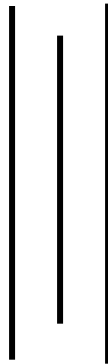


**CONTRIBUTION OF LOCAL TAX TO TOTAL
REVENUE OF KATHMANDU METROPOLITAN CITY
(KMC)**

By
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A Thesis Submitted to:
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Faculty of Management
Tribhuvan University



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

Kathmandu, Nepal
July, 2009

RECOMMENDATION

This is to certify that the Thesis

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*has been prepared as approved by this Department in the prescribed format of
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DECLARATION

I hereby declare that the work reported in this thesis entitled **“CONTRIBUTION OF LOCAL TAX TO TOTAL REVENUE OF KATHMANDU METROPOLITAN CITY (KMC)”** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Degree of Master’s in Business Studies (M.B.S) under the supervision of **Prof. Dr. Kamal Deep Dhakal** of Shanker Dev Campus.

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Sangita Devi

Sharma

Researcher

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CHAPTER- I

INTRODUCTION

1.1 Background of the Study

Economic development is considered as a basic need for any country to fulfill the aspiration of the people. But Nepal is a developing country facing the development challenges to improve the life standard of its 30% of citizens living below the poverty line. There has been a big gap between the policy and practice. The announcement of liberal policy was not an end itself. It was necessary to change various acts, regulations and procedures and mentality of the bureaucrats as well as politicians.

Nowadays, prime concern of every nation of the world is rapid economic development and Nepal is no exception to this ever-continuing process. Nepal aims self-reliant economic system to upgrade the living standard of people. Infrastructure developments, proper utilization of resources as well as maintaining stability in economy mean sustainable development. For this, Nepal needs a wider participation of public in development process. So the government of Nepal has proclaimed an act "Local Self-Governance Act, 2055", which act ensures equal participation of ethnic groups, inherent people, deprived and socially backward communities to institutionalize the development process through the allocation and mobilization of resources for optimum exploitation of economic progress. The main aim of this act is to decentralize the authority and responsibility to the local institutions.

All the local level institutions should be guided by the Ministry of Local Development. Government of Nepal proclaims the rules and regulations as per the requirement for further improvement. On the basis of rule and regulations of Government of Nepal, the local Institutions enjoy an authority to proclaim necessary rules for smooth operation of the institutions.

Local institutions are elected bodies. They are responsible to carry out some public functions and are authorized to collect revenue in their area of jurisdiction. They have their own staff, budget and account.

There are various reasons for the existence of local government. Decentralization theorem have demonstrated the possibility of welfare gains to be derived form the existence of such smaller public sectors, while other studies have indicated that how efficiency gains may be realized form decentralized provision of public goods' (Khadka, 2002:1).

The theory of equivalence states that, 'there is a need for a separate government institution for every collective goods with a unique boundary, so that there can be a match between those who receive the benefit of a collective goods and those who pay for it.'

Public services which are in their 'benefit area" can be provided more efficiently by the local governments, since they can respond more quickly and appropriately to changing local conditions than can central government, meaning that individual preference can be closely satisfied through local services.

Local institutions are also empowered to generate revenue by means of various taxes, fees and user charges. It is logical to assume that taxpayers' willingness to pay tax increases when they know that the tax paid by them is going to be used locally for their benefits. Collection of tax by local institutions is likely to make them more accountable to their voters by proper use of fund. Hey and Urruita wrote:" resentment of the taxes and fees imposed is minimized if the relationship to local benefits is clear. The tie between raising revenue and making expenditures therefore encourages more careful decisions about the overall level and composition of public activities desired by a sub national unit" (Khadka, 2002:2).

Local institutions should be authorized to generate their own revenue in order to respond to the wishes of their constituents through the development of projects serving their needs. In a democratic society it is desirable to establish a clear link between those concerned with spending public funds and those responsible for the raising of revenue.

According to the Tiebout Model," individual consumer-voters can choose from among the package of taxes and services offered by the government in a metropolitan area in much the same way that consumer can choose private goods in the competitive marketplace" (Khadka, 2002:6).

Local taxation is also justified to improve the voluntary compliance of the taxpayers:" to enhance voluntary tax compliance, taxpayers must be convinced that a significant portion of their taxes will be retained locally and these revenues will be used for projects and services, which they value" (Khadka, 2002:7).

Furthermore, there is a need to generate resources locally, particularly in those countries where central governments have been facing a severe resource shortage and their deficits have been increasing very rapidly. In any case it would be difficult for central government to finance local bodies adequately in many countries (Khadka, 2002:8).

In Nepal, Local Self-Governance Act, 2055 has been delegated all the rights to local institutions to collect revenue and to spend money for the betterment of the people. The sources of local institutions' revenue can be classified into two parts external and internal. External sources of local institution revenue are foreign grant, donation from individual, business firm and social organization government grant, and external borrowings. External sources are uncertain, inconvenient and not good for sustainable development. So it is better to mobilize internal sources rather than external source. Internal sources of local

institution constitute tax and non-tax revenue. The examples of non-tax revenue are fee, fines, administrative and business income etc. Administrative income denotes the amount charged by local institution for providing administrative service. Business income means the return received by local institution for providing various goods and services to the people.

Tax revenue is important source of revenue of government as well as local institution. Taxation is regarded as an effective instrument that monitors various economic activities. Rent tax, House-land tax, Asset tax, Entertainment tax, Advertisement tax, Vehicle tax, Business tax etc are the example of the sources of tax revenue. Local institution collects revenue through taxation with the major objective of infrastructure development and social welfare. Taxation is the main source of local institution since it occupies the most important place in local institutions treasury.

According to Seligman," Taxation is the compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefit conferred" (Dhakal, 2000:2).

It is clear that tax is a compulsory levy and those who are liable to pay it without getting corresponding benefit of services or goods from the government. The taxpayer doesn't have any right to receive direct benefit from the tax paid. The taxpayer cannot receive equivalent benefit from the government. Money collected through taxation is spent for common interest of the people and it is collected from natural and artificial person. A proper tax system should be able to generate the required amount of revenue.

Taxes are classified into two categories-direct and indirect tax. According to Dalton," A direct tax is one which is really paid by the person on whom it is legally imposed while an indirect tax is imposed on one person, but paid partly or wholly by another, owing to consequential change in terms of some contract

or bargaining between them"(Dhakal, 2000:3). Taxpayer cannot collect direct tax from other persons. In Local Tax structure, Assets Tax, Advertisement Tax, and Vehicle Tax are some example of direct tax. Direct tax is charged according to the income or property earned by a person. Taxpayer can collect indirect tax form other persons. So, impact and incidence of tax are on different person. In local tax structure, indirect tax includes Entertainment Tax, Business Video Tax etc.

1.2 Historical Background of Kathmandu Metropolitan City

Kathmandu is only one metropolitan and capital city of Nepal. It is also known as city of temple. It had been established as a city sanitation unit (Saphai Adda) in 1976 BS (1919AD). Later on it was changed to Municipality office during the premiership of Bhim Shamsher J.B. Rana on 1988 BS. After the destructive tremor of 1990BS (1933 AD) modern urbanization was started and roads and other physical constructions were planned. For the first time municipality office distributed the land plots at concession rates to the people. During the premiership of Padma Shamser J.B.Rana a city Municipality Board was formed but it could not function and all representatives resigned. After the democracy movement of 2007 BS, Municipality Act was passed and Kathmandu city was divided into eighteen sectors and 18 members were elected to form the municipality board on 2110 BS.

After the historic change took place in 2017BS, Nager Panchayat was established as per 'Nagar Panchayat Yan 2019'.After restoration of democracy in 2046BC, it had been named Kathmandu Municipality and held election in 2049 BC & 2054 BC. Prime Minister had announced Kathmandu as a metropolitan city in 2052, Mangsir, 29. After enactment of Self-Governance Act in 2055, it has been made an autonomous institution. Government had also proclaimed Self-Governance Regulation in 2056 BC.

Area of the city is spread within 51.3 sq. km. According to the population senses 2058, it has 6, 71,746 population and 1, 52,155 houses. Now a day its population growth rate is very high than that is recorded 4.535 in 2058 B C.

‘Mahanagar Paresad is a high level body. It formulates budget, plan and rule to charge Tax, fees and like. Metropolitan Board is an executive team. Metropolitan should follow the decisions and instructions given by ‘Mahanagar Paresad' and conduct economic, physical construction, educational, tourism activities. It provides necessary services to the people. There is an executive secretary and an assistance executive officer deputed by Ministry of Local Development. It recruits required no of staffs to carry out the day-to-day operation.

To conduct those entire activities it collects revenue from various sources such as Donation, Tax, Service Charge, Fees, Fine and penalties etc. Out of those sources Local Development fees is main source of revenue which contribution is around 28.12% in the income year 2064/065. Another strong source is tax, which contribute around 23.24% in the same year. Tax revenue is more reliable source of revenue than others.

1.3 Statement of the Problem

Being the capital city of Nepal, all the activities of KMC are the subject matter of more concern the all national as well as international level. It has some world heritage sites. Protection of cultural and historical importance is another challenge for KMC. It has another great problem of rapid population growth due to migration of people from every part of Nepal; the main reason of rapid migration is people war for last one decade.

Before the promulgation of Local Self-Governance Act, 2055 all taxes were collected by central government and only Octroi duty was allowed to collect to local body. At present Octari duty is abolished and government collects 1.5% of custom duty for local development fees but this is no longer in future because

the country has been entering into globalization and which requires deduction in tax rate. In this condition other tax must be increased to develop local level. Nowadays, the voice of people is rising towards more liberal constitution of the country. To solve those entire problems as well as to conduct regular activities, it needs to generate more revenue. Out of two major source of revenue; internal & external source, internal source of revenue is sustainable source of revenue. The major source of internal revenue is taxation. There are many problems in KMC's tax system such as inefficient tax administration widespread income tax evasion, complicated and frequent change tax policies etc. They are the major factors for low contribution of tax revenue to total revenue.

In view of the discussion of the problem taken form the above studies, the research question are as follows:

1. What is the revenue structure of KMC?
2. What is the contribution percentage of local tax to KMC revenue?
3. What are the barriers for local tax revenue collection system?

1.4 Importance of the Study

KMC needs huge amount of fund to spend on daily expenses as well as development activities. Most of the big projects depend on bilateral and multilateral grants. KMC used to formulate budget on hypothetical basis. Generally KMC fulfills the resource gap by external grant, which is only a paper work to show. In this context, taxation is the easy and long lasting way to increase revenue to strengthen the internal source of KMC through tax. Thus the contribution of tax on KMC revenue has been chosen as a relevant topic for the study. The study is useful to planners about local development; government to formulate polices related to local institutions and other concerned people. It will help as a literature for the further study about the relating topics of Local Tax. Similarly, the KMC as well as other Local institutions would follow the suggestions of the study to improve their policy. It

provides the information about trends and projection of 'Local Tax'. Thus the study of local tax may be very rewarding.

1.5 Objective of the Study

The main objective of the study is to analyze the contribution of Local Tax in total revenue of Kathmandu Metropolitan City. Other specific objectives of the study are listed below:

1. To analyze the revenue structure of Kathmandu Metropolitan City.
2. To analyze the volume of local tax revenue and non-tax revenue.
3. To examine the effectiveness of local tax revenue collecting system of Kathmandu Metropolitan City.
4. To identify the major problem of existing laws related to taxation of Kathmandu Metropolitan City.
5. To provide recommendations.

1.6 Limitation of the Study

The present study is not free from the limitations. The limitations of this study are as follows:

- 1) Primary as well as secondary data are used in this study. The reliability of secondary data depends upon the data provided by KMC staff.
- 2) The study covers data only for six years (fiscal year 2059\2060 to 2064\2065).
- 3) For primary data only fifty people are taken as sample.
- 4) The study is to fulfill the particle requirement of MBS course of Tribhuvan University, Nepal.

So, the study cannot cover all the dimensions of the subject matter and cannot penetrate the extreme depth also. As a student as a researcher, the study is unbiased, but resource and time period is limited.

1.7 Organization of the Study

The whole study has been organized into the following five chapters:

Chapter – I: Introduction

Introduction carries the background of the study, historical background of Kathmandu Metropolitan City, statement of the problem, importance of the study, objectives of the study, limitation of the study and organization of the study.

Chapter – II: Literature Review

It contains review of the laws, journal and previous thesis. It provides theoretical platform for the study of the local tax system.

Chapter – III: Research Methodology

It includes research design population and sample, source of data, data collection, method of data analysis and financial and statistical tools.

Chapter – IV: Data Presentation And Analysis

This chapter mostly concerns with systematic presentation and analysis and interpretation of data where various financial and statistical tools techniques have been used. This chapter is also focusing open-end opinions and matters finding of the research.

Chapter – V: Summary, Conclusion and Recommendations

It consists of brief summary, conclusion and recommendations of the study.

Lastly, essential appendices and bibliography have been presented at the end of the report

CHAPTER- II

LITERATURE REVIEW

This chapter is mainly divided into two parts-one is conceptual framework and the other is review of earlier studies described as follows.

2.1 Conceptual Framework

2.1.1 Canons of Local Taxation

Various criteria have been developed in order to evaluate local taxes. The important canons are recourse allocation, accountability, autonomy, non-mobile tax base, non-exportability, balance of interests, responsiveness to local economic growth and revenue stability. These general as well as specific principles of local taxation should be considered while designing a local tax system.

A local tax system should promote the accountability of local government. For this to occur, the electorate has to aware of its tax liability so that it will always keep an interest in the income and expenditure of local bodies and complain about any mismanagement of public funds. Further, local government should have adequate fiscal autonomy in order to raise revenue to respond to the needs and preferences of the local people. In the absence of fiscal autonomy, the local bodies cannot be developed as autonomous bodies. Although local bodies cannot adopt a tax policy that is incompatible with national fiscal policy, they should be given authority to adjust local taxes by means of, for example, changes in the tax rates, according to local conditions. This means that the tax base or rates may vary among the local bodies. Furthermore, the base of local tax should not be mobile and burden of the local taxes should be restricted to the local area and local bodies should be precluded form levying taxes that impinge on non-residents. The concept of balance of interest implies that there are two group of community which both receive local services and which

should therefore be subject to local taxation: these groups are private household and business.

Moreover, a good local tax system should be responsive to local economic growth. It should be able to generate high revenue with the expansion of local economic activities. Furthermore, stability in revenue is important in the local tax system. Fluctuation in revenue and dependence on central government for income would make local government politically weak.

In addition, there are some general criteria such as revenue productivity, simplicity, efficiency and equity, which are used to evaluate taxes levied by any level of government. Taxes are basically levied to generate revenue. So taxes should be able to generate revenue. Similarly, taxes should be responsive to the economic activities. A responsive tax system is defined as one where the percentage of change in tax revenue is higher than the percentage of change in national income. Under such a system, revenue increases automatically with the increase in economic activities and there is less need to introduce discretionary measures each year, which makes tax administration simpler.

Taxes should be simple to understand and operate. Generally, in developing countries, tax administrations are traditional, weak and they lack resources but taxpayers do not understand the structure and operation of taxes. This indicates the need to make the tax system as simple as possible. Broadening the tax base, lowering and flattening of tax rate and simplifying tax procedures can do this. Economy is another criterion that demands the cost of taxation should be as low as possible. Taxes result in costs over and above the amount of tax. These costs may include economic costs, administrative costs and compliance costs. Attempts must be made to minimize these costs.

Similarly, there is a need to inject equity in the tax system. Equity is seen in terms of vertical and horizontal equity. Vertical equity requires that a taxpayer

of generator ability should pay proportionately more taxes than those with fewer means. Horizontal equity refers to the equal treatment of taxpayers in similar circumstances. Taxpayers with equal ability to pay should contribute the same amount of tax. In the case of local taxation, the focus has been on the horizontal equity. If tax is not implemented uniformly and effectively, it generates horizontal inequity (Khadka, 2002:11).

2.1.2. Evolution of Local Taxes

Information is not available about the local tax system that existed, if any prior to the enactment of Nagar Panchayat Act 2019. The 2019 Act authorize municipalities to levy various taxes. The tax system created in 2019 was revised over the years. The following discussion brings out the major development in local tax system since 2019.

➤ 2019 Creation

In 2019, Municipalities were authorized to levy House Roof and Rent tax at the rate of 2% of the amount of rent incase of rented house and land. In the case of an owner occupied house and land, this tax was levied at 1% of the income, which was defined as the sum of 4% of the estimated construction cost (at the prevailing rate) of the house and current land value. Municipalities were also allowed to levy.

- A Business and Professional Tax not acceding 5% of annual profit of the specified business and profession.
- A Surcharge not exceeding 10% of land revenue.
- An Entertainment Tax not acceding 20% of entrance fees.
- A Benefit Tax not exceeding 50% of House Roof and Rent Tax from town dwellers who benefit from construction, extension, improvement or up grading of streets, side walks, drainage, sewage, and its maintenance, supervision and operation, street lighting and the maintenance and cleaning of street, sewage, and drainage and for solid waste management undertaken by municipalities.

- A Surcharge not exceeding 25% of the house roof and rent tax for constructing school buildings, for improving in facilities in educational institutions for providing facilities to student, and for making primary education free and compulsory in the municipal areas and
- A Vehicle Tax not exceeding Rs. 100 per annum per vehicle registered in the area of jurisdiction of a municipality. In 2020 vehicles were classified into different groups and separate ceilings were fixed for each type. Higher rates were set for rented vehicles then for owner operated vehicles.

These taxes were largely unused due to administrative difficulties. For example, it was not possible for the then infant municipalities to estimate the average cost of construction of the house, and the current value of land and obtain information about rented house and land property for the purpose of the House Roof and Rent Tax and to determine the profit of a business or profession for the business and Professional Tax in the absence of any compulsory book keeping.

➤ **2022 Revision**

The local tax system was revised considerably in 2022 when House Roof and Rent Tax, Business and Profession Tax and Vehicle Tax were simplified, Entertainment Tax and Surcharge in land revenue were abolished and municipalities were to allow levying new board based taxes, viz. Octroi and Panchayat Development and Land Tax (PDLT).

House Roof and Rent Tax were divided in to two separate taxes viz. House Roof Tax and House Rent Tax. The former tax was to be levied with a maximum rate of Rs. 10 per house, depending upon its size and type, while the latter tax was to be levied at a rate not exceeding 2% of rent incase of a rented house and land. In the case of Business and Professional Tax, flat annual tax rates were fixed for different types of Business and Professions depending upon their nature and size.

In case of Vehicle Tax the differential rate structure for rented and non rented vehicles was discontinued municipalities were also authorized to levy a tax on vehicle that enter the municipal area but are not registered there. Tax rates were fixed on a per mile basis. Under this system the amount of tax dependent on the mileage driven in the municipality and was collected every time such a vehicle entered the municipal area. But the system was difficult to administer because it was difficult to know at the entry point the exact distance a vehicle was likely to cover with in a particular municipal area.

Municipalities were authorized to levy Octroi at a rate not exceeding 0.3% of the value of goods entering the municipal area. The rate was raised to 0.5% in 2034.

Municipalities as well as VDCs were allowed to levy PDLT in place of land revenue, a central level tax PDLT was first introduce in 2018 under the Samuhik Tax Act 2012 and latter on codified under the PDLT act 2022. PDLT was intended:

- To collect a part of increased agricultural product due to implementation of Land Act, 2018 for the local developments.
- To enable local bodies to implement project as their requirements
- To generate some revenue from tenants who were expected to get benefit through the security of tenancy right and thus contribute to local development activities and
- To collect revenue from land in a more scientific way.

PDLT was levied for the first time on an experimental basis in 2022 in Budhbara village Panchayat of Jhapa district, where land reform program also had been initiated in 2020 on an experimental basis, resulting in a large increase in production and income form the security of tenancy right and fixation of rent. As the result in Budhbara village Panchayat were encouraging, the tax was extended to other Panchayats of Jhapa district in 2025 and

Madhumala Village Panchayat of Morong district in 2028. Until 2030, PDLT was limited to 13 village Panchayats. It was extended to Bhaktpur, Chitwan, and Nawalparasi district in 2034\035. It was further extended to another 10 districts (Ilam, Lalitpur, Bhadrapur, Banke, Siraha, Palpa, Kailali, Rupendehi, Surkhet and Sarlehi) in 2035\036.

Thus, the tax was levied in 15 districts by 2035\036. This tax replaced traditional land revenue in these districts.

PDLT was not levied on unclaimed land, land owned or used by educational institutions , ponds, lakes, children's parks, land of marginal use, land owned by social organizations, as specified by local Panchayat and exempted by 'gazette notification'. Similarly, if a crop was destroyed or if no crop was grown in the land in a particular year as a result of a natural calamity, then the concerned landowner or tenant could submit a petition for exemption to the district Panchayat and representative form land revenue office and the district Panchayat, to ask for recommendations on such cases. The full amount of tax or parts there of could be exempted on the basis of recommendations of that committee.

The basis of the PDLT was the annual production of the main crop on the land. Taxpayers had to convert the percentage of the main crops to be paid as tax into cash and pay it to the office of the local Panchayats before 1st Baisakh every year.

However, the enforcement of the PDLT was poor due to the inadequate preparation. The PDLT was also complicated to administer. Since the tax was levied on the production of the land and rates were based on the yield of main crop, it was necessary to identify the main crop, the annual yield of main crop, and the price of the main crop for each taxpayer, the land owned by each landowner, land cultivated by the landowners themselves or rented to tenants

and tenants' and land owners' share of the main crop every year. It could be argued that the local Panchayats should levy the tax because representative and officials of local Panchayats could collect this information more easily. Nevertheless, given the administrative capacity of the then local Panchayats which were unable to efficiently collect even a simple tax like the roof top tax, or collection the Octroi under the contract system- it was unrealistic to extend the PDLT to be implemented successfully by them in that situation.

The PDLT was designed to be levied on production. As a principal, the greater the production, the greater the burden of taxation. This might discourage both production and improvement in agriculture.

As the PDLT was levied haphazardly and the tax proceeds were not used effectively, the tax became unpopular and was suspended in 2036\037 and the land revenue was restored.

Despite above mentioned problems, the PDLT seemed to be a potential source of revenue, mainly for those local bodies that have large amount of productive agricultural land such as Damak and Bhadrapur.

Nepal Government again encouraged the Nager Panchayat to reintroduce the PDLT in the early 2040's. The Finance minister said in his 2044\045 budget speech: "the Panchayat Development and land tax could be an effective instrument for mobilizing domestic resources. In this regard, the Decentralization Act has made a provision empowering local bodies to levy such tax as major source of revenue for the local Panchayat in order to carry out local development activities. Although this might have a negative effect on revenue collection for the government, nevertheless it would provides sustainable source of income to the local Panchayats. In view of the financial benefit to the local Panchayats the then His Majesty's Government, in pursuant

to the Decentralization Act, will encourage the village or town Panchayats to levy such a tax” (Khadka, 2002:73).

Consequently, the tax was revived in Bhadrapur and Damak Municipalities of Jhapa district in 2046 but abolished in Chitra, 2046 when the Panchayat system was abolished. The municipal tax system adopted in 2022 remained unchanged until 2046. Taxes other than Octroi and Vehicle Tax had almost un-forced. On the other hand, municipalities were levying a number of non-legal surcharges such as city hall construction surcharge, electricity surcharge etc. together with Octroi when goods were bought into their respective areas.

➤ **2045 Rationalization**

The municipal tax system was rationalized considerably in 2045. In the area of Property Tax, municipalities were classified into 3 groups for the purpose of fixing tax rates. A lower limit of Rs 3 was fixed for all municipalities, while the upper limit varied for different groups of municipalities i.e. rates of Rs 3,000, Rs.1,500, and Rs.500 were fixed for municipalities falling A,B and C respectively. This difference between the lower and the upper limit was very high and the minimum rate of Rs 3 was unrealistic. These defects were corrected in 2049 when the difference between the upper and lower limit was reduced and minimum and maximum rate were fixed at Rs 50 and Rs 3,000, respectively, for concrete houses, while the corresponding upon the size, type, structure and plot of the house and the availability of facilities such as drinking water, electricity, roads, sewage and telephone services. These rates were applicable to all municipalities.

In the area of Octroi, various matters relating to the tax collection point, coverage, valuation etc. were clarified in 2045. The rate of Octroi was raised from 0.50 to 1 % and all other non-legal charge levied on the goods and collected together with Octroi were abandoned in the same year. The Octroi was levied on goods brought into a local area in commercial quantities for

commercial, professional or industrial use. The base was the sum of the value of the goods, import duties and sales tax in the case of imports and the sum of ex-factory price, excise duties and sales tax in the case of domestic products. The tax was collected at the municipal gates.

Similarly, matters relating to other taxes such as House Rent Tax and Business and Professional Tax were elaborated and made clearer than before. The House Rent Tax was levied with rate not exceeding 2% of the rent income of house and land. The Business and Professional Tax levied on business and profession on an annual basis, and rates were fixed on the basis of the type and size of the business and profession.

➤ **2055 Reform**

Municipal tax system was reformed considerably through the enactment of the Local Self-Governance Act 2055. This act authorized municipalities to levy Land revenue\Bhumi Kar and House and Land Tax or a Unified Property Tax. Municipalities are also authorized to levy Vehicle Tax, Entertainment Tax, Commercial Video Tax and Advertisement Tax. This act has not included Octroi, which did not satisfy the canons of local taxation, in the municipal tax family as a result, Octroi was abolished with the implementation of Local Self-Governance Act 2055.

The Local Self-Governance Act 2055 authorized local government, including municipalities, those taxes that are better member of the local tax family. For example, it intended to develop property based taxes that satisfy most of the principle of local taxation local taxation, as the major source of local government revenue. This process actually was initiated much earlier. For example, the collection function of land revenue was transferred to the local bodies on 1st Magh 2052. Under the new system, 75 % of collected amount is to be retained by the municipalities or VDCs themselves and 25% are to be

provided to their respective DDCs. The transfer of the collection function of the land revenue to the local bodies was desirable for the following reasons:

- The transfer of land collection to the local bodies avoided the need to transfer land revenue from the central to the local bodies and thus reduced the administrative cost.
- This also reduced the compliance costs of landowners since they do not have to go to the land revenue offices located at districts headquarters, which in some cases may be more than a day's journey away, to pay land revenue.
- This provided a relatively stable tax base to each local body.
- Since the tax proceeds are used in activities directly benefiting local taxpayers, the collection of land revenue at the local level is expected, at least in theory, to improve taxpayers' compliance.
- Large number of local people is connected with the local bodies and therefore, is expected to take an interest in the local budget. This is expected to enhance the people's participation in local development activities and promote democracy.

Land revenue meets most of the criteria of local taxation: such as it promotes Self-Government, makes local authorities more accountable to the local people, the tax base is localized and the tax burden is largely limited to local residents. At the central level, land revenue has not been restructured since long due to political parties run local bodies; a local land tax system dampens politically motivated opposition towards the efforts to raise the rates of land revenue with the intent of making them more meaningful.

Other taxes such as Vehicle Tax, Commercial Video Tax (Entertainment Tax), House Rent Tax, Business Tax, and Advertisement Tax which are to be developed to supplement property taxes are also considered good members of municipal tax family.

2.1.3 Existing Structure and Operation of Municipal Taxes

The Local Self-Governance Act 2055 and Local Self-Governance Regulations, 2056 govern the existing structure and operation of Local Taxes. These laws have specified taxes to be levied by local institutions, their coverage, bases and rates: and local institutions can levy tax with the approval of municipal board within the range specified in these laws. The existing structure and operation of municipal taxes given in these laws is as follows:

2.1.3.1. Land Revenue\ Bhumi Kar

Municipalities are authorized to levy Land Revenue\ Bhumi Kar. These taxes are levied on land. Land revenue is levied on land other than the land that is subject to Bhumi Kar. On the recommendation of the municipalities, government of Nepal specifies the land that is subject to Bhumi Kar.

For the purpose of land revenue, land is divided into four categories, on the basis of the productivity of land viz. Abal, Doyam, Seem and Chaher. For the purpose of the Bhumi Kar, urban land is divided into six categories on the basis of residential and commercial importance of land.

Rates of Land Revenue\ Bhumi Kar also vary between the land of Kathmandu valley, Terai region and the hilly region. In the case of hilly region, rates also vary for Khet Land and Pakho Land.

Rates of land revenue also depend upon the amount of land holding, while the rates of Bhumi Kar are not tied up with the amount of land holdings.

In case of land revenue, maximum and minimum rates are fixed and municipalities can fix rates within these ranges as per their local conditions. But no such limits are fixed in the case of Bhumi Kar, meaning that municipalities have to adopt the given rates of Bhumi Kar. The rates of Land

Revenue/Bhumi Kar in the KMC are fixed per Ropani minimum and maximum rates Rs 64.00 and Rs 240.00 respectively.

2.1.3.2 House and Land Tax

Municipalities may levy House and Land Tax on each house and land within their jurisdiction on the basis of size, type design, construction and structure of the house and area covered by the house, as approved by municipal council. The basis of the House and Land Tax is the capital value of house and land property. For the purpose of this tax, land and building are valued separately. A local valuation committee would be set up to fix the land value for the purpose of this tax. Until such a value is fixed, the value fixed for the purpose of registration fees by land revenue office will take as the value of land for the purpose of the House and Land Tax.

Buildings are valued by size and quality of construction. They are divided into 4 categories based on construction materials, and an average value per square feet for each type of structure. The existing value per square feet for each category is given table 2.1. The depreciation rates range form .075 to 3% a year and are applied for 25 years to 100 years, depending upon the type of construction of the houses.

Table 2.1
Average Value per Square Feet of Building and Depreciation Rate for the Purpose of House and Land Tax

Types of Building	Value Per Square Feet(Rs.)	Depreciation	
		Rate%	Year to be Deducted
1. Wall Inside Unburned Bricks outside Burnt Bricks With Mud Mortar	450	3.00	25
2. Both Sides Burnt Bricks or Stone in Mud Mortar	525	2.00	30
3. Both Side Born Bricks with Mint\lime Mortar	575	1.00	70
4. RCC Frame Structure Building	635	0.75	100

Source: Local Self-Governance Regulation, 2056

House and Land Tax are levied on the basis of a graduated rate schedule. As indicated in Table 2.2, the rate is fixed on a lump sum basis on the first slab of taxable value and progressive rates are fixed for the higher values.

Table-2.2
Rates of House and Land Tax

Value of Land and Building	Tax Rate
Up to Rs 1 million	Exempt
Next Rs 1 million	Rs.300
Next Rs 3 million	0.05%
Next Rs 5 million	0.25%
Next Rs 10 million	0.50%
Rest	1.50%

Source: Local Self-Governance Regulation, 2056

2.1.3.3 Unified Property Tax

Municipalities are also empowered to levy an Unified Property Tax on land and building under their area of jurisdiction; according Local Self-Governance Act, 2055. From FY 2062/063, this tax is abode by the Government of Nepal.

2.1.3.4 House Rent Tax

Municipalities are also empowered to levy a House Rent Tax on the amount of rent in case where any house, shop, garage, go down, stall, shed, factory, land or pond is rented wholly or partly within their area of jurisdiction. The House Rent Tax may be levied at a rate not exceeding 2% of rent.

On the other hand, municipalities can also levy a Tenancy Tax on municipality- operated shops or permission given to operate temporary shops in public places, unregistered land or roadsides at the rate of Rs. 2 to Rs. 20 per square feet.

2.1.3.5 Vehicle Tax

Municipalities are also empowered to levy an Annual Vehicle Tax on the specific vehicles within their area of jurisdiction and a per entry tax on all kind of vehicles entering into their area. The rate of Annual Vehicle Tax of KMC are given in table 2.3.

Table 2.3
Rate of Annual Vehicle Tax

Types of Vehicle	Rate (Rs)
Buses, trucks, lorries, and other heavy vehicles	3,000
Rented cars and jeeps	500
Rented tempos (three wheelers)	300
Rented mini buses	800
Private cars, tempos and mini buses	500
Scooters, motorcycle, and other vehicles	100
Carts and rickshaw	25

Sources: Revenue Dept of KMC

Municipalities can levy per entry tax on the use of the road constructed by them or transferred to them from their organization at the following rates:

Private and rented buses, trucks, and tractors	Rs. 20
Mini buses, private and rented cars and tempos	Rs 10
Cars and Tempos	Rs 10
Other types of vehicles	Rs. 05

Municipalities can levy registration tax on carts, rickshaw, and Tanga Rs. 50.

Since vehicle ownership is easily ascertainable and as Vehicle Tax is levied basically on a per vehicle basis registered with in the jurisdiction of local bodies, this tax is easy to administer. In many countries revenue is also generated through parking fees, either through parking meters, or through attendants. This can generate revenue in a few municipalities such as those located in the Katmandu Valley.

2.1.3.6 Entertainment Tax

Municipalities may levy Entertainment Tax at the rate of 2% to 5% of entrance fees on the means of entertainment such as cinema hall, video halls, and cultural show halls permitted within the municipal area. Similarly municipalities may levy Entertainment Tax on the circus and magic shows at the rate of Rs. 200 to Rs 500 per day. Now KMC is charging tax on cinema hall at the rate of 5% of entrance fee.

2.1.3.7 Commercial Video Tax

Municipalities may levy tax at the rate of Rs. 200 to Rs. 500 per annum on per video projector, cable etc. used by any person or organization for commercial purpose. Now KMC is not levying tax on commercial video.

2.1.3.8 Advertisement Tax

Municipalities can levy an Advertisement Tax at rates ranging from Rs. 200 to Rs. 1000 on signboards, globe boards, stalls, etc. permitted to be placed by roads, junctions, public places, etc. under their jurisdiction. Now KMC is levying Advertisement Tax up to Rs.1,000.

2.1.3.9 Business Tax

Municipalities are empowered to levy a Business Tax on the specific industry, trade, profession or Occupation. The Local Self-Governance Act has fixed the minimum and maximum rate for each category of business and municipalities can fix rates according to their local conditions within these limits. KMC is levying Business Tax at the following rates.

Table 2.4
Rate of Business Tax

S.N.	Types of Business	Minimum Rate (Rs.)	Maximum Rate (Rs.)
1	Commercial Goods	600	5,000
2	Export Consultation and Professional service	360	3,000
3	Construction Business	2,000	10,000
4	Product Oriented Industries	2,000	10,000
5	Energy Oriented Industries	2,000	8,000
6.	Agriculture and Forest Oriented Industries	1,500	10,000
7	Mineral Industries	1,500	10,000
8	Tourism Industries	10,000	50,000
9	Service Industries	1,200	4,000
10	Construction business	1,000	1,500
11	Communication Service	600	2,000
12	Financial Service	1,000	50,000
13	Health Service	500	5,000
14.	Education Service	1,000	3,000
15.	Repair and Maintenance Services	900	3,000
16	Other Services	1,500	5,000
17	Other Business	1,000	1,00,000
18	Temporary Haat Bazaar	2	25
19	Other not Include above	360	5,000

Sources: Revenue Dept. of KMC

2.1.4 Rebate for Tax Payers in KMC

Rebate for tax payer are as follows:

- 10% discount for paying tax before last of Shrawan.
- No penalty for paying tax till Ashwin last. (Source: Revenue Department of KMC)

2.1.5 Penalties, Actions and Appeals

A) Penalties and Actions

Section 70 and 165 of Local Self-Governance Act 2055 has made the provisions for fine and penalties if anyone does not pay any taxes, fees,

charges, duties, tariffs, and any other amount due and payable under the act, the VDC and Municipality penalize the person.

1) In Case of VDC

According to section 70.2 of Local Self-Governance Act, if any person does not pay the taxes imposed or levied by the village development committee, it may punish such person with a fine of up a Rs. 500 and may stop the service made available by the village development committee in regard to such person.

As per section 70.3 of the act, in case, any person commits any act in contravention of the act, of the rules, Byes-laws or Orders made under the act, such person shall be punished is not so prescribed the village development committee may punish such person with a fine Rs. 500.

According to section 70.4 if any person who has already been punished under this section, commits the same offence again, the village development committee may punish person with two fold punishment for each instances.

2) In Case of Municipality

i. According to section 165.2 if any one does not pay the taxes imposed by the municipality, it may take the following actions:

- If anyone does not pay the taxes, which may be collected under the act, the municipality may write to the concerned body to stop the transfer of ownership of the movable/immovable property of such person, may seal or lock up the trade, profession, and withhold the transaction including export and import.
- If any amount which the municipality is entitled to collect under the act, could not be covered up even from the stoppage of the house, land, transaction or assets of the concerned person, the municipality may recover it by auctioning the person house, land or other assets, if any.

ii. According to section 165.5 if any one does not pay taxes under the act, the municipality may stop the services provided by it, in regard to such person.

- iii. If any one commits any actions in contravention of the act or the rule Bye-laws or orders made under the act, such person will punished, if any prescribed elsewhere in the act, and if punishment is not so prescribed the municipality may punished such a person with a fine of up to Rs. 1000(section 165.5)
- iv. As per section 165.6, if any who has already been punished under this section commits the same offence again. The municipality may punish such person with two fold punishment for each instance.

B) Appeals

In case any tax payer is not satisfied with a punishment imposed by VDC or Municipality the Local Self-Governance Act, 2055 has made provision of appeal against such punishment.

As per section 70.5 any party who is not satisfied with the punishment imposed by VDC may appeal to the concern district court within 35 days from the date of knowledge of such decision.

Similarly, according to section 165.7 any party who in not satisfied with the punishment imposed by municipality may appeal to the concern district court with in 35 days of knowledge of such decision.

2.1.6 Penalty System of Tax of KMC

Penalties provisions are as follows:

- If any person submits fails document invoices or wrong document till Ashwin or every year, the penalty is RS 5,000.
- If a person does not follow directions of tax officer penalty is Rs 500.
- If any person does not follow rules and regulations regarding paying tax the penalty is Rs 1,000.
- If tax is not deposited within 35 days 15% additional amount per annum shall be charged on assesses taxes. (Source: Revenue Department of KMC).

2.2 Review of Earlier Studies

The purpose of this review is to bring in light in brief the important work done on local taxation in Nepal. So, some of literatures related to Local Tax has been reviewed in the following sections.

Many researches have been conducted in property taxation with reference to different municipalities.

Bhandari (1978) has attempted to focus on these problems areas issue of policy making that is remaining on central concern. He also points out problems regarding property tax and has suggested overcoming and uplifting its share on the revenue side along social betterment as it being a lot on the social sector.

Thakur (1979) studied the urban property taxation in Nepal and tried to shows its role in bringing about development with social justice in the economy.

Pyakural (1980) shows the insignificant revenue generation form urban house and land tax and shows serious weaknesses regarding the administration method of assessment and evaluation procedure of this tax for the effective implementation and improvement of property tax. He has forwarded some suggestions.

Poudel (1993) shows the implementation procedure of property tax system, rate and structure of property tax and shows the problems of property tax system for the effective implementation and improvement of the property land. He has forwarded some suggestions.

Khadka, Rup (2002) of center for study and research on good governance surveyed about the sources of finance and performed the general account and the revenue potentiality of local body focusing taxation assessment administrative mechanism of law, administrative problems and suggestions

have made for the prospects and future score for the development and would propose for improvement and implementation procedure of taxation. The book published as the title of “Municipality Finance in Nepal” with special reference of taxation. This consists of detail about the revenues and expenditures of 58 municipalities. It also deals with evaluation of municipal system and municipal taxation.

This books points out that the heavy dependence on local development fees may carry serious problems in the independency of local body and there are other serious problems in increasing revenues through taxation such as defective structure of municipal taxation, unjustified exemptions, valuation problems, poor records keeping, inadequate administrative procedures etc. She has also suggested some remedies to overcome from those problems such as imposition of property taxes should be made compulsory, review exemption system, establish proper tax base, rationalize rate stricture, maintain proper records, central administration of House Rent Tax, Launch tax awareness campaign, introduce interest, penalties and appeal system and provide external assistance etc.

Chhatri (2006) has analyzed the successful property tax must adopt good policies and administrative procedure. Countries face a number of operational difficulties in the administration of Property Tax. In additional he expresses about the Property Tax, Nepalese Property Tax is based on market value, so suggests to reform property tax.

Among them, Adhikari (2007) has analyzed house and compound tax considering as the suitable source for mobilizing internal resources. It can be used as a positive instrument to boost government revenue collection to develop the economic condition of Nepalese people and promote distributive justice and to cure resource gap problems.

Basnet (2007), has analyzed that property tax must adopt good policies. Central level has to assist local level to make empowerment. Acts and rules must be improved and consider time value of money, new valuation of house and land tax rate.

Local Self-Governance Act, 2055 Local Self-Governance Regulation 2056 focused on Fiscal Power generated to local bodies as per service charges and fees related to approval of building design. As per Act and Regulation the sources of revenue given to municipalities or Property Tax, Business Tax, Advertisement Tax, Entertainment Tax, House Tax, Services Charges etc.

Most of the research has been conducted on the Property Tax. However, this study is conducted on different types of tax which can be charged by the Local Body. The research is related to Kathmandu Metropolitan City. That will be reference to other local bodies of Nepal as well.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

Research is a systematic and organized effort to investigate specific problems that need a solution. A systematic careful inquiry or examination done to discover new information or relationship and to expand verify existing knowledge for some specific purpose is research. Any attempts to study a problem systematically or to make broader knowledge of a problem may be regarded as research. Methodology is the analysis and systematic application of procedure used in scientific investigation or in particular research project. Research methodology is the way to solve systematically about the research problem. This is a procedure of planned framework for the research study dealing with the research design, nature and source of data analysis, tools used for analysis of data.

3.2 Research Design

A research design is a plan that shows how a researcher intends to fulfill the goals of the proposed study. Research design is a conceptual structure within which research is conducted; it contributes the blue print for the collection, measurement, and quality of data. Research design is the logical planning and designing of a piece of research. Research design is the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

As per the nature of the study, survey research design has been followed with descriptive and analytical approach.

3.3 Nature and Source of Data

This study is based on primary as well as secondary data which are collected from questionnaire interview, discussion method, unpublished reports, circular and record of revenue department of KMC Bagdarbar and taxpayers of KMC. Some of these data are collected from working procedure of KMC. Similarly thesis and other books of Shanker Dev Campus library, TU central library and Nepal Commerce Campus library are consulted.

3.4 Method of Data Analysis

Data, valuable information and other things collected from different sources in raw form and in initial stage is judging independently do not help for decision but proper arrangement of them is essential. Thus collected information and facts have been properly processed, tabulated for the purpose of analysis and analyzed using relevant mathematical and statistically tools to achieve the objective.

3.5 Tools Used for Analysis of Data

In order to analyze and interpret the collective data after necessary adjustment following statistical tools have been used such as: Simple Percentage, Simple Average, Charts and Diagrams etc.

CHAPTER- IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The basic objective of this study is to analyze the contribution of tax to total revenue of KMC. This chapter presents the analysis and interpretation of data to meet the objective. For the data related to total revenue, total tax revenue and budget sheet etc. have been collected and analyzed as a secondary source. For primary source of data 25 revenue related employee of KMC office and 25 tax payer of KMC have been selected as sample of the study.

Questionnaires were distributed to more than 60 persons but responses were received only from 50 persons. Besides questionnaire informal discussions are also made with officers of account department of KMC and some selected tax payers to get more information about the tax revenue collection system of KMC and problems in law related to taxation of KMC.

Raw data are properly processed tabulated and analyzed. They are presented into graphs, charts and tables. Developed tables are based on secondary data as well as questionnaire. Open ended questions are arranged in a descriptive way. This is the major part of the study. It aims to make clear understanding about the contribution of tax to total revenue of KMC which is presented in this chapter.

4.1.1 Composition of Total Revenue

Total revenue of KMC is composed of both tax revenue and non-tax revenue since Local Self-Governance Act, 2055 was enacted in 2055.

Below table 4.1 shows composition of total revenue of KMC, this includes tax and non- tax revenue from FY 2059\060 to 2064\065. It seems that the share of tax revenue has always been lower than the share of non-tax revenue. In FY

2064\065, the share of tax-revenue and non-tax revenue is 23.07% and 76.93% respectively as compared with 18.85% and 81.15% in FY 2059\060. This indicates that the role of tax revenue is not much lower but it is significant. Tax revenue has been placed as an important source of KMC revenue. The composition of total revenue form FY 2059\060 to2064\065 is given below:

Table 4.1

Contribution of Tax and Non-Tax Revenue to Total Revenue of KMC

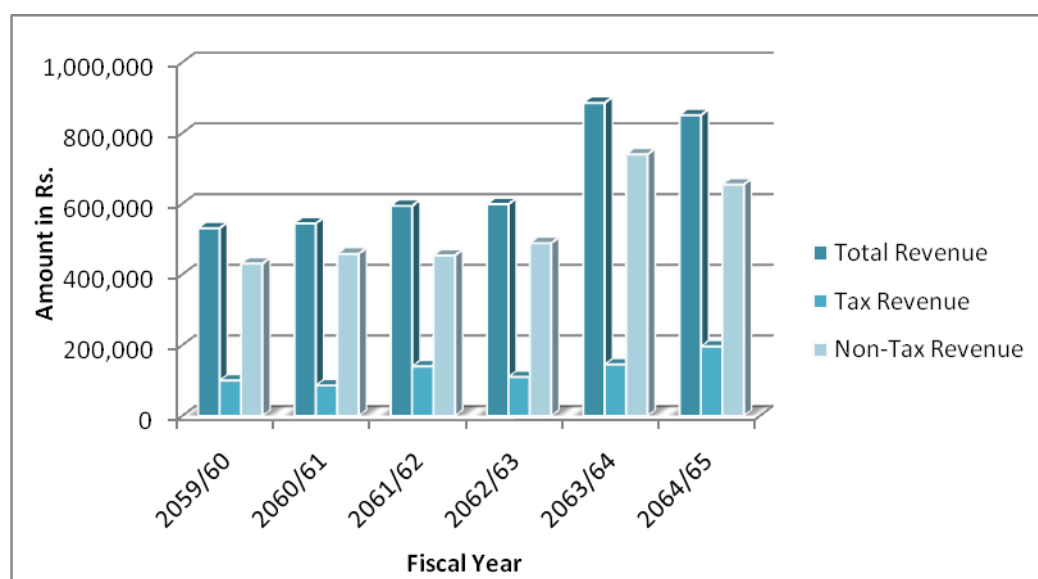
(Rs. in '000)

Year	Total Revenue	Tax Revenue	Percentage of Tax Revenue to Total Revenue	Non-Tax Revenue	Percentage of Non-Tax Revenue to Total Revenue
2059/60	530,880	100,095	18.85	430,785	81.15
2060/61	544,629	86,179	15.82	458,450	84.18
2061/62	593,971	140,194	23.59	453,777	76.41
2062/63	598,767	110,239	18.41	488,528	81.59
2063/64	885,553	145,651	16.45	739,902	83.55
2064/65	850,926	196,382	23.07	654,544	76.93
Total	4,004,726	778,740		3,225,986	

Source: Budget Sheet

Table 4.1

Contribution of Tax and Non-Tax Revenue to Total Revenue of KMC



The above table and figure reflect that there is no consistency in tax revenue. The revenue is decreasing in FY 2060/61 but significantly increasing in FY 2061/62. However the tax revenue is decreasing in FY 2062/63. In the remaining FY during study period the revenue is in increasing trend. The percentage of contribution of tax revenue is found fluctuating in different years. The contribution of tax revenue to total revenue is maximum 23.59% in FY 2061\062 and minimum 15.82% in FY 2060\61.

The contribution portion of non tax revenue to total revenue is also fluctuating during the study period. It is decreasing to 76.41% in FY 2061\062 and increasing up to 84.18% in FY2060\61. It shows that both tax and non tax revenue amount are increasing in every year except in FY2062\063 and non tax revenue in FY2064\065. The growth of tax revenue in FY 2064\065 is remarkable.

4.1.2 Details of Revenue Structure of KMC form Different Sources

The detail revenue structure of KMC form different sources is shown in the table below 4.2. The structure consists of all the public revenue and other income like owned private income of KMC. It includes the income incurred form overhead bridge; subways park, entrance fees, etc. This also includes fine and penalties, internal and external aids and other income which are shown in following table with percentage. The table is the foundation of the data presentation of this research work. The data are drawn from the budget sheet of KMC of a period of sex year i.e., form 2056/60 to 2064/65. The original budget sheet in detail is given in the subsequent section (in appendix-3). Total revenue consists of tax and non tax revenue generated by the KMC. They are shown separately in the table. Item wise tax and non tax revenue of different fiscal year are given. The overall income during the study period is in increasing trend.

Table 4.2

Structure of Total Revenue form Tax and Other Sources of KMC

(Rs. in 000)

Sources	2059/60		2060/61		2061/62		2062/63		2063/64		2064/65	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
House & Land\Malpot Tax	70,796	13.34	62,663	10.66	107,586	18.11	82,716	13.81	117,846	13.31	149,619	17.58
Vehicles Tax	6,479	1.22	5,162	0.88	7,305	1.23	5,852	0.98	5,122	0.58	6,174	0.73
House rent Tax	0	0.00	0	0.00	7	0.00	640	0.11	2,390	0.27	7,165	0.84
United assets Tax	371	0.07	361	0.06	59	0.01	0	0.00	0	0.00	0	0.00
Entertainment Tax	138	0.03	99	0.02	64	0.01	1,515	0.25	1,230	0.14	1,139	0.13
Advertisement Tax	4,490	0.85	4,657	7.92	7,906	1.33	6,311	1.05	5,827	0.66	11,977	1.41
Business Tax	17,821	3.36	13,237	2.25	17,267	2.91	13,205	2.21	13,236	1.49	20,308	2.39
House Map/ Building Permit Fee	113,792	21.43	122,702	20.88	113,140	19.05	88,538	14.79	98,634	11.14	109,550	12.87
Local Development Fees	239,213	45.06	237,864	40.47	237,576	40.0	237,576	39.68	237,576	26.83	237,576	27.92
Other Fees	47,556	8.96	43,457	7.39	54,977	9.26	33,155	5.54	36,866	4.16	45,570	5.36
Grant	8,600	1.62	27,572	4.69	15,532	2.61	90,597	15.13	301,611	34.06	210,147	24.70
Penalty	1,958	0.37	1,254	0.21	4,868	0.82	5,004	0.84	2,526	0.29	2,437	0.29
Revenue form own assets	12,449	2.34	10,940	1.86	3,010	0.51	1,650	0.28	3,581	0.40	11,537	1.36
Miscellaneous Revenue	7,217	1.36	14,661	2.69	24,673	4.15	32,008	5.35	59,108	6.67	37,727	4.43
Total	530,880		544,629		593,971		598,767		880,733		844,911	

Source: Budget Sheet

Above table shows the details structure of various taxes and other income of KMC in various fiscal years. Total income of KMC is Rs.530,880 thousand in FY2059\060 and Rs.85,09,26 thousand in FY2064\065. The total revenue of KMC is increasing every year except FY 2064\065. Local Development Fee is the major source of revenue of KMC form FY2059\060 to FY 2064\065 except FY 2063\065. Local Development Fee is constant in amount form FY 2060\061 to FY 2064\065 which is Rs.237,576 thousand every year. Grant is a major source of revenue which is stood at 34.06% of total income In FY 2063\064. The second largest sources of revenue of KMC is House and Map/Building Permit Fees which is 21.43% in FY 2059\060 and 14.79% in FY 2062\063 but that reached in forth position in FY2063\064 by 11.14% to total revenue another significant sources of revenue is House & Land\ Malpot Tax, which contributes13.34% in FY 2059\060 and 17.58% in FY 2064\065. Another biggest source of revenue is Grant but it is not constant in amount and in percentage as well because it depends upon the policy of donor. House & Land\ Malpot Tax and Map and Building Permit Fees are reliable and sustainable source of revenue.

4.1.3 Tax Collection Performance of KMC

Even though budget is a forecast for future which is depends upon past data, practices and experience, it should be as possible as realistic, accurate, accessible, and practical to attain the expectation. No doubt accurate and reliable budget plays crucial role for the success of every organization. Revenue from tax is in increasing trend but the collection performance of tax is not satisfactory. The given table and figure help to know the prevailing budget practice done by KMC and its success of collection in different FY.

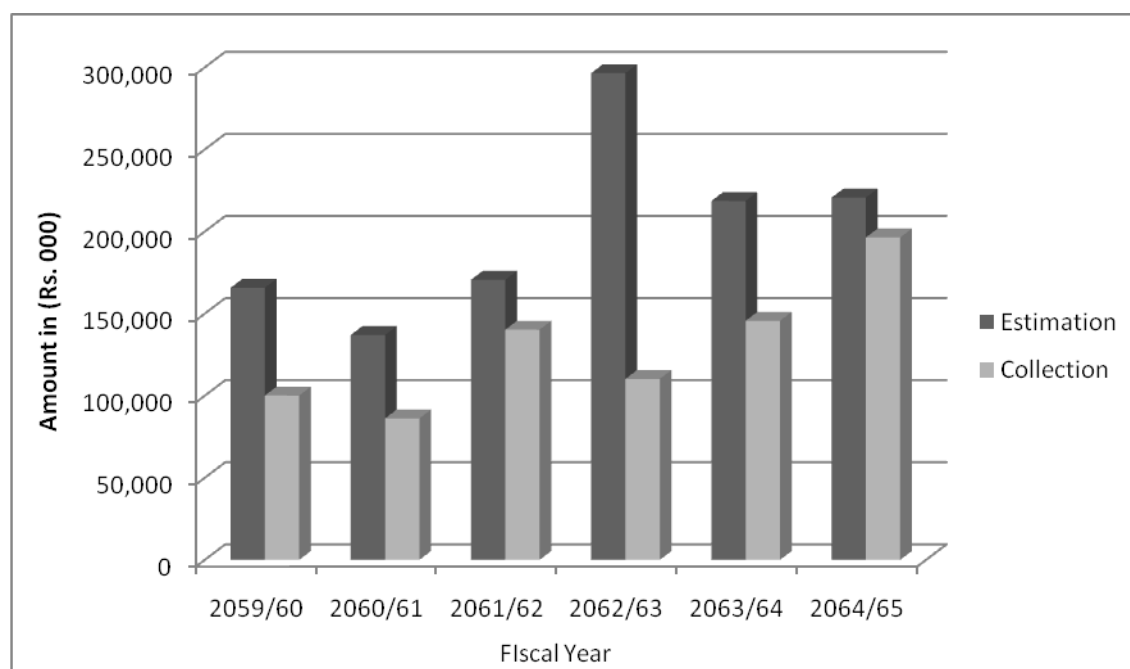
Table 4.3
Collection Performance of Tax-Revenue of KMC

(Rs. in '000)

Year	Estimation	Collection	Difference	Collection (%)
2059/60	165,705	100,095	65,609	60.41
2060/61	137,000	86,179	50,821	62.9
2061/62	170,587	140,194	30,393	82.15
2062/63	296,483	110,239	186,244	37.18
2063/64	218,616	145,651	72,965	66.62
2064/65	220,648	196,382	24,266	89
Total	1,209,039	778,740	388,381	

Source: Budget Sheet

Figure 4.2
Collection Performance of Tax-Revenue



The collection is only 60.41% of estimation in FY 2059\060 and it is 89% of estimation in FY2063\064. The highest performance in percentage is 89% in FY

2064\065. The lowest performance percentage is 37% in FY 2062\063. There is no estimation of House Rent Tax in any year.

The collection of House Rent Tax is only self motivated tax payment. There is no database system for estimation of tax which is based on hunch.

4.1.4 Coverage of Tax Revenue to Total Revenue

Total expenditure is increasing along with its expanding activities in development and social activities. The increasing trend of expenditure can be fulfilled either by internal resources or through inflows of grant. The increasing rate of growth in expenditure creates many problems in the management of public expenditure. The policy should be reformed for maximum resource mobilization in according with explanation in economic activities. The coverage of expenditure by internal sources is most reliable source forever. The table 4.4 given below and figure-3 show the internal capacity of KMC to fulfill the total expenditure.

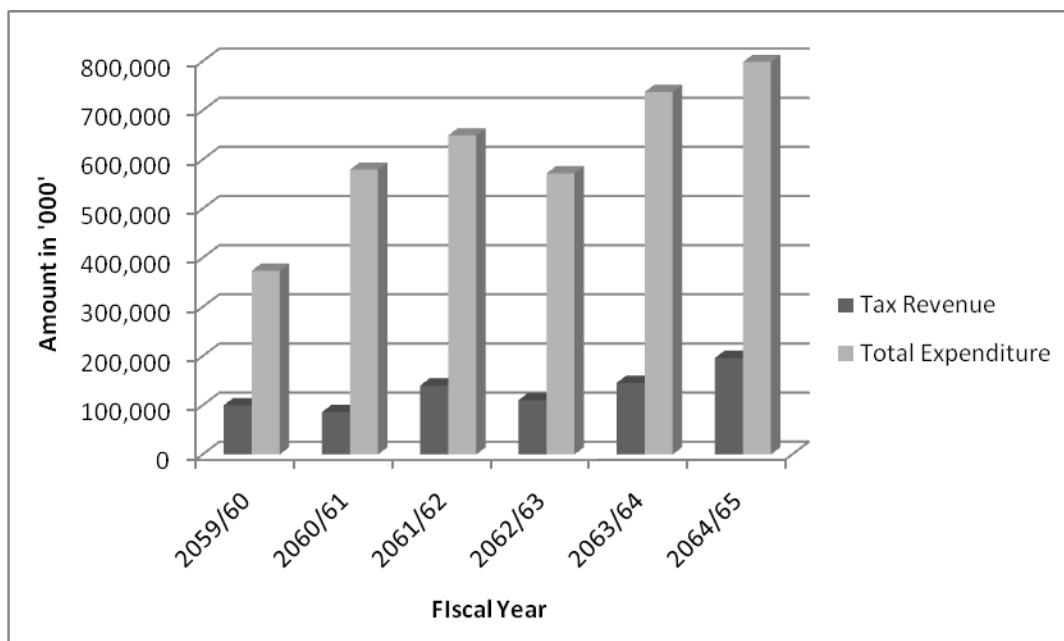
Table 4.4
Coverage of Tax Revenue to Total Expenditure of KMC

(Rs. In '000)

Year	Tax Revenue	Total Expenditure	Percentage of Tax Revenue to Total Expenditure
2059/60	100,095	373,922	26.77
2060/61	86,179	579,529	14.87
2061/62	140,194	649,290	21.59
2062/63	110,239	571,930	19.27
2063/64	145,651	737,525	19.75
2064/65	196,382	798,627	24.59
Total	778,740	3710,823	

Source: Budget Sheet

Table 4.3
Coverage of Tax Revenue to Total Expenditure



Above table and figure show that the total expenditure of KMC is increasing every year from Rs. 373,922 thousands in FY 2059\060 to Rs.798,627 thousands in FY 2064\065. Likewise total tax revenue is also increasing but the coverage of tax to total expenditure is fluctuating which is 26.77% in FY 2059\060 and 24.90% in 2064\065. Minimum coverage is 19.27% in FY2062\063 and maximum coverage is 26.77 % in FY 2059\060. In the study period, there is no significant coverage of expenditure by tax revenue.

4.1.5 Coverage of Tax Revenue to Operating Expenditure

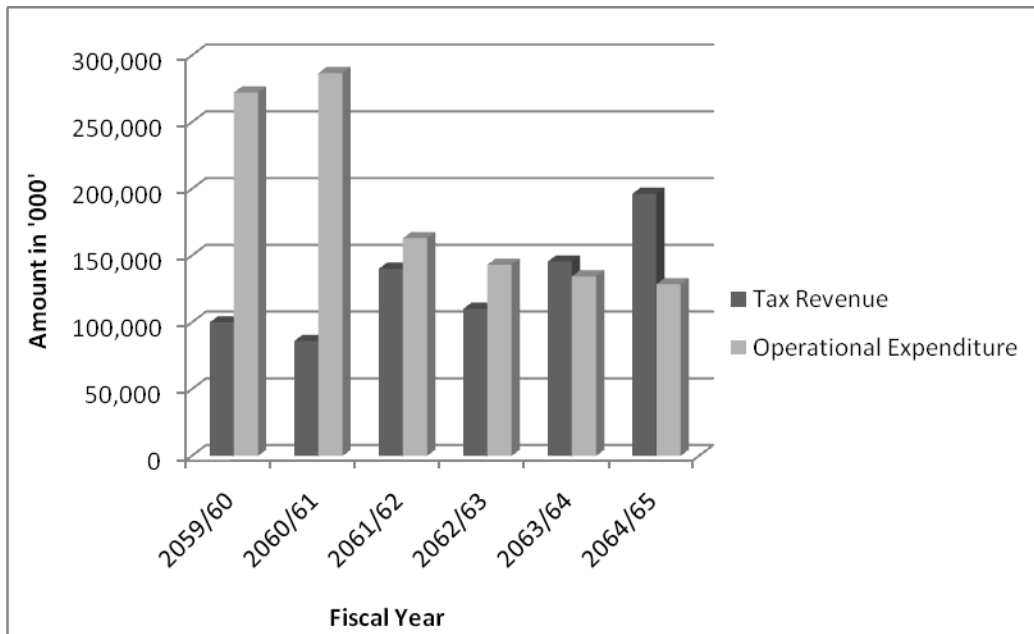
Operating expenses are compulsory expenses. Any government body has to meet the operating expenses by internal sources. The capacity of KMC to meet operating expenses by internal source i.e. tax revenue is shown in the table 4.5 and figure 4.4 below.

Table 4.5
Coverage of Tax Revenue to Operational Expenditure
(Rs. in '000)

Year	Tax Revenue	Operational Expenditure	Percentage of Tax Revenue to Operational Expenditure
2059/60	100,095	272,278	36.76
2060/61	86,179	286,778	30.05
2061/62	140,194	163,139	85.94
2062/63	110,239	143,289	76.93
2063/64	145,651	134,533	108.26
2064/65	196,382	128,568	152.75
Total	778,740	1,128,585	

Source: Budget Sheet

Figure 4.4
Coverage of Tax Revenue to Operational Expenditure



Above table and figure show that, the operating expenses is in decreasing trend from FY 2060/61 to FY 2064/65 except in 2060/61. It means KMC is going towards the cost efficiency in operating expenses. The tax revenue is in increasing trend except FY 2060/61 and 2062/63. The coverage tax revenue to operating expenses is also in increasing trend except in FY 2060/61 which is 36.76% in FY 2059/60 and 152.75% in FY 2064/65. It means KMC is independent in operating expenses

4.1.6 Coverage of Tax Revenue to Capital Expenditure

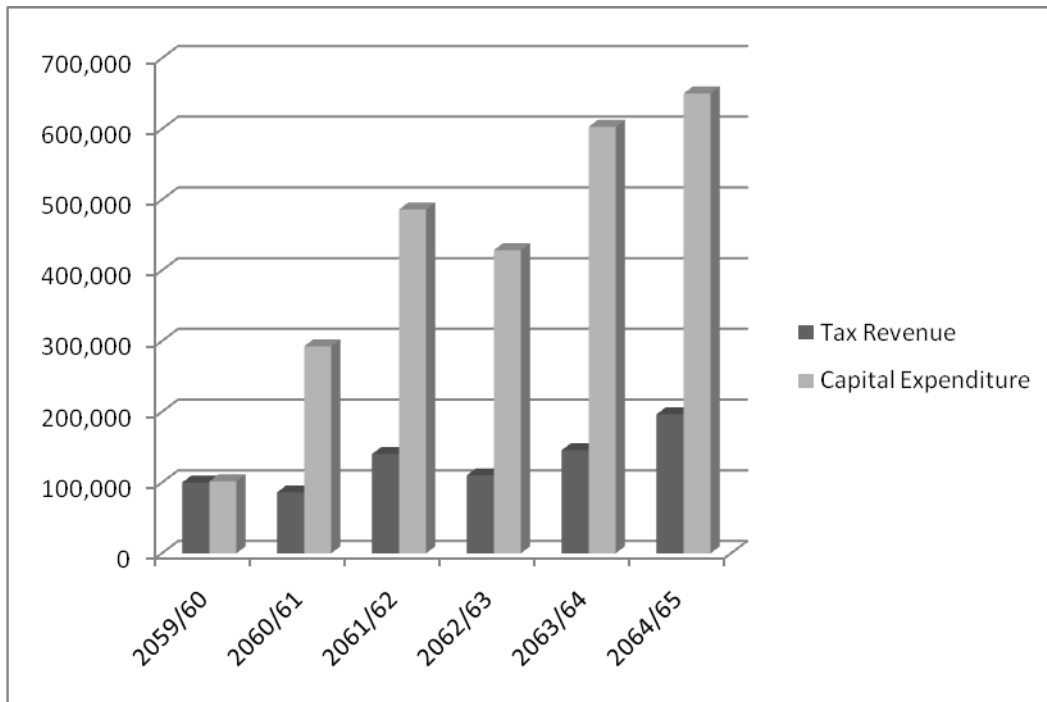
Capital expenditures are those expenditures whose benefit will long last for more than one year. Normally the capital expenditure of any government body is to depend on external source that may not be sustainable source. If the capital expenditure can be covered by internal source there will be certainty for capital expenditure. The following table 4.6 and figure 4.5 present the capacity of KMC to meet the capital expenditure by tax revenue.

Table 4.6
Coverage of Tax Revenue to Capital Expenditure

Year	Tax Revenue	Capital Expenditure	Percentage of Tax Revenue to Capital Expenditure
2059/60	100,095	101,644	98.48
2060/61	86,179	292,751	29.43
2061/62	140,194	486,150	28.84
2062/63	110,239	428,642	25.72
2063/64	145,651	602,991	24.15
2064/65	196,382	650,059	30.21
Total	778,740	2,562,237	

Source: Budget Sheet

Figure 4.5
Coverage of Tax Revenue to Capital Expenditure



From the above table and figure, it is clear that the capacity of KMC to meet the capital expenditure by tax revenue is very poor. In FY 2059/60 there is 98.48% capacity to meet the capital expenditure by tax revenue and that is decreased to 24.15% in FY 2063/64. The capital expenditure is increasing rapidly but the tax revenue is increasing slowly. There is good increment in tax revenue in FY 2064/65, by which tax revenue has 30.21% coverage capacity. If the KMC uses its

tax revenue to meet operating expenses there is no evidence to meet capital expenditure.

4.1.7 Contribution of House & Land/Malpot Tax to Total Revenue

To know the contribution of individual tax to total revenue, first of all the highest source of revenue i.e. House & Land/ Malpot Tax should be considered. KMC has been collecting property tax since 2057. It is also known as House & Land tax. This tax is playing vital role in KMC revenue structure. The contribution of House & Land Tax to total revenue of KMC is shown in table 4.7 and figure 4.6.

Table 4.7

Contribution of House & Land\Malpot Tax to Total Revenue

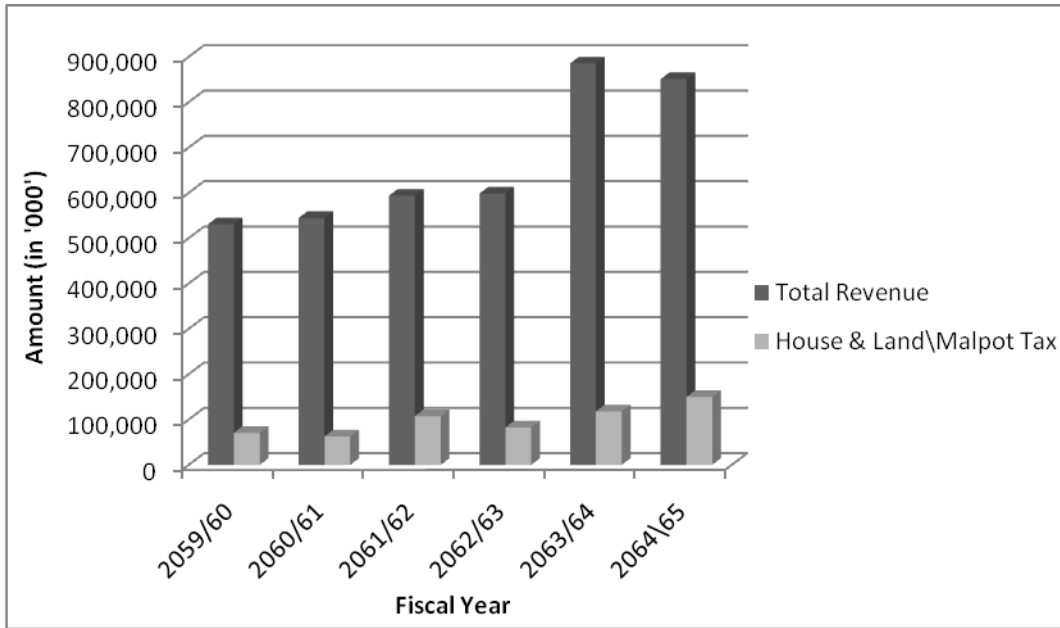
(Rs. In ‘000’)

Fiscal Year	Total Revenue	House & Land\Malpot Tax	Percentage of House & Land/Malpot Tax Revenue to Total Revenue
2059/60	530,880	70,796	13.34
2060/61	544,629	62,663	11.30
2061/62	593,971	107,586	18.11
2062/63	598,767	82,716	13.81
2063/64	885,553	117,846	13.31
2064\65	850,926	149,619	17.58
Total	4,004,726	591,226	

Source: Budget Sheet

Figure 4.6

Contribution of House & Land\Malpot Tax to Total Revenue



From the above table and figure, it is clear that the contribution of House & Land Tax to total revenue is remarkable which is 13.34% in FY 2059/60 and is decreasing to 11.3% in FY 2060/61 then after it is increasing to 18.11% in FY 2061/62 and 13.81% in FY 2062/63. There is good increment in amount from Rs. 82,716 thousand in FY 2062/63 to Rs. 117,846 thousands in 2063/64 but the contribution percentage is only 13.31% due to the significant increment in total revenue. There is good increment in contribution percentage in FY 2064/65 which is 17.58% due to the decreasing in total revenue of KMC and increment in House and Land/Malpot Tax of KMC.

4.1.8 Contribution of Vehicle Tax to Total Revenue of KMC

Vehicle tax includes Annual Vehicle Tax and Vehicle Tax received on the basis of contract from Thankot. It does not have good contribution to total revenue of KMC but it is long lasting source of revenue. Vehicle Tax is being charged on flat basis. There is very low tax rate per vehicle due to the provision of paying tax anywhere among KMC, LMSC, and BM. There is a need of collaboration among these local bodies to increase vehicle tax.

The contribution of Vehicle Tax to total revenue of KMC can be shown in Table 4.8 as below.

Table 4.8
Contribution of Vehicle Tax to Total Revenue of KMC

(Rs. In '000)

Fiscal Year	Total Revenue	Vehicle Tax	% of Vehicle Tax Revenue to Total Revenue
2059/60	530,880	6,479	1.22
2060/61	544,629	5,162	0.93
2061/62	593,971	7,305	1.24
2062/63	598,767	5,852	0.98
2063/64	885,553	5,122	0.58
2064/65	850,926	6,174	0.73
Total	4,004,726	36,094	

Source: Budget Sheet

From the above table it is clear that the contribution of Vehicle Tax to total revenue is not remarkable which less than 2% in study period is. It is 1.22% in FY 2059/60 and it is 0.73% in FY 2064/65. There is maximum amount Rs. 7,305 thousands and 1.24% in FY 2061/62 and minimum Rs. 5,122 thousand and 0.58% in FY 2063/64. Even its contribution to total revenue is very low but it has chance to increase tax amount if KMC collaborates with LCMC and BM to increase the Annual Vehicle Tax Rate.

4.1.9 Contribution of House Rent Tax to Total Revenue of KMC

House Rent Tax is imposed on house rent whose houses are situated with in the area of KMC. KMC has not actual data about the total house rent income of the people of KMC. The payment of house rent tax is only optional for people. The collection of House Rent Tax is not remarkable in the study period but there is possibility to collect huge amount of tax from house rent.

The collection of House Rent Tax in the study period is presented below.

Table 4.9

Contribution of House Rent Tax to Total Revenue of KMC

Fiscal Year	Total Revenue	House Rent Tax	% of House Rent Tax Revenue to Total Revenue
2059/60	530,880	0	0.00
2060/61	544,629	0	0.00
2061/62	593,971	7	0.00
2062/63	598,767	640	0.11
2063/64	885,553	2,390	0.27
2064/65	850,926	7,165	0.85
Total	4,004,726	10,202	

Source: Budget Sheet

From the above table it is known that the contribution of House Rent Tax to total revenue is negligible i.e. zero in first two study period and Rs. 7 thousand only in FY 2061/62. From that period it is started to increase and goes up to Rs. 7,165 thousand and 0.85% to total revenue in FY 2064/65. There is a higher possibility to increase House Rent Tax, if KMC is able to collect information and data of house rent income of the people of KMC.

4.1.10 Contribution of Unified Property Tax to Total Revenue of KMC

Unified Property Tax was used to collect by local body since 2057 and that had been stopped from FY 2062/63 according to Local Self-Governance Act 2055. In the study period the contribution of Unified Property Tax is negligible. The actual collection of Unified Property tax has been presented in the table below.

Table 4.10

Contribution of Unified Property Tax to Total Revenue of KMC

Fiscal Year	Total Revenue	Unified Property Tax	% of Unified Property Tax Revenue to Total Revenue
2059/60	530,880	371	0.07
2060/61	544,629	361	0.06
2061/62	593,971	59	0.01
2062/63	598,767	0	0.00
2063/64	885,553	0	0.00
2064/65	850,926	0	0.00
Total	4,004,726	791	

Source: Budget Sheet

Form the above table; it is clear that there is negligible contribution of Unified Property Tax to total revenue of KMC, i.e. less then 1% in the first three periods. Form FY 202062\063, Unified Property tax has been stopped forever. So there is no use to study about Unified Property Tax.

4.1.11 Contribution of Entertainment Tax to Total Revenue of KMC

According to Local Self-Governance Act, 2055 KMC is allowed to charge Entertainment Tax on cinema hall, video hall, and cultural exhibition hall. Now KMC is charging tax on cinema hall only. The collection of Entertainment Tax by KMC is presented in the table below.

Table 4.11
Contribution of Entertainment Tax to Total Revenue of KMC

(Rs. In '000)

Fiscal Year	Total Revenue	Entertainment Tax	% of Entertainment Tax Revenue to Total Revenue
2059/60	530,880	138	0.03

2060/61	544,629	99	0.02
2061/62	593,971	64	0.01
2062/63	598,767	1,515	0.25
2063/64	885,553	1,230	0.14
2064\65	850,926	1,139	0.13
Total	4,004,726	4,185	

Source: Budget Sheet

Form the above table it is clear that the contribution of Entertainment Tax to total revenue is poor which is below 1% in the study period. The Entertainment Tax is Rs 138 thousand or .03% to total revenue in FY 2059\060, that is increasing up to Rs1,515 thousand or 0.25% in FY 2062\063. Again it decreases down to Rs.1,139 thousand or 0.13% to total revenue in FY2064\065. There is a wider area to increase the Entertainment Tax of KMC; if it collects data about the new Entertainment Tax payer through felid visit.

4.1.12 Contribution of Advertisement Tax to Total Revenue of KMC

According to Local Self-Governance Act, 2055, any local body can charge Advertisement Tax on sign board, globe board and stall etc. Now KMC is charging tax on interdiction board, advertisement board, electric board, banner and poster. Actual tax collection form Advertisement Tax by KMC has been presented in the table below.

Table 4.12
Contribution of Advertisement Tax to Total Revenue of KMC

(Rs. In '000)

Fiscal Year	Total Revenue	Advertisement Tax	% of Advertisement Tax Revenue to Total Revenue
059/60	530,880	4,490	0.85
2060/61	544,629	4,657	0.84
2061/62	593,971	7,906	1.34
2062/63	598,767	6,311	1.05
2063/64	885,553	5,827	0.66
2064\65	850,926	11,977	1.42
Total	4,004,726	41,168	

Source: Budget Sheet

Above table shows that the contribution of Advertisement Tax to total revenue is not significant during the study period i.e. Rs. 7,790 thousand and 0.85% of total revenue in FY 2059\060 and Rs.11,977 thousand and 1.42% of total revenue in FY 2064\065. The tax collection from advertisement is increasing every year except in FY 2063\064. It may be good source of revenue of KMC, if it collects data about the new advertisement Tax payer through field visit.

4.1.13 Contribution of Business Tax to Total Revenue of KMC

KMC has been started to charge Business Tax from 2057 according to Local Self-Governance Act 2055. KMC is charging tax on flat basis as the size of business. Actual tax collection from different FY has been presented in table below.

Table 4.13
Contribution of Business Tax to Total Revenue of KMC

(Rs. In '000)

Fiscal Year	Total Revenue	Business Tax	% of Business Tax Revenue to Total Revenue
2059/60	530,880	17,821	3.36
2060/61	544,629	13,237	2.39
2061/62	593,971	17,267	2.92
2062/63	598,767	13,205	2.21
2063/64	885,553	13,236	1.50
2064/65	850,926	20,308	2.40
Total	4,004,726	95,074	

Source: Budget Sheet

From the above table it is clear that the contribution of Business Tax to total revenue is negligible. The tax collection is Rs.171, 821 thousand and 3.36 % to total revenue in FY 2059/60. And that is decreasing down to Rs. 13,205 thousand in FY 2062/62. The minimum contribution is 1.5% in 2063/64. Again, it is increasing up to Rs.20,308 thousand and 2.4% in FY 2064/65. It may be good source of revenue for KMC, if it collects data about the new Business Tax payer through field visit.

4.2 Empirical Investigation

An empirical investigation has been conducted in order to find out various aspects of tax imposition in KMC. This chapter analyzes information collected from primary sources, i.e. through questionnaire. The questionnaires were distributed to tax related employees and taxpayers of KMC. The response received from various respondents has been arranged tabulated and analyzed in order to facilitate the

descriptive analysis of the study. The respondents were requested to response on questionnaire by four ways:

- They could response simply by yes or no response
- They could response by selecting one or more options
- They could response by ranking the choices starting from 1
- They could response by putting their views where necessary

Table 4.14
Denominations of Respondents Code Used

S.N.	Denominations of Respondents	Sample Size	Code Used
1	Tax administrators	25	A
2	Tax payer	25	B
Total		50	

Source: Option Survey

4.2.1 Tax as a Suitable Means of Raising Revenue of Local Body

In order to know whether tax as a suitable means of rising revenue of local body, a question was asked; “Do you consider that the income tax is a suitable means of raising revenue of local body”? The responses are as presented in the table 4.15.

Table 4.15
Tax as a Suitable Means of Raising Revenue of Local Body

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	25	100	0	0	25	100
B	23	92	2	8	25	100
Total	48	96	2	4	50	100

Source: Option Survey

From the above table it is cleared that 96% of respondents are in favor of tax as a suitable means of raising revenue and only 4% of respondents do not recognize tax

as a suitable means of raising revenue. Hence it can be concluded that tax is suitable source of revenue.

4.2.2 Necessity of Tax Awareness Programs to Public

To know the necessity of tax awareness programs to public, a question was asked; “Do you think tax awareness programs to public is necessary for raising tax revenue of KMC?” The responses have been tabulated as below.

Table 4.16**Necessity of Tax Awareness Programs to Public**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	25	100	0	0	25	100
B	22	88	3	12	25	100
Total	47	94	3	6	50	100

Source: Option Survey

From the above table it has been cleared that 94% of respondents are in support of questions “Do you think tax awareness programs to public is necessary for raising tax revenue of KMC?” and 6% of respondents were in against the questions. Hence it can be concluded that tax awareness is necessary to public to increase consciousness of the taxpayer.

4.2.3 Attitude towards Tax Collection System of KMC

To know weather the tax collection system of KMC is satisfactory, a question was asked as; “Are you satisfy with the tax collection system of KMC?” The responses received from respondents are tabulated as below.

Table 4.17**Satisfaction towards Existing Tax Collection System of KMC**

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	6	24	19	76	25	100
B	2	8	23	92	25	100
Total	8	16	42	84	50	100

Source: Option Survey

From the above table it has been cleared that most of the respondents i.e. 84% are not satisfied with the existing tax collection system of KMC. The analysis shows those higher level officers who working in central office are satisfied to the tax collection system.

In order to know the cause of dissatisfaction with the tax collection system of KMC, the question asked: “What the major problems are in tax collection system? The respondents were requested to rank their answer from 1 to 7. The table below shows the response.

Table 4.18
The Major Problems in Tax Collection System

SN	Major problems	Group A			Group B			Total		
		Point	%	Rank	Point	%	Rank	Point	%	Rank
1	Inefficient Tax Administrator	39	7.22	6	15	23.29	1	189	15.94	3
2	Complicated Tax Acts, Rules and Regulations	79	14.63	4	107	16.61	3	187	15.77	4
3	Inappropriate Tax Rate	122	22.59	2	149	23.14	2	271	22.85	1
4	Lack of Education to Tax Payer	133	24.63	1	100	15.53	4	233	19.765	2
5	Lack of Training & Incentive to Employee	86	15.93	3	23	3.57	7	109	9.19	6
6	Illegal Activities	56	10.37	5	62	9.63	5	118	9.95	5
7	Practice of Tax Evasion	25	4.63	7	53	8.23	6	78	6.58	7
	Total	540	100		644	100		1186	100	

Source: Option Survey

The major problems of tax collection system of KMC are ranked in order of preference of tax administrator as follows

1. Lack of education to tax payer.
2. Inappropriate tax rate.
3. Lack of training and incentives to employee.
4. Complicated tax acts, rules and regulations
5. Illegal activities.
6. Inefficient tax administrator.
7. Practice of tax evasion.

Like wise the major problems of tax collection system of KMC are ranked in order of preference of tax payer are as follows.

1. Inefficient tax administrator.
2. Inappropriate tax rate.
3. Complicated tax acts, rules and regulations.
4. Lack of education to tax payer.
5. Illegal activities.
6. Practice of tax evasion.
7. Lack of training and incentives to employee.

But in total the result is different. The combined response of both tax administrator and tax payer are ranked as follows.

1. Inappropriate tax rate.
2. Lack of education to tax payer.
3. Inefficient tax administrator.
4. Complicated tax acts, rules and regulations.
5. Illegal activities.
6. Lack of training and incentives to employee.
7. Practice of tax evasion.

It can be concluded from the above results that in the opinion of the respondents, the tax system of KMC is not sound and efficient basically due to inappropriate tax rate, lack of education to tax payer, inefficient tax administrator. The other problems stated by respondents are dissatisfaction of public towards the performance of KMC, lack of transparency about revenue and expenditure of KMC, difficulty in maintaining account for tax purpose, lack of cooperation with central government, difficulty in valuation of assets(particularly in HALT).

4.2.4 Tax Evasion Practices

In order to find out weather tax evasion is practiced or not, one question was asked, “Wide spread evasion is a major constraint for tax collection” Do you agree with this statement? The response of respondents is tabulated as below.

Table 4.19
Tax Evasion Practice

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	15	60	10	40	25	100
B	17	68	8	32	25	100
Total	32	64	18	36	50	100

Source: Option Survey

The above table reveals that 64% respondents supported tax evasion as a major problem of tax collection system of KMC and only 36% were against to the above view.

There may be various reasons for wide spread tax evasion. In order to know the main reasons for tax evasion, the respondents were provided seven reasons and requested to rank them. The responses received are tabulated as below.

Table 4.20
Factors Responsible for Tax Evasion

SN	Major Factors	Group A			Group B			Total		
		Point	%	Rank	Point	%	Rank	Point	%	Rank
1	Inappropriate Tax Rate	57	13.57	4	79	16.60	3	136	15.18	4
2	Limited no of Tax Payer	48	11.43	5	35	7.35	6	83	9.26	6
3	Poor Enforcement of Fine and Penalties	96	22.86	2	71	14.92	4	167	18.64	2
4	Defective Tax Laws	97	23.10	1	106	22.27	2	203	22.65	1
5	Lack of Voluntary Compliance by Tax Payer.	74	17.62	3	21	4.41	7	95	10.60	5
6	Defective Tax Administrator	31	7.38	6	113	23.47	1	131	16.07	3
7	Corruption in Tax Authority	17	4.04	7	51	10.71	5	62	7.60	7
Total		420	100		476	100		896	100	

Source: Option Survey

The major reasons for tax evasion from the above table according to tax administrator are ranked as follows.

1. Defective tax laws.
2. Poor enforcement of fine and penalties.
3. Lack of voluntary compliance by tax payer.
4. Inappropriate tax rate.

5. Limited no of tax payer.
6. Defective tax administrator.
7. Corruption in tax authority.

The major reasons for tax evasion from the above table according to tax payer are ranked as follows.

1. Defective tax administrator.
2. Defective tax laws.
3. Inappropriate tax rate.
4. Poor enforcement of fine and penalties.
5. Corruption in tax authority.
6. Limited no of tax payer.
7. Lack of voluntary compliance by tax payer.

In combine form, the major reasons for tax evasion can be ranked as below.

1. Defective tax laws.
2. Poor enforcement of fine and penalties.
3. Defective tax administrator.
4. Inappropriate tax rate.
5. Lack of voluntary compliance by tax payer.
6. Limited no of tax payer.
7. Corruption in tax authority.

Thus, it can be conclude that main reasons for tax evasion are due to defective laws, poor enforcement of fine and penalties and others after these.

The other factors stated by the respondents are wide spread of illegal activities, no standardized auditing and investigation and poor development of corporate system.

4.2.5 Attitude towards Problems in Paying Tax

To know the problem facing by the tax payer while paying tax, the respondents were requested to rank their choice from 1-5 according to their preference and the question was asked as, “In your opinion what type of problem are you facing while paying tax?” The responses received are tabulated as below in table 4.21.

Table 4.21
Problems in the Time of Tax Paying

S.N.	Problems	Group A			Group B			Total		
		Point	%	Rank	Point	%	Rank	Point	%	Rank
1	Delay Procedure	68	18.00	3	70	18.67	3	138	18.33	3
2	Vague Provision of Laws	110	29.10	1	117	31.20	1	227	30.15	1
3	Lack of Cooperation of Tax Administrators	60	15.87	4	45	12.00	5	105	13.94	5
1	Lengthy Paper Work	99	26.19	2	48	12.80	4	147	19.52	2
5	Expectation of Illegal Incentives by Tax Administrators	41	10.84	5	95	25.33	2	136	18.00	4
Total		378	100		375	100		753	100	

Source: Option Survey

From the above table, the major problem facing by the tax payer while paying tax are ranked in the order of preference of tax administrator as follows.

1. Vague provision of laws.
2. Lengthy paper work.
3. Delay in procedure.
4. Lack of cooperation of tax administrators.
5. Expectation of illegal incentives by tax administrators.

The major problems facing by the tax payer while paying tax are ranked in the order of preference of tax payer as follows:

1. Vague provision of laws.
2. Expectation of illegal incentives by tax administrators.

3. Delay procedure.
4. Lengthy paper work.
5. Lack of cooperation of tax administrators.

In combined form the problems can be ranked as:

1. Vague provision of laws.
2. Lengthy paper work.
3. Delay procedure.
4. Expectation of illegal incentives by tax administrators.
5. Lack of cooperation of tax administrators.

The another problem facing by tax payer while paying tax opined by the respondents is double tax system; such as rent tax 2% to local body and 15% to government i.e. double taxation.

4.2.6 Attitude towards Provision of Fees, Fines and Penalties

Self-Governance Act, 2055 and Self-Governance Regulation, 2056 have the provision of fees, fine and penalties for the regulation of law. To find out the reasonability of these provisions, a question was asked “Are the provisions of fine and penalties under tax system are reasonable?” the responses are presented as below.

Table 4.22
Attitude towards Reasonability of Existing Provisions of Fees,
Fines and Penalties

Respondents	Yes		No		Total	
	No.	%	No	%	No	%
A	16	64	9	36	25	100
B	14	56	11	44	25	100
Total	30	60	20	40	50	100

Source: Option Survey

Above table shows that 60% of respondents expressed that provisions of fees and penalties are reasonable and 40% respondents have not taken the provision of fees and penalties as reasonable.

The respondents who were against provision of fine and penalties a question was asked, “How should be make reasonable”? The responses are as follows.

Table 4.23**Measures to Make the Provision of Fine and Penalties Reasonable**

Respondents	Measures	Yes		No		Total	
		No.	%	No.	%	No.	%
A	By Increasing	7	77.78	2	22.22	9	60
B	By Decreasing	4	36.36	7	63.64	11	40
Total		11	55	9	45	20	100

Source: Option Survey

It is clear from above table that 55% of respondents who do not agree the provision of fine and penalties as reasonable felt that it should be increase and 45% felt it should be decreased.

There was sub question what should be other measure to make the provision of fine and penalties reasonable, the response is to implementation of these provisions and should be the provision of discount and rebate system for early tax payee.

4.2.7 Efficiency of Tax Administration of KMC

To know the respondents' view regarding the efficiency of tax administration of KMC a question "What do you feel about the current tax administration of KMC?" was asked and the responses are tabulated in the following table 4.24

Table 4.24**Efficiency of Tax Administration of KMC**

Respondents	Efficient		Satisfactory		Inefficient	
	No.	%	No.	%	No.	%
A	0	0	20	80	5	20
B	0	0	11	44	14	56
Total	0	0	31	62	19	38

Source: Option Survey

From the above table 4.24, it has been cleared that tax administration of KMC is not effective. No one response as efficient, 62% of respondents have responded as satisfactory and rest 38% responds as inefficient.

Thus, it can be conclude that the tax administration KMC is efficient but in satisfactory level.

4.2.8 Most Important Factors for Effectiveness of Tax System of KMC

The respondents were asked to rank their choice form 1to 7 according to their preference to know the response regarding to important factors for effectiveness of tax system of KMC. A question “What are the important factors for effectiveness of Tax System of KMC?” was asked. Response are presented in the following table 4.25

Table 4.25
Most Important Factors for Effectiveness of Tax System of KMC

S N	Major Factors	Group A			Group B			Total		
		point	%	Rank	Point	%	Rank	Point	%	Rank
1	Responsible Tax Officer	53	7.58	6	163	24.90	1	216	15.95	2
2	Clear Cut Rules and Regulation	164	23.43	1	152	23.24	2	316	23.34	1
3	No Political Interference	82	11.71	5	121	18.50	3	203	14.99	4
4	Honest Tax Payer	157	22.43	2	50	7.65	6	207	15.29	3
5	Easy Tax System	127	18.14	3	72	11.01	4	199	14.70	5
6	Cooperation with Central Government	89	12.71	4	70	10.70	5	159	11.74	6
7	Use of Network System with other Business Control Body	28	4.00	7	26	3.98	7	54	3.99	7
Total		700	100		654	100		1354	100	

Source: Option Survey

The important factors for effectiveness of tax system of KMC according to the preference of tax administrator are as follows:

1. Clear cut rules and regulations.
2. Honest tax payer.
3. Easy tax system.
4. Cooperation with central government.
5. No political interference.
6. Responsible tax officer.
7. Use of network system with other business control body.

The important factors for effectiveness of tax system of KMC according to the preference of tax payer are as follows:

1. Responsible tax officer.
2. Clear cut rules and regulations.
3. No political interference.
4. Easy tax system.
5. Cooperation with central government.
6. Honest tax payer.
7. Use of network system with other business control body.

In combined form of important factors can be ranked as:

1. Clear cut rules and regulations.
2. Responsible tax officer.
3. Honest tax payer.
4. No political interference.
5. Easy tax system.
6. Cooperation with central government.
7. Use of network system with other business control body.

Other factors for effectiveness of tax system of KMC indicated by respondents are training for employees; tax rate should be fixed according paying ability of tax payer, effective utilization of fund and transparency of fund.

4.2.9 Specific Objective of Tax Collection of KMC

In order to know the specific objectives of tax collection of KMC, respondents were requested to rank their response. A question was asked “What should be the specific objective of tax collection of KMC?” Table 4.26 gives the breakdown of response.

Table 4.26
Opinion towards Objective of Tax Collection of KMC

S N	Major Factors	Group A			Group B			Total		
		Poin t	%	Ran k	Poin t	%	Ran k	Poin t	%	Ran k
1	To Enhance the Revenue of KMC	84	28.8 7	2	64	22.9 4	3	148	25.9 6	3
2	To Meet the Expenditure of KMC	51	17.5 3	4	41	14.7 0	4	92	16.1 4	4
3	To Achieve the Goal of Developme nt	94	32.3 0	1	78	27.9 6	2	172	30.1 8	1
4	To enhance social welfare	62	21.3 0	3	96	34.4 0	1	158	27.7 2	2
Total		291	100		279	100		570	100	

Source: Option Survey

The opinions towards objective of tax collection of KMC according to the preference of tax administrator are as follows.

1. To achieve the goal of development.
2. To enhance the revenue of KMC.
3. To enhance social welfare.
4. To meet the expenditure of KMC.

The opinions towards objective of tax collection of KMC according to the preference of tax administrator are as follows.

1. To enhance social welfare.
2. To achieve the goal of development.
3. To enhance the revenue of KMC.
4. To meet the expenditure of KMC.

In combined form the opinions towards objective of tax collection of KMC can be ranked as.

1. To achieve the goal of development.
2. To enhance social welfare.
3. To enhance the revenue of KMC.
4. To meet the expenditure of KMC.

From the above analysis, it can be concluded that the main objective of tax collection should be development. It means the tax revenue should be utilized in development work which affect positively in tax collection. Other possible objectives have been asked to respondent but no one stated other objective to collect tax.

4.2.10 Sufficiency of Provisions for Collecting Tax under Self Government Act, 2055

To find out the sufficiency of provisions for collecting tax under Self Government Act 2055, a question was asked, “In your opinion, are the provisions of collecting tax under ‘Self Government Act, 2055’ sufficient?” the response of the respondents have been presented on following table.

Table 4.27

Sufficiency of Provisions for Collecting Tax under Self-Governance Act, 2055

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	9	36	16	64	25	100
B	10	40	15	60	25	100
Total	30	38	31	62	50	100

Source: Option Survey

From the above table it has been cleared that only 38% of the respondents have responded positively to the question and 62% of the respondents are against the above question. Hence, it can be concluded that provision made under Self government Act 2055 are not so sufficient to facilitate or to make effective and efficient tax collection system.

In order to find out in which area the improvement is needed, a question was asked “In which aspect the improvement are needed?” the response of respondents are listed as below.

1. There should be wider participation of local representatives form local institutions to make law which are directly related to their activities. Now central government makes laws and interferes in making rules.
2. There should be fully decentralization of authority and responsibility.
3. The provision of ‘Local Self-Governance Act, 2055’ and other laws are not matching with the objectives of laws.
4. Fine and penalty rate is very low and long tax recovery procedure.

4.2.11. Sufficiency of Contribution of Tax to Total Revenue.

To find out the sufficiency of contribution of tax to total revenue of KMC, a question has been asked, “Do you think that the contribution of tax to total revenue of KMC is sufficient?” the responses of respondent have been presented on following table 4.28.

Table 4.28

Sufficiency of Contribution of Tax to Total Revenue of KMC

Respondents	Yes		No		Total	
	No.	%	No.	%	No.	%
A	0	0	25	100	25	100
B	2	8	23	92	25	100

Total	2	4	48	96	50	100
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Source: Option Survey

The above table shows that 96% of the respondents expressed that contribution of tax to total revenue of KMC is not sufficient, only 4% of the respondents have responded positively about the sufficiency of the contribution of tax. It means the tax revenue has to be increased.

The respondent who think the contribution of tax is not sufficient, another question was asked, "How KMC could increase tax revenue?" the respondent were requested to rank the measures.

The responses are presented in the table below:

Table 4.29
Measures to Increases the Tax Revenue

SN	Measures	Group A			Group B			Total		
		Point	%	Rank	Point	%	Rank	Point	%	Rank
1	By Increasing Tax Rate	84	28.87	2	41	14.70	4	125	21.93	4
2	By Identifying new Tax Area	94	32.30	1	96	34.40	1	190	33.33	1
3	By Regular Evaluation & Monitoring	51	17.53	4	78	27.40	2	129	22.63	2
4	By Awareness Programs	62	21.30	3	64	22.94	3	126	22.11	3
Total		291	100		279	100		570	100	

Source: Option Survey

The option to increase the tax revenue of KMC according to the preference of tax administrator is as follows.

1. By identifying new tax area

2. By increasing tax rate
3. By awareness programs
4. By regular evaluation & monitoring

The option to increase the tax revenue of KMC according to the preference of tax payer is as follows.

1. By identifying new tax area
2. By regular evaluation & monitoring
3. By awareness programs
4. By increasing tax rate

The combined option to increase the tax revenue of KMC according to the preference of tax administrator and tax payer was as follows

1. By identifying new tax area
2. By regular evaluation & monitoring
3. By awareness programs
4. By increasing tax rate.

Thus it concludes that main measured to increase tax revenue is identification of new tax area and regular evaluation & monitoring and other sources there after.

The other sources stated by respondent are by giving more right to local body to collect tax, by giving some tax area to local body to collect tax which is collecting by central government.

4.2.12. New Area to Charge Tax by KMC

To fine the unsought tax area a question was asked, “Do you have any suggestion about the area not included in tax net?” The suggestions provided by the respondent are as follows.

1. House Rent Tax
2. Vacant Land Tax
3. Environment Tax

There are not many suggestions for new tax area most of the respondent has suggested implementing the provision made under current laws, rules and regulations, and to amended tax rate according to inflation rate. To implement exiting laws and rules, there is need of committed personnel to local body.

4.2.13. Suggestions for Achieving Effectiveness in Tax System of KMC

To know the other important factors for effectiveness of tax system, a question was asked,” Do you have any suggestion for achieving effectiveness of tax systems of KMC?”

The responses are as follows.

1. Development of check and balance system
2. Changing tax administration
3. Use of information technology
4. Integrated tax collection from one door
5. Card system
6. Proper utilization of fund and transparency about the utilization of fund
7. There must be reward for tax payer and punishment for tax avoider
8. Coordination between central & ward administration of KMC and KMC & central government

4.3 Major Findings of the Study

4.3.1 Finding form the Study of Secondary Data

On the basis of data presentation and analysis of secondary data collected from revenue department and budget department of KMC some important findings of the study are summarized below.

1. The study shows that the contribution of tax revenue to total revenue is 23.07% and that of non tax is 76.76% in FY 2064/65. It shows non-tax revenue has been a major source of actual revenue of KMC. Hence tax revenue is in increasing trend. It is Rs. 100,095 thousand in FY 2059/60 which is increasing up to Rs. 196,382 thousands in FY 2064/65.
2. The highest source of revenue of KMC is Local Development Fee which is constant in amount Rs 237,576 thousands form FY 2060\061 to FY 2064\065. Its contribution to total revenue is 27.92% in FY 2064\065. Than after Grant is another second largest source of revenue which contribution is 24.70% in FY 2064\065. Likewise, House& Land\ Malpot Tax and House Map\Building Permit Fees are in third and forth position respectively in FY 2064\065.
3. Collection performance of tax revenue of KMC is not at satisfactory level which is 89% in FY 2064\065. That is only 37.18% in FY 2062\063 and also highest is 89% in FY 2064\65. There is lack of proper database for preparing budget and effort to achieve the target of budget.
4. The coverage of total expenditure of KMC by tax revenue is not at satisfactory level which was only 26.77% in FY 2059\060 and it is 24.59% in FY 2064\065.
5. The coverage of operating expenditure of KMC by tax revenue is at satisfactory level which is only 36.76% in FY 2059\060 and it is 152.75% in FY 2064\065. The efficiency is increasing in operating expenses.
6. The coverage of capital expenditure of KMC by tax revenue is not at satisfactory level. After meeting operating expenditure there is no evidence to meet capital expenditure by tax revenue. But there is a hope in FY

- 2064\065 where remaining tax revenue after meeting operating expenditure is Rs 67,814 thousand for capital expenditure.
7. The individual contribution of House & Land\ Malpot Tax to total revenue was 13.34% in FY 2059\060 and the contribution has been reached to 17.58% in FY 2064\065. It shows that House & Land\ Malpot Tax is in increasing trend.
 8. The contribution of Vehicles Tax to total revenue is 1.22% in FY 2059\060 and has been decreased to 0.73% in FY 2064\065. It is almost constants in amount during the study period. Even its contribution to total revenue is very low but it has chance to increase tax amount if KMC collaborate with LCMC and BMC.
 9. House Rent Tax contribution is not good; it is only 0.85% in FY 2064\065. But there is great possibility to increase House Rent Tax, if KMC is able to collect information and data of house rent income of the people of KMC.
 10. The contribution of Property Tax to total revenue has not any evidence because it had been stopped form FY 062\063.
 11. The total amount and contribution of Entertainment Tax to total revenue both are in fluctuating trend which may create problems in planning about Entertainment Tax. But there is a wider area to increase the Entertainment Tax of KMC; if it collects data about the new Entertainment Tax payer through field visit.
 12. The contribution of Advertisement Tax to total revenue is only 0.85% in FY 2059\060 and has been increased to 1.42% in FY 2064\065. The FY 2064\065 is the year to hope.
 13. The contribution of Business Tax to total revenue is 3.36% in FY 2059\060 but it is only 2.40% in FY 2064\065 and it is increasing in amount. In FY 2064\065 there is hopeful increment in amount.

14. KMC is moving towards the improvement of operation by reducing operating cost and increasing internal source of revenue. There is good improvement in FY 2064\065.

4.3.2. Findings from the Study of the Primary Data

An option survey has been conducted in order to find out the role of tax in local body and other aspects of tax. From the option survey with tax administrators and tax payers, the following findings have been drowning.

1. Tax is suitable sources to raise revenue.
2. A public awareness program is necessary to increase tax consciousness and raising the revenue.
3. Inappropriate tax rate, lack of education to tax payer, inefficient tax administration, complicated tax act, rule and regulation etc are the major problem in tax collection system.
4. Defective tax laws, poor enforcement of fine and penalties, defective tax administration, inappropriate tax rate are responsible factor for tax evasion.
5. Vague provisions of laws, lengthy paper work, delay producer, expectation of illegal incentive by tax administrator are the problem facing by tax payer while paying tax.
6. The fine and penalty under Local Self-Governance Act, 2055 are not reasonable and it should be increase in rate and there should be discount and rebate system for early tax payers.
7. Tax administration of KMC is not efficient
8. Effective utilization of fund and transparency of fund, clear cut rule and regulation, .responsible tax officer, honest tax payer are the factor to enhance the effectiveness of tax system of KMC.
9. Development or social welfare should be the objective of tax collection of local body.

10. Increment of representative of the local body to make law which is directly related to their activities, proper decentralization of authority and responsibility, matching of Local Self-Governance Act, 2055 with the provision of other laws are the legal aspects which are needed for smooth operation of the local body.
11. Contribution of tax to total revenue is not satisfactory though there is a place to enhance the area to charge tax. Identification of new tax area, regular evaluation and monitoring are necessary to increase the contribution of tax.
12. House Rent Tax, Vacant Land Tax and Environment Taxes may be new area to charge tax to local body.
13. To achieve effectiveness in taxation system of KMC\ Local Body, The following suggestions have been recommended, (i) development of check and balance system, (ii) change in administration, (iii) use of information technology, (iv) card system, (v) proper utilization of fund, (vi) transparency about the utilization of fund and (vii) highly motivated employee etc.

CHAPTER- V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Nepal is the poorest country in the world. It is very poor not only in economy but also in planning, strategy, and vision. She has been facing a great problem in political stability after the restoration of democracy in 1990. A 104- years Rana regime spent most of the time in suppressing people, sycophancy, corruption, embezzlement of national budget and quarrelling to each other. Similarly royal

family and its associates repeated the same culture during thirty-year's period as Rana Regime had adopted. No development process started for the betterment of the people. A handful-corrupted-persons secured their life but majority of people held the same position.

After restoration of the democracy in 1990, different political parties made different experiments of their ideology on the cost of majority people of the country. Still we are not breathing with comfort and joy. Political parties are busy in pulling the legs of others. Frequent change in planning, strategies, laws and regulation is not good practice which is practicing by our representatives as per their vested interest. One government develops a system another changes according to its interest. They are governed by their parties' interest rather than general peoples' interest.

Nowadays the Nepal Government is heading towards the federal republic country. Economic freedom is the most important condition to get success for this purpose. Especially local government should be independent economically, technically and politically. In this connection the internal source of revenue is more reliable source for the successful operation of any government body.

For this purpose the government has to formulate effective and result oriented rules and regulation to collect tax. Not only effective rules and regulation are important to collect revenue but also effective implementation of rules and regulations is equally important.

Now, the local bodies are collecting revenue and charging tax on the basis of 'Local Self-Governance Act, 2055'. This act was enacted in 2055 BS and local body were started to collect such tax revenue form FY 2057\058 on the basis of that act.

Taxes are generally mobilized for the benefit of public in the local community. Basically there are seven types of tax given to VDC's and municipalities: (i) House& Land\ Malpot Tax, (ii) Vehicles Tax, (iii) House Rent Tax, (iv) Unified Property Tax, (v) Entertainment Tax, (vi) Advertisement Tax, and (vii) Business Tax. House& Land\ Malpot Tax is based on market value. Vehicles Tax is charged on flat base. Unified Property Tax has been stopped by Nepal Government form FY 2062\063. Entertainment Tax and House Rent Tax are based on value. Advertisement Tax and Business Tax are on flat basis.

The study has focused on the role of tax revenue, structure, contribution and composition of revenue of KMC.

The highest source of revenue of KMC is Local Development Fee whose contribution is 27.92% in FY 2064\065. The tax collection trend is slowly growing. The FY 2064\065 is the year of hope. There is good increment in all tax sources. The collection performance of tax is 89% in FY 2064\065. The tax revenue of KMC can cover the operating cost. If it maintain this operating system in coming year as in FY 2064\065, it may fulfill the development need of people also by internal source i.e. tax.

Tax Revenue of KMC may be sustainable source of revenue, if it lunches tax awareness program to general public. Recently there is no need of improvement in tax law; the fines and penalty rate must be increased, but need of good implementation of laws. Efficient tax collection system, free from corruption, avoidance of tax evasion, strong fine and penalty system, transparency in fund utilization are the pre requisites of effective tax collection system.

5.2 Conclusion

Nepal is one of the lowest taxed economies in the world. It has been suffering from various social and economic problems. The government of Nepal is not being able to collect necessary revenue to overcome such problems. Due to the poor performance on internal resource mobilization, the government of Nepal has still been dependent on foreign Grants and loans. The dependency is increasing which is not desirable for the economy. Thus some remedial actions should be made in due time by the country to run in the path of economic development.

Likewise the development activities of local body are mostly depending upon external sources i.e. Local Development Fee provided by central government, External Grants and Loans. The contribution of internal sources of revenue i.e. taxation is not regarded as satisfactory as compare to other sources of revenue. The contribution of tax to total revenue structure is negligible due to various reasons as mention below;

- Most of the people are not aware about tax payment, if they are informed effectively about the tax that can ensure the increase on tax volume as well as timely payment of tax.
- Tax payers do not expect direct benefit from the tax payment but they expect the welfare and development i.e. proper utilization of fund. They also expect co-operative tax administration while paying tax. There is lack of honesty and morality of tax administration.

So the public hunt the loopholes of laws for not paying tax they do not want pay tax up to when they reach to compilation moment. So there must be such situation in which tax payer may feel proud while paying tax. For effective tax collection the concerned authorities should create and maintain conducive environments that compel people to pay tax.

The revenue administration is weak because of lack of efficient and effective tax policy with a clear direction and consistency in a long run prospective, lack of timely and reliable information and records, lack of trained staff and heavy dependency of non technician staff, lack of proper accounting and auditing system, lack of coordination between two or more local bodies.

Nowadays, some of tax administrators are taking initiation to increases the tax revenue but absolute administrative system, political presser, culture of corruption are the hindrance on implementing the improved tax policies.

Manpower development planning with the administration is desirable for the efficiency to tax personnel side by side. Tax education package has to be made and initiated. Hence tax administration and tax compliance could be improved.

Due to various problems related to tax, revenue collection form tax is relatively low in KMC. For enhancing the social welfare of the people, the problems related to tax system should be solved and revenue should be efficiently utilized.

5.3. Recommendations

Tax has been accepted as a vital source of revenue of KMC. The growing need of resources for the development of society can be met through effective large volume of tax. Though there are number of problems, the contribution of tax is likely to be significant in future. In the light of finding of the present study, the following key suggestions have been recommended for the sound and effective tax system.

1. KMC should mobilize its revenue properly for the welfare of the people.
2. Different tax rates, discount rate, prize and other motivating factor should be advertised in news paper, on TV, on radio etc to attract and motivate to taxpayer of KMC.

3. Appeal and penalty rate of tax should be increased and must be used in practice but not only in legal provision.
4. Tax collector also should be well informed and self motivated.
5. In the absence of proper record keeping system of tax related information, KMC can not determine about the status of revenue. So the necessary attention should be given on proper accounting system and proper use of information technology.
6. There should be coordination among KMC, LSMC and BM to increase vehicle tax.
7. Local people or tax payers are not satisfied with the administration of KMC. So they should provide prompt service with less paper work.
8. Employees of KMC should be well trained and well motivated.
9. There should be good coordination between Government and local body and other organized body such as Chamber of Commerce.
10. Field visit should be done to collect actual information.
11. It should be mandatory for the taxpayer to obtain tax certificate form the municipalities before seeking service and facilities form government.
12. There is a need to develop other taxes to supplement Local Development Fee.
13. Every local body has to make details of tax producer and communicate to the people.
14. House rent should levy form either government body or local body; which may reduce administrative cost.

15. Local body should make every effort to implement commercial video tax and House Rent Tax.

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APPENDIX-1

Dear Sir/Madam

I would like to introduce myself as a student of Shankar Dev Campus, Master of Business Studies (MBS) final year. I am going to prepare a dissertation entitled *“Contribution of Local Tax to Total Revenue of Kathmandu Metropolitan City (KMC) to fulfill the partial requirement of MBS of Tribhuvan University (TU) Nepal.*

This questionnaire has been developed and presented to you in order to spare some of your valuable time for your precious suggestions and opinions concerning with tax system of KMC which will be very useful and guide me for completing my research work.

I assure to keep every detail that you provide will be confidential.

I am looking forward for your cooperation and supports as soon as possible.

Thank for your cooperation,

Yours truly,
Sangita Devi Sharma

QUESTIONNAIRE

Name:.....

Designation:.....

Office/organ:.....

Plases tick (√) the answer of your choice or wherever appropriate put in order of preference from one to last number where 1 is the most important and last will be least one.

1. Do you consider that the tax is a suitable means of raising revenue of local body?

a. Yes []

b. No []

2. Do you think tax awareness program is necessary for rising tax revenue of KMC

a. Yes []

b. No []

3. Are you satisfied with the tax collection system of KMC?

a. Yes []

b. No []

If not, what are the major problems in tax collection system? (Please rand according to priority)

a. inefficient tax administrative []

b. complicated acts, rules and regulations []

c. inappropriate tax rate []

d. lack of education to tax payers []

- e. lack of training and incentives to employees []
- f. illegal activities []
- g. practice of tax evasion []
- h. other (please specify)

.....

4. 'Wide spread evasion is a major constraint for tax collection' do you agree with this statement?

- a. yes []
- b. no []

If yes, what are the problems? Please rank according to priority.

- a. Inappropriate tax rate []
- b. Limited number of tax payer []
- c. Poor enforcement of fine and penalties []
- d. Defective tax laws []
- e. Lack of voluntary compliance by tax payer []
- f. Corruption of tax authority
- g. Others (please specify)

.....

5. In your opinion what types of the problem are facing by tax payer while paying tax? Please rank.

- a. delay procedure []
- b. vague provisions of laws []
- c. lack of cooperation by the tax administrator []
- d. lengthy paper work []
- e. expectation of illegal incentives by tax personnel []
- f. others (please specify)

.....

6. Are the provision of fine and penalties under tax system reasonable?

- a. yes []
- b. no []

If not, how should it be made reasonable?

- a. by increasing []
- b. by lowering []
- c. others (please specify)

.....
.....

7. What do you feel about the current tax administration of KMC?

- a. Efficient []
- b. Satisfactory []
- c. Inefficient []

8. What are the important factors for effectiveness of tax system of KMC?

(Please rank)

- a. Responsible tax officer []
- b. Clear cut rules and regulations []
- c. No political interfere []
- d. Honest tax payer []
- e. Uncomplicated tax system []
- f. Cooperation with central government []
- g. Use of network system with other business control body []
- h. Others (please specify)

.....
.....

9. What should be the specific objective of tax collection of KMC? (Please rank)

- a. to enhance the revenue of KMC. []
- b. to meet the expenditure of KMC []
- c. to achieve the goal of development []
- d. to enhance social welfare []
- e. others (please specify)

10. In your opinion, are the provisions of collecting tax made under “*Self governance Act, 2055*” sufficient?

- a. yes []
- b. no []

If no, in which aspect the improvements are needed please specify

.....
.....

11. Do you think that the contribution of tax to total revenue of KMC is sufficient?

- a. Yes []
- b. No []

If no, how KMC could increase tax revenue? (Please rank according to priority)

- a. By increasing tax rate []
- b. By identifying new tax area []
- c. By regular evaluation and monitoring []
- d. By awareness programs []

e. Others (please specify)

.....
.....

12. Do you have any suggestions about the area not included tax net for local body? Please specify.

.....
.....

13. Do you have any suggestions for achieving effectiveness in tax collection system of KMC?

.....
.....
.....

Thank you for your cooperation

Appendex-2

List of Respondents

S/No.	Name	Designation	Address
A.	Tax Administrators		
1.	Rajya Prasad Pradhannga	Revenue Dept. Devisional Chief	KMC Head Office
2.	Nava Raj Dhakal	Revenue Dept., Section Chief	KMC Head Office
3.	Nava Raj Thapa	Revenue Dept. Section Officer	KMC Head Office
4.	Shyam Prasad Panday	Assistant	KMC Head Office
5.	Bimal Gyalwali	Sub Accountant	KMC Head Office
6.	Lala Ram Tripathi	Account Officer	KMC Head Office
7.	Basu Dev Aryal	Sectaries	Ward No. 31
8.	Prakash Pokhrel	Assistant	Ward No. 32
9.	Madan Khanal	Assistant	Ward No. 33

10.	Satya Dev pandit	Sectaries	Ward No. 30
11.	Laxmi Poudel	Computer Operator	KMC Head Office
12.	Hari Gopal Maharjan	Assistant	KMC Head Office
13.	Dhurba Kumar Bhujel	Assistant	KMC Head Office
14.	Netra Prasad Ghimire	Assistant	Than Kot
15.	Ramesh Karki	Assistant	Than Kot
16.	Narayan Bikram Karki	Assistant	Ekanta Kuna
17.	Ganga Panta	Assistant	Ekanta Kuna
18.	Shiva Raj Soti	Assistant	KMC Head Office
19.	Rameshwor Thapa	Assistant	KMC Head Office
20.	Shesa Konta Adakari	Assistant	KMC Head Office
21.	Padam Bhadhur Thapa	Assistant	KMC Head Office
22.	Krishna Joshi	Assistant	KMC Head Office
23.	Gopal Lamsal	Assistant	KMC Head Office
24.	Prakash Nepal	Assistant	KMC Head Office
25.	Rajesh Khadka	Assistant	KMC Head Office
B.	Tax Payer		
26.	Shurba Adhikari	Business	Maitidevi
27.	Raju Acharya	House & Land	Ghattekual
28.	Rajendra Sharma	House & Land	Ghattekual
29.	Gita pradhan	House & Land	Anamnagar
30.	Sandeep Pokhrel	House & Land	New Baneshwor
31.	Babu Ram Bhatta	House & Land	Gyaneshwor
32.	Shankar Bhattari	House & Land	Gangabu
33.	Ram Kumar Sharma	House & Land	New Road

34.	Bhanu Khadka	House & Land	New Road
35.	Radhe Shyam Pradhan	House & Land	New Road
36.	Suman Oli	House & Land	Kamal pokhari
37.	Saru Maharjan	House & Land	Kamal pokhari
38.	Deepesh Misra	House & Land	Satdobato
39.	Ritesh Shakya	House & Land	Bagdol
40.	Shrijana Giree	House & Land	Manamaiju
41.	Sharmila Shreewastab	House & Land	Lagankhel
42.	Anisa Gautam	House & Land	Balaju
43.	Suraj Khadka	House & Land	Kalanki
44.	Anup Shing	House & Land	Kalanki
45.	Iswar Giree	House & Land	Ghothatar
46.	Prasanta Mul	Business	Bhaktapur
47.	Ajay Adhikari	Business	Kupadole
48.	Sanjay Adhikari	Business	Lalitpur
49.	Rameshwor Shrestha	Business	Gyaneswor
50.	Upendra Mahato	Business	Chabel
48.	Rajan Nepali	Business	Gausala
49.	Silpa Tamrakar	Business	Sanogaucharan
50.	Deepesh Pant	Business	Maitighar

