing country. So house and land tax plays a vital role in Bhaktapur municipality. Bhaktapur municipality has internal and external sources of collecting financial resource. Among them the property tax is most important internal source. In this study contribution of house and land tax to total revenue of Bhaktapur municipality has been presented in the following table.

Table 4.4

Contribution of house and land tax in Bhaktapur municipality (in 000)

| Fiscal year	Total tax revenue	Contribution of house and land tax	% of contribution of house and land tax
2064/65	120826	1132	0.94
2065/66	122651	1234	1.00
2066/67	128700	1258	0.98
2067/68	141517	1595	1.12
2068/69	167989	1725	1.03
2069/70	176532	1824	1.03
2070/71	298062	8776	2.94
2071/72	334827	14080	4.2
2072/73	157213	12806	8.15
2073/74	252176	12000	4.76

Sources: Tax and Account Record of Bhaktapur Municipality (2064/65-2073/74)

Table 4.4 shows that the total tax revenue and contribution of house and land tax and its percentages. In the fiscal year 2064/65 total tax revenue was Rs.120826 and contribution of house and land tax was Rs. 1132 in which H&L tax consist of 0.94%. Similarly, in fiscal year 2065/66, total revenue was Rs. 122651 and contribution of house and land tax was Rs. 1234 of which consist of 1.0%.In the fiscal year 2067/68 total tax revenue was Rs.141517 and contribution of house and land tax was Rs. 1595 in which H&L tax consist of 1.12%. Similarly, in fiscal year 2068/69 total revenue was Rs. 167989 and contribution of house and land tax was Rs. 1725 of which consist of 1.03%. Total tax revenue and house and tax also increasing in fiscal year 2064/65 to 2071/72. Total tax revenue of Bhaktapur municipality was Rs. 157213 in fiscal year 2072/73 and contribution of house and land tax was Rs. 12806 which is consists of 8.15%. In fiscal year 2073/74, total tax revenue was Rs. 252176 and contribution of house and land tax was Rs. 12000, which is consisted of 4.76%.

In conclusion, the table 4.4 presents the total contribution of house and land tax of Bhaktapur municipality in fiscal year 2064/65 to 2073/74. The highest percentage on contribution of house and land tax was 8.15% in fiscal year 2072/73. And lowest percentage on contribution of house and land tax of BM was 0.94% in fiscal year 2064/65.The table 4.4 presented in the graph, which are as follows.

Figure 4.2

Contribution of house and land tax of Bhaktapur municipality
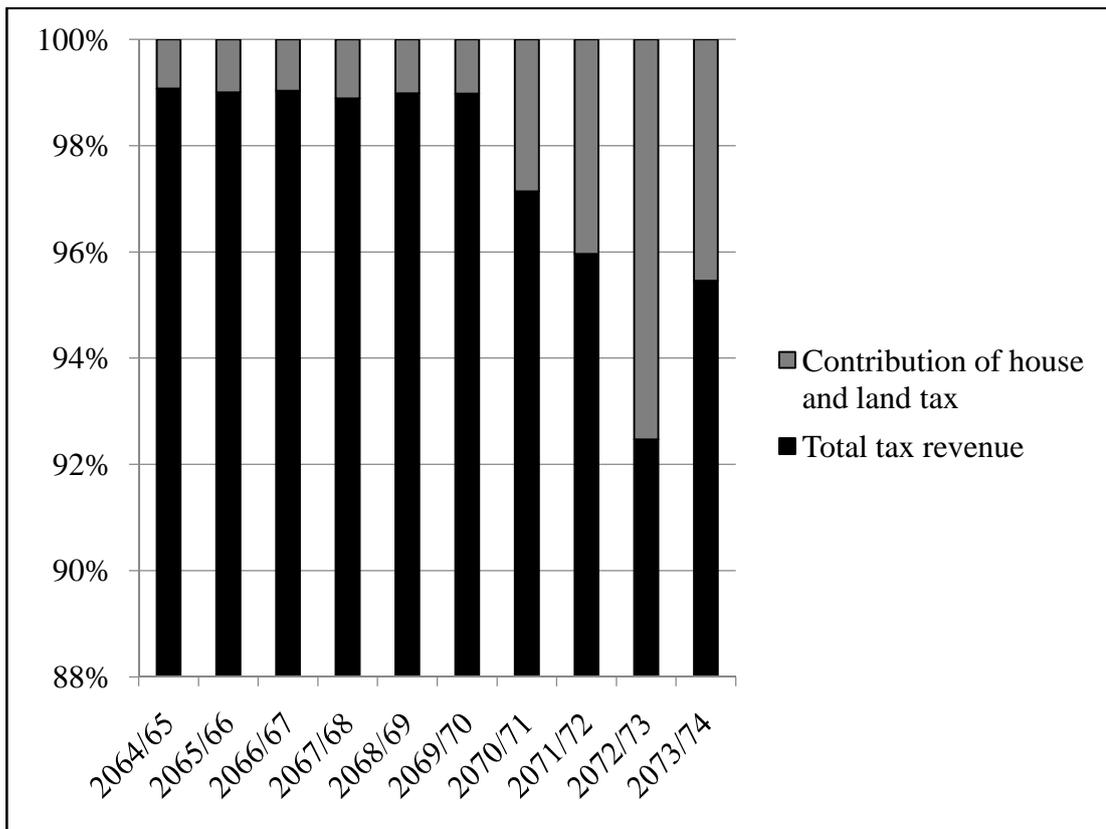
4.5 Estimated and actual house and land tax of Bhaktapur municipality

In every organization is depend upon the effective budgeting and it's implementing. Budgeting capacity which helps to development of our nation. It represents how much amount is estimated and how much amount collected for each fiscal year.

Table 4.5

**Estimated and actual house and land tax of Bhaktapur municipality**

Fiscal year	Income		Collection efficiency
	Budgeted	Actual	
2064/ 65	1294000	845000	65.30
2065/66	1550000	982000	63.35
2066/67	2100000	1420000	67.6
2067/68	2520000	1595000	63.3
2068/69	3280000	3030000	92.37
2069/70	4500000	4035000	89.66
2070/71	5350000	8777000	164.05
2071/72	10800000	14080000	130.37
2072/73	14000000	12807000	91.4
2073/74	13000000	11740000	90.3

Sources: Tax and Account Record of Bhaktapur Municipality (2064/65-2073/74)

Table 4.5 presented that the revenue from house and land tax (property tax) was fluctuating over the last 10 years from fiscal year 2064/65 to 2073/74. The collection efficiency was also fluctuating over the every fiscal year. In fiscal year 2070/71, the highest collection efficiency is 164.05% and the lowest collection efficiency is 63.3 in fiscal year 2067/68. In fiscal year 2070/71 and 2071/72 was high actual income then, budgeted income of Bhaktapur municipality. In fiscal year 2067/68 it is less efficient and only by 63.3% which was not matching the decision taker for pre-planning and fiscal year 2069/70, 2072/73 & 2073/74 was also less collection efficiency. Hence the success of any type of organization is depend on the proper plans of budget and it's right implementation. So, Bhaktapur municipality was not succeeded to collect budgeted house and land tax in different fiscal years.

43

Figure 4.3

Estimated and Actual house and land tax of BM
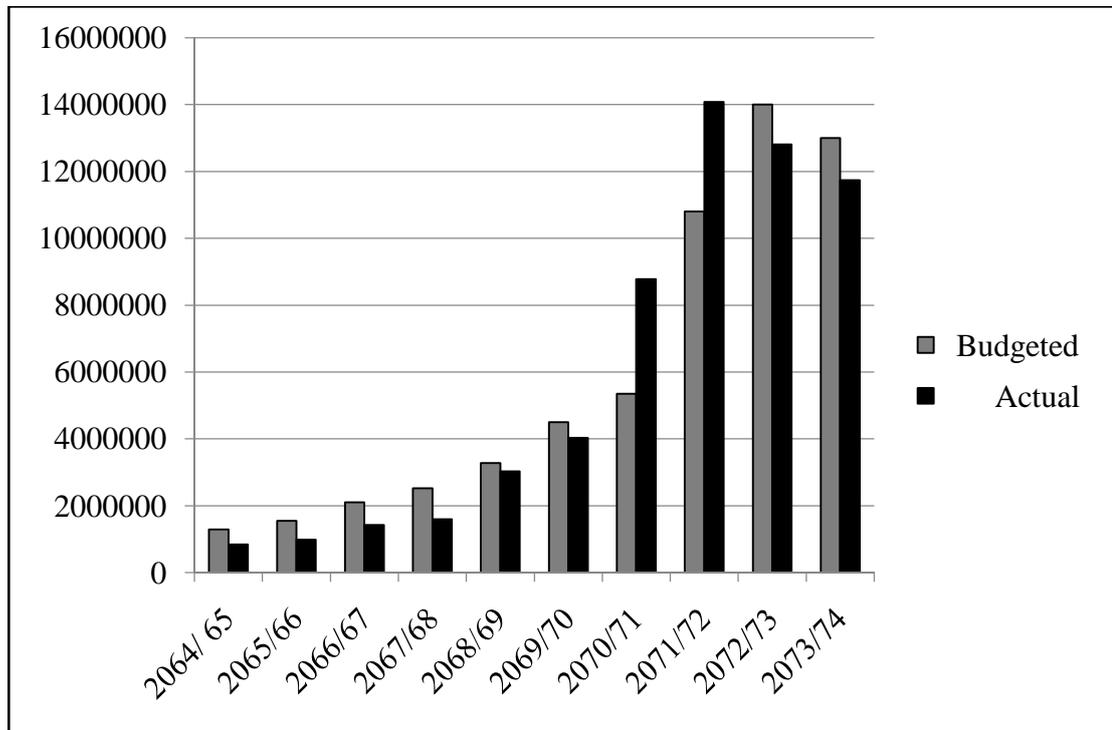
4.6 Trend analysis

The trend analysis is the reliable sources for analyzing the future trend of the valuation data from which the trend is calculated through the past information. The trends analysis helps to forecast future amount of house and land tax of Bhaktapur municipality. Forecasted revenue suggests the government for future policy and revenue management practices. Under this study, it is shown that the revenue collection policy of government. Table 4.6 shows the trend of house and land tax of Bhaktapur municipality.

.

Table 4.6

Trend of house and tax of Bhaktapur municipality

Fiscal year	T	X=T- 5.5	X^2	H & L tax (Y)	XY
2064/65	1	-4.5	20.25	1.132	-5.094
2065/66	2	-3.5	12.25	1.234	-4.319
2066/67	3	-2.5	6.25	1.258	-3.145
2067/68	4	-1.5	2.25	1.595	-2.3925
2068/69	5	-0.5	0.25	1.725	-0.8625
2069/70	6	0.5	0.25	1.824	0.912
2070/71	7	1.5	2.25	8.776	13.164
2071/72	8	2.5	6.25	14.08	35.2
2072/73	9	3.5	12.25	12.806	44.821
2073/74	10	4.5	20.25	12	54
			X^2=82.5	Y=56.43	XY=132.284

Table 4.6 shows actual House and land tax is maximum in fiscal year 2071/72 and low in fiscal year 2064/685 but estimated house and land tax shown in slowly increasing.

(The calculation is given in appendix I)

Where, a=5.643, b=1.6034 and estimated Y= 5.643+1.6034x.

4.7 Past trend line of house and land tax of Bhaktapur municipality

Table 4.7

Past trend line of house and land tax of BM (in 000)

Fiscal year	House and land tax
2064/65	1132
2065/66	1234
2066/67	1258
2067/68	1595
2068/69	1725
2069/70	1824
2070/71	8776
2071/72	14080
2072/73	12806
2073/74	12000

Sources: Account section of Bhaktapur municipality

Table 4.4 shows the past trend line of house and land tax of Bhaktapur municipality from fiscal year 2064/65 to 2073/74. In the table, house and land tax was Rs. 1132 in fiscal year 2064/65. Similarly, in fiscal year 2065/66, the house and land tax was Rs. 1234. The house and land is increased from fiscal year 2064/65 to 2071/72. Then, and it was decreased in 2072/73 & 2073/74. Due to various reason like earthquake in Nepal, which destroyed the house and building. The above table 4.7 is presented in the graphs which are as follows.

Figure 4.4

Past trend line of house and land tax of BM
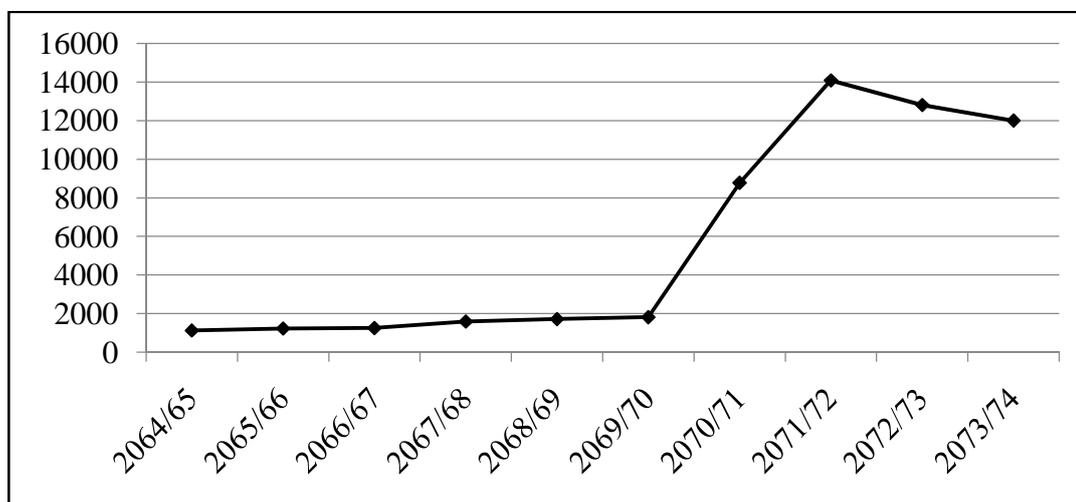
4.8 Future trend line of house and land tax in Bhaktpur municipality

The table 4.8 shows the forecasted trend of house and land tax of Bhaktapur municipality. (The calculation is given on appendix –II)

Table 4.8

Future trend line of house and land tax of BM (000)

Fiscal year	Future house and land tax
2074/75	23.28
2075/76	26.48
2076/77	29.70
2077/78	32.90
2078/79	36.10
2079/80	39.32
2080/81	42.52
2081/82	45.73
2082/83	48.94
2083/84	52.14

Figure 4.5

Future trend line of house and land tax of BM
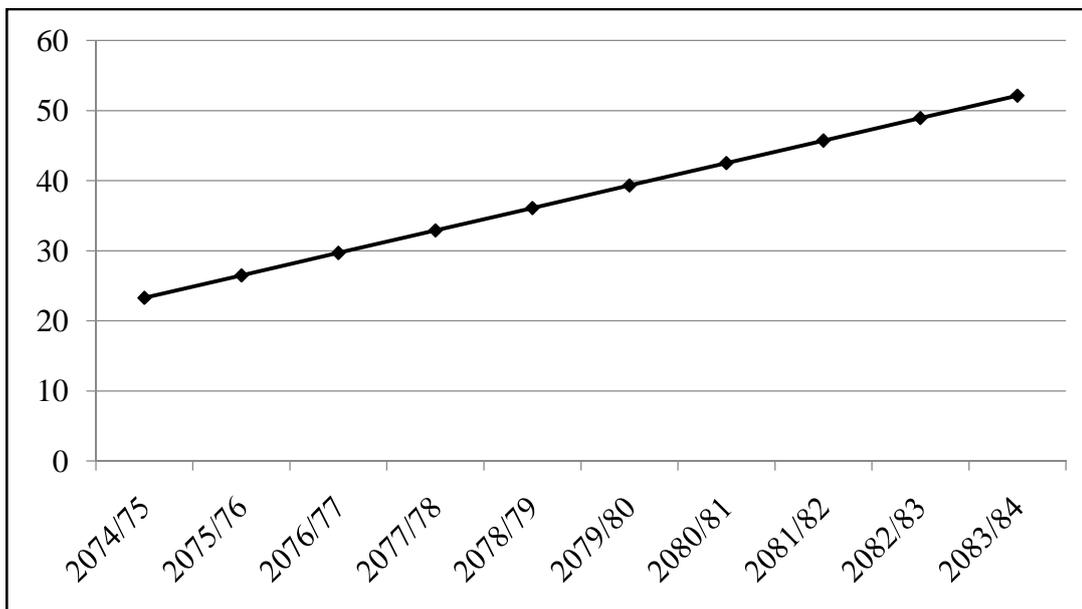
Major finding of the study

The study has focused the role of property tax revenue, structure, contribution and trend of house and land tax of Bhaktapur municipality. All over the Nepal there are 276 municipalities.

The major findings of the study are as follows:

 1. House and land tax is a suitable means for raising revenue on total tax and it should be increase to revenue of Bhaktapur municipality.

2. The highest contribution of property tax is Rs. 14080 in fiscal year 2071/72 and lowest contribution of property tax is Rs. 1595 in fiscal year 2067/68.

3. While studying the budgeted and actual collection of property Tax. The highest collection efficiency was fiscal year 2070/71. That is 164.05% and the lowest is 63.3% in fiscal year 2067/68.

4. Analysis of trend value of house and land tax (property) shows the collection of property tax in increasing trend.

5. House and land tax has been considered as suitable sources for the collection of public revenue and mobilizing the internal resources. It can be used as a positive

instrument to boost government revenue collection to help the economic development of Nepal.

6. Effective fine and penalty system can help to increase the tax paying habit.

CHAPTER- V

CONCLUSION

This is the last chapter of the study it shows the overall summary of the study and conclusion drawn from the analysis to the study. This also includes the implication to certain aspects which help to improve the collection of the property tax and the provision of the tax in Bhaktapur municipality.

Summary

Nepal is developing country. It is suffering from economic disaster. To increase the government revenue, Nepalese government is trying to exact money or valuable contribution from people through taxation. Government is increasing the area of tax revenue in these days like malpotkar, excise duty, property tax, vehicle tax, business tax, tourism tax etc.

In Nepal, tax was introduced by finance Act in 1959 A.D. It was implemented under property Act in 1960 A.D. Due to ineffectiveness in collecting revenue. It was replaced by urban property tax later as urban property tax was introduced in 1962 A.D. for the purpose of collecting revenue from urban property tax. Initially, this tax was introduced in Kathmandu, Lallitpur, Bhaktapur, Biratnagar, Birjung, Nepaljung, Rajbiraj, Janakpur and Butwal. Then it was extended to other many cities of Nepal.

House and land taxes are generally mobilized for the benefits of public in the local community. There are basically two types of property taxes given to village municipality and municipalities. Property tax is based on market value in different country and has used a reform property tax. Some kinds of property tax are rebated. The study has focused the role of property tax revenue, structure, contribution and trend of property tax of Bhaktapur municipality. All over the Nepal, there are 217 municipalities among them Bhaktapur municipality, locally known as "khowpa" is divided in to 17 ward committees. It is also one worldwide famous for its elegant arts, fabulous culture and majestic monuments. The contribution of house and land tax in total revenue of Bhaktapur municipality is growing. The highest contribution of property tax is 8.15% in fiscal year 2072/73 and lowest contribution of 0.94% in fiscal year 2064/65.

Conclusion

The ultimate goal of the underdeveloped countries like Nepal is to achieve the economic development and ensure the rapid rate of economic growth. It needs huge amount of investment in economic overhead and other economic activities for which taxation is undoubtedly, a primary source of revenue for the government. For the raising the fund for national needs, only one reliable source is different kinds of taxes imposed to the local people, different types business and organizations.

Nepal is one of the lowest taxed economics in the world. It has suffering from social and economic problems. The government of Nepal is not able to collect necessary government revenue. Due to poor performance on internal revenue collection and mobilizations, the government of Nepal has still depended on foreign grants and loans. The dependence is increasing which is not desirable for the economy. Thus the remedy be made in due time by the country to run the path of economic development. In the present context, the government shows the ways to improve social and economic problems by regulating and controlling, all the person and business that earn incomes and profit by different types of tax. Nepal has lots of opportunities but they are not properly utilized due to lack of knowledge, skill and technology.

The contribution of house and land tax (property tax) of Bhaktapur municipality is very low comparison to other local tax. It's structure of the contribution to the revenue country are negligible due to the various reason. Most of Nepalese people are not familiar with property tax due to lack of tax education, property holders deprived from right of property tax. If they are informed effectively about the property tax we can expect the increase in tax volume as well as paying property tax in timely. In the administration, and collection of this tax, there must be high degree of honestly and morality.

Due to unexpected overvaluation in house and land, this available resource in the country, which are collected through the foreign and domestic sources large profit margins in the urban areas is invested and diverted towards real state and luxuries housing in Nepal. As stated above the investment in such sector creates a boom in the economy. Consumption of luxury goods may increase because of which the economy is pushed into high inflation. Therefore, the proportional tax on property in equitable and justifiable manner will help to discourage the investment in real estate and reduce

the consumption of luxury goods. Nowadays, the Nepal government has taken action to control in investing such unproductive sector. The revenue administration in Nepal is weak because of lack of the proper tax policies, lack of trained staff, lack of proper accounting and auditing system in public and business organization. However house and land tax laws and administration in Nepal are to be deeply scrutinized but not properly implemented. Manpower development planning within the administration is desired for the efficiency of tax personal side by side. Tax education packages are to be made and initiated hence, tax administration and tax compliance could be improved. Due to various problem related to property tax, revenue collection from property tax is relatively low in Nepal as well as Bhaktapur municipality comparison to other types of tax. The problem relating to Property tax system in Nepal should be solved and available resources should be effectively utilized.

Implication

Property taxation is the backbone of municipal finance. So, house and land tax is the most important sources of government revenue. The growing need of resources for the development of Nepalese economy can be through effective large volume of property tax. On the basis of this study following suggestions have been recommended for the effective property tax system.

1. House and land tax rate, discount rate, prize and other motivating factor should be advertised by newspaper, TV, Radio to attract and motivate tax payers in Bhaktapur municipality.
2. Appeal and penalty system of house and land tax should be used in practice not only in legal provision.
3. Bhaktapur municipality should mobilize it's resources properly for the welfare of the local people.
4. Local property tax should be guided as per market based as well as the use basis of tax payer.
5. In the local tax authorities should be made the provision of tax policy as to provide incentive, reward and prize who pay tax regularly and contribution has highest in the composition of portfolio of tax payers.
6. In the absences of proper record keeping system of tax

7. Bhaktapur municipality should give detail information about current house and land tax to the tax collector and tax payer.

8. Bhaktapur municipality organizes the seminar and meeting of house and land tax for the improvement.

9. Tax officer should be motivated to collect the tax fairly.

10. Tax education should be started from the school level.

REFRENCES

Adhikari, C. M. (2003). *Modern taxation* in *Nepal: Theory & practices*. Kathmandu: Pairabi Prakashan.

Beal, M. Brog, M. O., & Stranahan, H. (2017). The equity effect of property tax caps*:* Evidence from Florida. *Academic Journal of Interdisciplinary studies,* 6 (2), 141-151.

Boamoh, A. N. (2013). Constrains on property rating in the offinso south municipality of Ghana. *Common wealth Journal of Local Governance*, 3 (2), 14-26.

Bird, R. M. & Slack, E. (2002). A land and property taxation: A review.

De. Cesare, C. M. & Ruddock, L. (1997). An empirical analysis of a property. *A Case Study from Brazil.*

Dhakal, K. D. Koirala, G. P. & Bhattrai, R. (2074). *Tax law & tax planning in Nepal,* Kathmandu: Asmita Books Publisher & Distributor.

Dhungana, M. (2073). *Evaluation of property.* Kathmandu: Center for economic development and administration.

Felis, P. (2014). Theoretical concepts of property tax, an essential sources of local government in Europe: *Management theory and studies for rural business and infrastructure development*, 36 (4), 802-809.

Gale, W. G. & Samwick A. A. (2014). Effects of income tax changes on economic growth. *Brookings,* 12 (2), 193-232.

Idowu, A. M. Kamarudina, N. Achu K. & Soloman, A. (2016). A review of valuation impact on property tax. *Sains Hanumanika, 8*: 4-3, 17-23.

Kandel, P. R. (2004). *Tax law and tax planning in Nepal,* Kathmandu: Budha Academic Publisher and Distributor Pvt. Ltd.

KC, J. B. (2018).Tax evasion in Nepal: A journal of management, *Prabha journal*, 83-95.

Kitchen, H. M. (1992). Property taxation in Canada. *Canadian paper* No.92, CFT-Canadian Tax Foundation.

Lin, S. H. Li, J. H. Heish, J. C. Huang, X. & Chan, J. T. (2018). Impact of property tax on housing-market disequilibrium in different region: Evidence from Taiwan for the period 1892-2016. *Sustainability,* 10. 4318.

Malik, B. (2010). Nepalko aadhunik aayakar pranali. *Inland Revenue Tax Journal.* 5, 25-31.

Sharma, D. (2013).Role of tax revenue to strengthen of Pokhara Sub-metropolitan Corporation.: *Janapriya journal of interdisciplinary studies,* 2 (1), 51-56.

Stranhan, H. A. Voorhees, W. & Brog, M. O. (2014). The incidence of the property tax and property tax preference: *National tax journal.* 51, 71-82.

Singh, S. K. (1991). *Public finance in development Developing Countries*, New Delhi: Chandra Co Ltd.

Tajani, F. Morano, P. Torre, C. M. and Liddo, F. D. (2017). An analysis of the influence of property tax on housing prices in the Apulia region (Italy). *Building,* 7, 67, 2-15.

Tripathi, N. (2007). Aadhunik kar prasaasank bibidh pachhya haru. *Rajaswa,* 3, 33-39.

Oates, W. E. & Fischel, W. A. (2016). Are local property taxes regressive or progressive: *National tax journal,* 69 (2), 415-434.

Oxford advance learner dictionary (1996), Oxford university press. English suportment, fifth edition.

Zdrazil, P. & B. (2018). Property tax and quality life in the Czech municipality: Does the policy making of raising local coefficient imply potential or risk for development. *Review of economic perspectives,* 18 (2), 123-136, 10. 2478.

Websites

http://bhaktapurmun.com.np

http://mof.gov.np

www.undp.org.report

Appendix - I

$$a \; X \; \frac{y}{N} \; \frac{56.43}{10} \; X5.643$$

$$b \; X \; \frac{n \quad xy \, Z \quad x. \quad y}{n \quad x^2 \, Z \quad fx\text{Å}}$$

$$X \frac{10 \mid 132.284 \, Z0 \mid 56.43}{10 \mid 82.5 \, Z02}$$

$$X \frac{1322.84}{825}$$

$$X1.6034$$

$$y \; X5.643 \; \Gamma 1.6034 \, X$$

Appendix -II

Analyze the trend of house and land tax

Let the trend line be,

Y = a + bx………….. (i)

Y = 5.643+1.603x ………….. (i)

The forecast of total property tax of Bhaktapur municipality.

Where X = 2 (T-5.5)

Estimating for 2074/75, X = 2(11-5.5) = 11

Estimating for 2075/76, X = 2(12-5.5) = 13

Estimating for 2076/77, X = 2(13-5.5) = 15

Estimating for 2077/78, X = 2(14-5.5) = 17

Estimating for 2078/79, X = 2(15-5.5) = 19

Estimating for 2079/80, X = 2(16-5.5) = 21

Estimating for 2080/81, X = 2(17-5.5) = 23

Estimating for 2081/82, X = 2(18-5.5) = 25

Estimating for 2082/83, X = 2(19-5.5) = 27

Estimating for 2083/84, X = 2(20-5.5) = 29

The forecasted house and land tax for 2074/75= 23.28

The forecasted house and land tax for 2075/76 = 26.48

The forecasted house and land tax for 2076/77 = 29.70

The forecasted house and land tax for 2077/78 = 32.90

The forecasted house and land tax for 2078/79 = 36.10

The forecasted house and land tax for 2079/80 = 39.32

The forecasted house and land tax for 2080/81 = 42.52

The forecasted house and land tax for 2081/82 = 45.73

The forecasted house and land tax for 2082/83 = 48.94

The forecasted house and land tax for 2083/84 = 52.14

Structure & Contribution of Tax to Annual Revenue of Bhaktapur Municipality

A Thesis Proposal

By

Medolamu Sherpa

Central Department of Management

Exam Roll. No: 737/16

Registration No. 7-1-38-1294-2004

Submitted in Partial Fulfillment of the Requirement of Degree Of

Masters of Business Studies (MBS)

In the

Faculty of management

Tribhuvan, University

Kathmandu, Nepal

August, 2018

Table of Content

1. Background of study

In general tax can be defined as a levy or other types of financial charges or fees imposed by state or central government to legal entities or individual .it is a compulsory levy for individual, household and firms to pay fees to the government. It is the responsibility of every citizen of the country to pay tax honestly. Tax is computed and paid as prescribed in the law. A taxpayer is not entitled to compel the government while paying taxes to give something to him in return of the amount he has paid. Taxation can be considered as a convenient method of raising revenue which in turn with the welfare of the people directly and indirectly.

The property tax is compulsory payment of the public authority and tax which is based on the capital value of property i.e. building, land, vehicles, gold, furniture Plant and machinery etc. In law of court defined, property tax as the right to possession, enjoyment and disposition of all things subject to ownership. The Term property is generally applied to the things themselves which are subject of ownership property tax is potentialities of resource mobilization in the developing country and help to government to raise revenue of the local bodies.

At local government level, property tax can be considered one of the most popular option for raising revenue for financing public service .In this context, property tax can be defined as on annual tax on land and building. (De.Cesare & Ruddock 1997).

The property tax rates varies depending on the tax revenue ,needs of the government .The rate is based on property's assessment valuation this is the certain percent of total value as determined by the government. Property is rarely taxed at its full market value.

The property tax is a kind of direct tax. Property tax   are tangible and intangible nature. The socio- economic determinants of housing market value have been examined, highlighting their respective contribution to the formation of the property prices and in particular, verifying the property tax liability .The property tax is a factor that could determine ,through modest fluctuations, the revival of the property demand ,generating positive effects also on the construction sector, which has been currently effected by the negative real estate contingency.(Tajani, Torre & Liddo 2017).

A lot of fund is spend by the public authority for the protection a common people and for the creation of various socio-economic infrastructures. The government needs a lot

of money to run it successfully .The money is that is too much important to the government is called public revenue collected from internal and external sources. Internal sources of fund include both tax and non- tax revenue. The government receives tax revenue as a compulsory payment when non tax revenue is a conditional sources. So tax are the better sources of public revenue. The local self-Governance Act(LSGA),promulgate in 1999,has given Legal authority to municipalities to levy house and land tax ,or Integrated property tax(IPT).IPT is a municipal land and property based tax, which bears greater revenue potential and higher buoyancy. It is being successfully implemented of Nepal. Municipalities have the right to levy (IPT) in lieu of house and land tax(HALT) land revenue tax. IPT/HALT has become the most important sources income for the most municipalities. (Sharma 2013).

Some Well-known characteristics of property are likely to contribute to their popularity in integrating taxation system. For instance, property taxes are considered easy to understand enforce payment. They are cheap to collect and administer, difficult to evade, capable of producing a large and predictable yield, and easy to allocate to a particular local authority in terms of revenue. In addition, they represents a familiar concept to local administrator. Property tax are strongly criticized due to inequities present in current system. (De Cesare & Reddock 1997).

Assessment inequities can both reduce the tax base and cause tax payers to lose confidence in the system. Due to their high visibility, property taxes are subjected to extensive pressures because unfairness, inefficiency, and administrative problems are clearly perceptible. (Kitchen, 1992)

1.2 Types of property

   a) Real property
   b) Personal property

Real property: Real property consists mainly of land and building. (Or it's called improvement on the land). Land and improvement are very important in taxation. Land and building values are subject to different conditions. Land may increase in value whereas on it decreasing value. Different method are used in evaluating the two kind of property, for instant depreciation must be considered in the case of building but not for a land. (Adhikari, 2003)

Personal property: personal property can be classified in to tangible and intangible. Tangible personal property includes variety of goods, inventories, furniture, plant and machinery, jewelry and other personal effect. And intangible property includes copy right, and patent, money deposits, goodwill, debenture etc. intangible property can easily escape taxation whether by migration or by hiding.

2. Statement of problem

Nepal is poor and developing country. Nepal has been facing the economic problem from its beginning development phase to present situation. It needs huge amount of capital for economic development as well as other development also. There is a huge gap between government expenditure and revenue. The rate of government expenditure is exceeding the rate of government revenue almost every year. The budget deficit has been growing and this may have impact on economy.

In this context, property tax is one of the most important source of revenue collection of the nation .property tax is the kind of direct tax .Nepal has been facing various problem forimplementing property tax. It is due to lack of information or computerized system, lack of trained and skillful personnel, poor tax paying habit of tax payer etc.

Research Question

a) What is the trend of house and land tax on Bhaktapur municipality?

b) What is the contribution of property (House and land) tax on total revenue of Bhaktapur municipality?

3. Objectives of the study

Objectives are the destination point of every plan and work .every work starts with a particular objectives. The main objective of the study the contribution of house and land tax to the revenue of Bhaktapur municipality .The specific objectives of the study are:

a) To analyze the trend of house and land tax of Bhaktapur municipality.

b) To analyze the contribution of house and land tax to Bhaktapur municipality.

4. Literature review

There are different kind of literature available on property tax. To attempt the theoretical foundation and how property tax help to contribution total tax revenue, books, journal, related websites and thesis will be reviewed.

Tax is the main sources of government revenue. Property tax plays a vital role in economic development of the country. Property tax has great potentialities of resource mobilization in the developing country. The main objectives of literature review to bring useful work done on property tax in Nepal.

Kitchen (1992) analyzed the assessment inequities can both reduce the tax base and cause taxpayers to lose confidence in the system. Due to their high visibility, property taxes are subject to extensive pressure because unfairness, inefficiency and administrative problems are clearly perceptible.

De .Cesare & Ruddock (1997) mentioned on their research report property tax is one of the most popular option for raising for the financing public service at local government level and property tax system, tax base assessment and tax burden distribution.

Mallik,(2010) explained in his book about income Act- 2058 with example. He has compared old provision and new provision of Act. The study analyzed the differences of tax rate between old and new act and found that Nepalese tax system is still poor to collect the revenue.

Sharma (2013) stated municipal financing source indicates the study of various sources of revenue (both internal and external) and their collection, allocation, mobilization and utilization of those resource to achieve municipality goal.

Oates & Fischel (2016) investigated about local property tax are progressive or regressive. The local property taxes are commonly regarded as regressive, but the dominant views of the property tax would disagree. Under the capital- tax view, the national elements of the tax is a tax on real estate capital. Under the benefit view, the local component of the property tax is not really but not really a tax. The study analyzed the capital-tax view applies in relatively underdeveloped areas, while the benefit view is more relevant in developed urban areas.

Dhakal, Koirala & Bhattrai (2074) mentioned about the direct and indirect tax concession; rebates, and allowance to tax payer which can reduce tax liabilities and

tax planning also help reduces tax liability with different activities. The study analyzed the urban house and land tax. Legal aspect, evolution procedure, house and land tax, structure of tax rate, revenue potentialities and historical aspect of taxation.

Tajani, Torre & Liddo (2017) analyzed the socio-economic determinants of housing market value have been examined, highlighting their respective contribution to the formation of the property prices and verifying the property tax liability. The property tax is a factor that could determine through modest fluctuation real state contingency. The study of various sources of the revival of the property demand, generating positive effect also on construction sector, which has been currently affected by the negative.

Zdrazil and Pernica (2018) analyzed the interrelationship between the level of property taxation and quality of life in the Czech municipality. The property tax is considered to be a good tax for local governments, mainly because of the connection between the types of services funded at the local level and the benefit to property values. This paper explained the property tax is under-used by highlighting some of the problems with the tax, such as its unpopularity, inelasticity, erosion of tax base, and poor administration.

5. Conceptual Framework

Taxes on land and property have both fiscal and non-fiscal effects. The revenue such taxes produce is often an important source of finance for local governments. The extent to which those governments have control over property taxes is thus often an important determinant of the extent to which they are able to make autonomous expenditure decisions. The level, design, and control of property taxation are thus, in many countries, critical elements in effective decentralization policy.

Dependent and independent variable

Tax Revenue	→	House and land tax
		Business tax
		Bitauri tax
		Fine and penalty tax
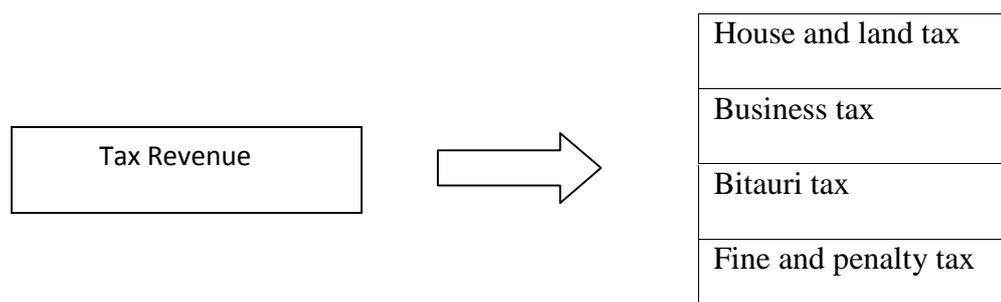
6. Significances of the study

This studies provide guideline for government, Bhaktapur municipality office, tax payers. This study is done depending on the contribution of property tax to total revenue of Bhaktapur municipality. Taxation is the most important sources of revenue for modern government.

Revenues come from basically two sources, tax and non- tax. The government needs sufficient resource to carry out development plans, day to day administration, maintain peace and security and lunch other public welfare activities and government may use tax to regulate the economy, promote economic growth. So, property tax mayvhelp to government to raise revenue of local bodies.

7. Limitation of the study

The study will focus on property tax (house and land) only of the Bhaktapur municipality. This study mostly concerned about Bhaktapur municipality only from Bhaktapur districts.

a) This study is totally based on secondary data from fiscal year 2064/65 to 2073/74.

b) Limited statistical tool and techniques have been used.

c) This study has been done for partial fulfillment of MBS degree in management.

8. Research methodology

Research methodology describes the systematic way to use different tools and techniques followed by researcher to solve the research problem. This chapter includes various steps that are used to collect data and information. The study will base on secondary data collection method.

8.1 Research Design

The study has used both quantitative and qualitative research design. Descriptive research design is used to collect options and to know about the behavior of beneficiaries. Analytical study try to analyze the data and information accurately and critically evaluation of those information and data.

8.2 Population and Sample of study

The large group about which the generalization is made called the population under study. The universe and small portion on which the study is made called of the study. Nepal has 276 municipalities. Among them Bhaktapur municipalities is our sample of the study.

8.3 Data collection and procedures

The data will be in this study are secondary. The secondary source of data are book, journal and record of related revenue collection department of Bhaktapur municipality.

8.4 Data analysis tool and techniques

This study is basically based on secondary data, which are firstly collected, scanned and tabulated under various heads. The house and land tax is compare with other local tax. The methods of analysis in this study consist of two types of analytical tool and techniques.

   a) Statistical tools

9. Chapter plan

This chapter will be organized in to five chapter

Chapter 1: Introduction

This chapter introduces the major issue related contribution to the total tax revenue through property tax (House and land) objectives, significances and limitations of the study.

Chapter 2: Literature review

This chapter is the review of literature related to this study .it includes a discussion on the conceptual framework and review of the major studies .it gives overview of the related literature done on the past related to study.

Chapter 3: Research methodology

Research methodology describes the different methodologies applied in this study sourcesof data are mention and describes.

Chapter 4: Result

This chapter presents and analysis the data obtained during the study different tools and techniques of data analysis have been taken for the purpose of analysis of data. This is the major part of study.

Chapter 5: Conclusion

This chapter includes the summary conclusion and recommendation of the study. It also provides the suggestion to organization.

Reference

Adhikari, C.M. (2003). *Modern taxation in Nepal*: *Theory and practice.*Kathmandu: PairabiPrakashan.

De.Cesare,C. M. &Reddock,   L. (1997). An empirical analysis of a property taxsystem. *A casestudy from Brazil.*

Dhakal, K. D Koirala G.P. &Bhattrai R (2074). *Tax law & tax planningin Nepal.* Kathmandu: Asmita books publisher& distributor.

Kitchen, H.M. (1992). Property taxation in Canada. *Canadian paper* No. 92, CFT-Canadian tax foundation.

Oates, W. E. &Fischel, W. A. (2016). Are local property taxes regressive or progressive: National tax journal, 69 (2), 415-434.

Sharma, D. (2013). Roleof tax revenue to strengthen of Pokhara sub-metropolitan corporation:*Janapriya journal of interdisciplinary studies,* 2 (1), 51-56.

Tajani, F. Morano, P. Torre, C. M. &Liddo, F. D (2017). An analysis of the influence of property tax on housing prices in the Apulia Region (Italy).*Building,* 7, 67, 2-15.

Zdrazil, P. & B. (2018). Property tax and quality life in the Czech municipality: Does the policy making of raising local coefficient imply potential or risk for development. Review of economic perspectives, 18 (2), 123-136, 10. 2478.