

**A STUDY ON THE EFFECTIVENESS OF
IMPLEMENTATION ASPECT OF TAX PLANNING IN
NEPAL**

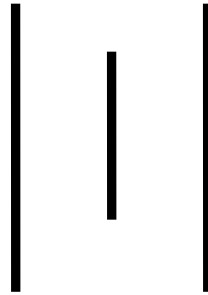
By:

Niranjana Lama

Shanker Dev Campus

T.U Registration Number: 7-2-278-990-2002

Campus Roll Number: 411/62



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

Kathmandu, Nepal

August, 2009

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

NIRANJAN LAMA

Entitled:

**A STUDY ON THE EFFECTIVENESS OF
IMPLEMENTATION ASPECT OF TAX PLANNING IN
NEPAL**

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

.....

Pro. Dr. Kamal Deep Dhakal
(Thesis Supervisor)

.....

Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

ACKNOWLEDGEMENT

This thesis entitled “**A STUDY ON THE EFFECTIVENESS OF IMPLEMENTATION ASPECT OF TAX PLANNING IN NEPAL**” is a Master Degree thesis prepared as partial fulfillment of MBS course under Tribhuvan University of Nepal. It aims to analyse the Effectiveness of Implementation Aspect of Tax Planning in Nepal.

I have felt a great pleasure to express my heartiest and sincere thanks to my honorable thesis supervisor prof. Dr. Kamal Deep Dhakal, who has guided me through out this research and I shall ever remain indebted to him for his scholarly constructive directions, useful suggestions and incentive challengeable comments during the course of preparing this thesis. Without his kindly help and valuable guidance, this thesis wouldn't have come in this form.

I express sincere thanks to all staff members of Shanker Dev Campus and Central Library who helped me directly and indirectly especially while conducting review of literature.

I would like to express my heartfelt gratitude to my respected parents who spent their valuable time effort to make a great sacrifice for my higher education. Despite of them I am owed to them who gave me a regular inspiration and continuous contribution for secret success.

At last, regardless of the source, I wish to express my gratitude to those who may have contributed to this work, even through anonymously.

Niranjan Lama

ABBREVIATIONS

Com.	=	Company
Comm.	=	Commercial
Insur.	=	Insurance
Mfg.	=	Manufacture
no.	=	Number
Trd.	=	Trading

TABLE OF CONTENTS

Acknowledgement

Table of Contents

List of Tables

Abbreviations

CHAPTER – I: INTRODUCTION		PAGE NO.
1.1	General Background of the Study	1
1.2	Statement of the Problem	4
1.3	Objectives of the Study	4
1.4	Significance of the Study	5
1.5	Research Methodology	6
1.6	Limitation of the Study	7
1.7	Organization of the Study	7
CHAPTER – II: REVIEW OF LITERATURE		
2.1	Conceptual Framework	9
2.1.1	Tax Evasion	9
2.1.2	Tax Avoidance	12
2.1.3	Tax Delinquency	12
2.1.4	Tax Planning	15
2.1.5	Features of Tax Planning	15
2.1.6	Methods of Tax Planning	15
2.1.7	Importance of Tax Planning	15
2.1.8	Tax Management	16
2.1.9	Scope of Tax Planning Under Income Tax Act. 2058	17
2.1.10	Tax Planning for various Types of Payment and Activities	23
2.1.11	Tax Reform in Developing Countries	29
2.1.12	Process of Tax Reform	30

2.2	Review of Literature	
2.2.1	Review of Books	30
2.2.2	Review of Articles	32
2.2.3	Review of Thesis	36
2.3	Research Gap	41
CHAPTER – III:	RESEARCH METHODOLOGY	
3.1	Introduction	42
3.2	Research Design	42
3.3	Nature and Source of Data	42
3.4	Population and Sample	43
3.5	Procedures of Data Collection	44
3.6	Procedures of Data Presentation and Analysis	44
3.7	Statistical Tools used	44
CHAPTER – IV:	DATA PRESENTATION AND ANALYSIS	
4.1	Introduction	46
4.2	Implementation Scenario of Tax Planning	46
4.3	Sample Analysis of Measurement	46
4.3.1	Information about the company	47
4.3.2	Information about the Respondent	47
4.3.3	Familiar with Tax Planning	47
4.3.4	Reason for not Familiarities	48
4.3.5	Application of Tax Planning	50
4.3.6	Implementation of Tax Planning	51
4.3.7	Difficulties to Implementation of Tax Planning	52
4.3.8	Reason for not properly Implementation of Tax Planning	53
4.3.9	Method Applying for Reducing Tax Liability	55
4.3.10	Difficulties to Tax incentives has helped to Tax planning in Industrial sector	58
4.3.11	Suitability of Tax Planning to minimize Tax Liability	59

4.3.12	Misuse of Tax Planning	60
4.3.13	Methods used by Tax Payers	61
4.3.14	The period of 10 years Rebate	62
4.3.15	The Tax Exemption Rebates, Deduction and Concession	64
4.3.16	Following are the important area of Strategic Planning	65
4.3.17	Following are the important areas of Project Planning	67
4.3.18	Following are the important of Operational Planning	71
4.3.19	Tax Planning Factors which are Consider by the Companies	74
4.3.20	Complication in Tax Planning in the Company	76
4.3.21	Practice of Tax Evasion and Avoidance in Nepal	77
4.3.22	Avoidance of Tax Evasion and Tax Avoidance Behavior of Nepalese Tax Payers	78
4.3.23	The Cause of Income Tax Evasion and Income Tax Avoidance in Nepal	81
4.3.24	Tax Deduct at Source	86
4.4	Major Findings	86
4.4.1	General Findings	87
4.4.2	Findings from the Primary Data	87

CHAPTER – V: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1	Summary	90
5.2	Conclusion	92
5.3	Recommendations	95

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
2.1	Different tax rate in different types of Business	17
2.2	Exemption for Remote Area	19
2.3	Tax Rebates for Special Industry (Sole+Entity)	27
2.4	Depreciation Rate Under Income Tax Act, 2058	28
3.1	List of Sample Companies	43
4.1	Familiarities with Tax Planning	47
4.2	Reasons for not Familiarity with Tax Planning	49
4.3	Application of Tax Planning	50
4.4	Implementation of Tax Planning	51
4.5	Difficulties to Implementation of Tax Planning	53
4.6	Reason for not properly Implementation of Tax Planning	54
4.7	Methods of Reducing Tax Liability	55
4.8	Extent of Tax Incentives help to Tax Planning	58
4.9	Suitability of Tax Planning for Minimize Tax Liability	59
4.10	Misuse of Tax Planning as Tax Evasion and Tax Avoidance	60
4.11	The Tools of Assessment for Submitting the Tax Liability	61
4.12	The Period of 10 years Tax Rebate is Sufficient or not Tax consideration while deciding Location of Business	63
4.13	Tax Exemption, Rebate, Deduction and Concession granted to the Company under the existing Tax Law is Sufficient or not	64
4.14	Tax Consideration while deciding Location of Business	65
4.15	Tax Consideration at the time of Selecting Nature of Business	66
4.16	Tax Consideration at the time of Merge and Amalgamation of Companies	67
4.17	Tax Consideration at the time of Acquisition of Fixed Assets	68
4.18	Tax Consideration at the time of Expansion and Diversification of Business	68
4.19	Tax Consideration at the time of Making and Buying Decision	69

4.20	Tax Consideration at the time of Disposal of Fixed Assets	70
4.21	Tax Consideration at the time of Modernization, Replacement, Repairs and Renewal of existing Assets	71
4.22	Tax Consideration at the time of choice of Method of Accounting	71
4.23	Tax Consideration at the time of Production Decision	72
4.24	Tax Consideration at the time of Personal Remuneration	73
4.25	Tax Consideration at the time of Avoidance of Penal., Fine and Prosecution	74
4.26	Tax Planning factors which are consider by the Companies	74
4.27	Complication in Tax Planning in the Companies	76
4.28	Respondents view regarding practice of Tax Evasion and Avoidance in Nepal	77
4.29	Respondents relating to Avoidance of Tax Evasion and Avoidance behaviour of Nepalese Tax Payers	78
4.30	Respondents relating to cause of Income Tax Evasion and Avoidance of Public and Private organization respondents in Nepal and overall ranking of each	82
4.31	Tax Deduction at Source	86

CHAPTER – I

INTRODUCTION

1.1 General Background of the Study

Legal activities to reduce tax liability-good intention- moral. Tax planning involves conceiving of and implementing various strategies in order to minimize the amount of taxes paid for a given period. Tax planning is method of reducing tax liability. It is legal ethical and economical. Tax planning is made from the combination of two works: tax and planning. Tax is a compulsory contribution made by tax payer to the government under the existing laws. Planning is the process which determines courses of actions and it guides for future decision making. Therefore tax planning is a decision making to reducing tax liability using the tax exemption and facility.

Generally tax planning is the art and science of planning the company's operations in such a way as to attract the minimum liability to tax with the help of various concessions, allowance and relief provided for in the tax laws. It is the genuine use of facilities provided in the law (Chander, Subhash and Om Prakash, 1984:53-63).

Tax planning is defied as a plan where by the tax payers makes use of all the concession or facilities available to him under tax laws and pays the minimum possible tax. It is an art and science of planning the companies operations in such a way as to attract the minimum liability to tax with help of various concessions, allowances and relief's provided for in the tax law. Tax planning is one of the most important functions of management. It is the new and innovative concept and it requires technical and critical mind to plan tax so that tax burden can be minimized by using all the weapons given by the laws. Tax planning is a very important for every business organization, because it helps to reduce tax liability in legally and ethically.

Every business organization has to make decision while conducting its business activities. That means every business organization use to plan as regards to its future activities. Such future activities may be of short-term, medium term or long-term and operational or strategic. If tax factor is considered while planning the business activities of an organization, it is tax planning (Lal, B.B., 1996:161).

For the purpose of enhancing the investment environment in a country the government provides different types of facilities to the business organizations. Such facilities include reduction in tax rate, providing tax holiday, investment allowance, depreciation facility etc. Tax planning means the use of all these facilities given by the government to reduce the tax liability. It is not only the planning of infrastructure of the business and industries but also the planning of various projects from the time to time and its day to day activities. So, as acquire the maximum facility as per the existing law of the country. In short defined as the exploitation of tax concession in accordance with parliament's intention. The basic purpose of corporate tax planning is to reduce or postpone the overall tax burden in the present and foreseeable future. Corporate tax planning is necessary for the survival and growth of company. Denning regards corporate tax planning as "A formal and systematic managerial process organized by responsibility, time and information to ensure that operational planning, project planning and strategic planning are carried out regularly to enable top management are direct and control the future of an enterprise". There are three broad areas of corporate planning to be practice or application in Nepalese organization. They are strategic of these planning areas is as follows:

Strategic Planning

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) and PEST analysis (Political, Economic, Social, and Technological analysis) or STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors) and EPISTEL (Environment, Political, Informatics, Social, Technological, Economic and Legal).

It is the process of formulating Long-run objective and deciding on the resources for achieving them. Strategic planning related to the strategic decisions such as Choice of business, location of the company, diversification of business, corporate restructuring etc. Special tax benefits available under the Income Tax Act and Industrial enterprise Act for the business falling under 'priority industries' or for establishing a company in industrially backward areas, or amalgamating a good unit into a bad unit cannot and should not be overlooked.

Project Planning

Project planning is part of project management, which relates to the use of schedules such as Gantt charts to plan and subsequently report progress within the project environment. It is the performance appraisal and working out of details of an action outside the scope of existing operation such an action is capable of an independent analysis and control. For example new investment in plant and machinery for making involving new investment in fixed assets tax concession, allowances such as investment allowances, depreciation allowance, rehabilitation allowance, tax holiday etc. must be considered.

Operational Planning

An operational planning is a subset of strategic work plan. It describes short-term ways of achieving milestones and explains how, or what portion of, a strategic plan will be put into operation during a given operational period, in the case of commercial application, a fiscal year or another given budgetary term. An operational plan is the basis for, and justification of an annual operating budget request. Therefore, a five-year strategic plan would need five operational plans funded by five operating budgets.

Operational plans should establish the activities and budgets for each part of the organization for the next 1 – 3 years. They link the strategic plan with the activities the organization will deliver and the resources required to deliver them.

It is the future planning of existing operations. A company act a given point of time conducts several operations which result in generation of better operation or new projects. Operating planning includes such king of expenditure to be incurred on effecting repairs and renewals of plants and machinery, product promotion short-term borrowings, personnel remuneration etc (Bhattarai, I and Koirala, G.P., 2007:19.4).

The operational planning, project planning and strategic planning are carried out regularly to enable top management to direct and control the future of business organization.

1.2 Statement of Problem

The main problem is about a study on the implementation of tax planning in Nepal is due to over influence of tax evasion and tax avoidance, must of the organization has ignored tax planning. Must of the organization are search different loopholes for the reduction of their tax burden. Another problem in Nepal is not positive towards the tax planning though; it is not illegal and immoral activity. Tax evasion is also a serious problem in developing countries like Nepal. Most of the business organization uses these activities to minimize the tax liability.

Therefore the main problem is the implementation aspect of tax planning in Nepal though the government has given facilities of emotions for the tax payers. In addition, there is not proper evaluation of taxable incomes whether by government or by the tax payers. We can find some specific problems are faced to implement of tax planning those are as given under:

- Lack of proper implementation of tax policies.
- Lack of trained manpower for the application of tax planning.
- Lack of public awareness.
- Relation between study and application of tax planning in Nepal.
- System of tax planning follows by the organization.

1.3 Objective of the study

The basic objectives of this study are to examine the effectiveness of implementation aspect of tax planning in Nepal. The study also encompasses the problem faced by business sectors and government of Nepal after the application of tax planning system in Nepal.

Tax planning is a discipline and an attitude towards solving the corporate problems in a methodical way form a long –run point of view. Tax planning reduces tax liability within the legal framework. The evasion and avoidance would be discouraged by tax planning. Mobilization of maximum resource through tax can be done either by increasing present income tax rate on removing tax evasion. Removing tax evasion, fraud and negligence the revenue of the country can be mobilized thoroughly and successfully.

Tax planning is to be done in advance with a view to minimizing or postponing the payment of tax within the framework of tax laws. The study on tax planning has not been deduced details in Nepal Yet. The present study thus filled in this important gap. In Nepal, there are various tax incentives including exemptions, deductions, rebate and allowance granted to taxpayers under the provision of Income Tax Act, 2058 and Industrial Enterprise Act, 2049. The present study bring together under three broad lends via tax incentives relating to strategic planning, project planning and operational planning.

The specific objectives of this study are listed below:

- To study the concept of Tax planning.
- To examine the use of the tax planning in Nepalese organization.
- To examine the implementation of Tax Planning.
- To provide suggestion to Nepalese organization to use tax planning.

1.4 Significance of the study

Tax planning is a branch of financial planning. It is one of the most important functions of management. It is to be done in advance with view point to minimizing or postponing the tax within the framework of tax laws. Tax planning is, thus neither tax evasion nor tax avoidance, instead it is a device through which tax payers takes advantages of various benefits, including exemptions and deductions under the provision of the existing tax laws. The study is, thus expected to benefit corporate planning, entrepreneurs, manager, taxation authorities and the academics.

If tax benefit is not claimed by a company by the time of assessment, the same cannot claim in future and the benefit would be lost forever. Therefore this study may provides a comprehensive information to managers for strategic planning, project planning and operational planning that would help reduce tax liability within the legal framework. This study also concerned with appropriate suggestions for the estimation and correction of income tax evasion. Besides this study may also be helpful to economist, planners, students, researches, teachers, tax officers, tax administration and government.

1.5 Research Methodology

For the purpose of this study both descriptive and analytical data will be used. Research methodology is the method and process in entries study. It sequentially refers to the various steps adopted by researcher in studying the problem with certain objectives in order to achieving the objectives of the study the following research methodology has been followed:-

a. Research Design

Most of the data and information of the study were concerned with the opinion, experience and performance of the respondents. This study follows descriptive, analytical, true experimental and field study, research design in order to obtain the required information, data and opinion.

b. Source of Data

Mainly the primary source of data and information has been used in this research. Some important sources of the primary data are: opinion survey through questionnaire and interview, field visit and mailing information of the respondents.

c. Population and Sample

Sampling is the process by which inference is made to the whole by examining only a part. When some of the elements are selected with the intention of finding out something about the population from which they are taken, that group of elements is referred as sample and the process of selection is called sampling. It is very difficult task to study about the universe. So, an individual can not study about the universe. Sample study, therefore has been done through 20 respondents like as 6 from Manufacturing Companies, 5 from Trading Companies, 5 from Commercial Banks and 4 from Insurance Companies.

d. Collection Process and Data Analysis

A set of questionnaire was development and distributed to the selected respondents in order to get accurate and actual information. And then the result of each and every question out of the questionnaires was submitted respectively. Similarly, they ranked and planned in order by

editing and coding. The views of the respondents about the questions were presented in respective order so that the analysis was fully based on the respondents.

1.6 Limitation of the Study

As every study has its own limitations, so as this study is not away from these limitations. Basically the study has been conducted as partial fulfillment of the requirements of the “Master of Business Studies” so this has the following limitations:-

- The data and information available are very limited for the study.
- The main limitations are time constants, limited data, lack of research experience and lack of recent information.
- This study mainly form the point of view of company assesses and not from the view point of income tax authorities. Though it may indirectly help the latter in formulating tax policies according to priorities accorded by Nepal Government.
- Income tax avoidance and tax evasion in not consideration in this study.
- The study relates to the analysis of corporate tax only. Other direct and indirect taxes as custom duty, excise, value added tax, property tax have not been covered, though an integrated view.
- Due to small sample size it may not fully represent Nepal as whole.
- Another limitation relates to the nature and availability of the data.

1.7 Organization of the Study

Whole study is mainly divided into five different chapters. The title of each of these chapters is as follows:

- Chapter I: Introduction
- Chapter II: Review of Literature
- Chapter III: Research Methodology
- Chapter IV: Presentation and analysis of data
- Chapter V: Summary, Conclusion and Recommendations

Chapter- I: Introduction

It is the introduction chapter. It includes background of the study, focus of the study, statement of problem, objectives of the study, significance of the study and limitation of study.

Chapter- II: Review of Literature

It deals with review of literatures which includes conceptual, theoretical reviews and review of related studies or this chapter explains the review of the related literature done in national and international levels.

Chapter- III: Research Methodology

It is the research methodology which includes research design, population and sample, sources of data, data collection techniques and data analysis tools.

Chapter- IV: Data Presentation and Analysis

Data collected would be carefully examined and conclusion would be drawn. So that is could be presented. It deals with the presentation of data collection in table and analysis using rank correlation and necessary tools and interpretation of the result. And include general findings of the study and major findings of the study.

Chapter- V: Summary, Conclusion and Recommendations

It includes summary and conclusion of the study. It also deals with recommendations suggested.

CHAPTER – II

REVIEW OF LITERATURE

2.1 Conceptual Framework

The chapter is basically concerned with the review of literature relevance to practice of Tax Planning. It covers the theories and previous study on topic done by academicians and researchers within and outside the nations. This chapter is devoted to the concept of related pattern of the study which would be fruitful to solve the research problems. This framework would be helpful for gathering various knowledge and experiences. So the conceptual framework contains following backgrounds and experiences.

Different ways of minimizing the Tax Liabilities most of the people don't wish to pay any more taxes than their obligations permit. Legitimate and some times questionable tax minimization schemes or practices are adopted in order to reduce tax liability ways of reducing tax liabilities. They are tax evasion, tax delinquency, tax avoidance and tax planning, which are described as follows:

2.1.1 Tax Evasion

An illegal practice where a person, organization or corporation intentionally avoids paying his/her/its true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties. Tax evasion is the way of reducing tax liability by illegal unethical and uneconomical. It is illegal because the law does not permit to evade the tax. It is unethical because the activity of not paying tax is against moral ethics. In the same way it is uneconomic because it promotes black money, underground economy in a country.

The term 'Tax Evasion' refers to avoiding tax by adopting dishonest means. It is the way of reducing tax by illegal means. "Action by which the taxpayer which entails breaking the law and which more over can be shown to have been taken with the intention of escaping payment of tax" is regarded as evasion. Tax evasion is done through different ways: (Kandel, P.R., 2007:326-327).

- Non – reporting of income
- Under reporting of income
- Making fraudulent changes in account books
- Maintaining multiple sets of accounts
- Operating business transactions under different names
- Opening bank account in dummy name
- Over-reporting of expenses
- Fragmentation of incomes
- Transfer pricing etc

There is a difference between tax minimization/avoidance and tax evasion. All citizens have the right to reduce the amount of taxes they pay as long as it is by legal means: explain by investopedia.

Reduction or elimination of tax liability through contrary to law avoiding tax by adopting dishonest means – illegal. Tax evasion is unethical, illegal and uneconomic activity. It is unethical because the activity of not paying tax is against moral ethics. It is illegal because the law does not permit to evade the tax. In the same way, it is uneconomic because it promotes black money, i.e. underground economy in a country. Such types of activities do not promote healthy economy in a country.

Basically, the reasons of tax evasion can be divided into two- non-tax factors and tax factors. Non-tax factors include educational background, price policies of the government, government rules and regulations, public sector salaries, government’s expenditure policy and others. Tax factors include tax rate, tax base, tax structure, penalty system, probability of detection, magnitude of the strictness of penalty and possibility of applying penalty if evasion is detected. Mainly, tax factor are more concerned with the tax evasion on income from illegal activities, whereas non-tax factors are related with illegal activities.

Basically, there are three of effects of tax evasion in the economy. They are:

- Loss of revenue to the state.

- Redistribution of income which affect the efficiency of resource allocation in the economy.
- Creating wrong statistics leading to errors in government policies.

Evasion of income tax is also associated with the evasion of sales tax, excise duty, customs duty and so on. Since the government imposes higher tax rate to fulfill the growing need of the revenue, it is the honest taxpayers that really bear the burden of tax.

Tax evasion is a major problem to the government in developing countries. There are several types of tax evasion:

- Unilateral: It is evasion of tax payer by himself.
- Bilateral: It is evasion of tax with the assistance of tax officials.
- Trilateral: It is evasion of tax from the collusion of tax auditors and tax payers.
- Multilateral: It is evasion of tax from all parties involved from government to tax payers.

Tax evasion is an illegal work so it has to be panelized by court. Failure to submit income statement at office and failure to make payment of taxes because negligence is also regarded as tax evasion (United Nation, 1984).

Method of Tax Evasion

Most of the methods for tax evasion are as follows: (Dr. Dhakal, K.D., 2008:55& Pande, D.P., 1985:98-102).

- Over-reporting of expenses
- Incorrect claim for allowances and deductions
- Over and under invoicing
- Concealment of a source of income.
- Not maintaining proper accounts of income earned
- Maintaining multiple sets of accounts
- Stating an untrue statement knowingly

- Submitting misleading documents
- Misrepresentation of facts and informations
- Omission of material facts
- Operating business transaction under different names

2.1.2 Tax Delinquency

Tax delinquency is also one of reducing tax liabilities. In this technique the liability is reduced in present value by different the payment. Although tax delinquency means the failure to pay tax due to lack of sufficient fund, it also covers non-payment at the time of having fund. It is a temporary deceiving of tax in the long-term. So tax delinquency in paying the taxes (Bhattarai, I. and Koirala, G.P., 2007:19.8).

2.1.3 Tax Avoidance

Reduction of tax taking advantages of loopholes and weakness in tax laws – without breaking the laws-immoral/unethical practice. Tax avoidance is saving taxes without actually breaking the law. It is using the loopholes of the tax law. It is not illegal but unethical.

GSA Wheat Craft says, “Tax avoidance is the art of dodging tax with out actually breaking the law”.

In other words, it is a transaction entered into with full legal backing. However, such activities are of those kinds that the legislature does not want to encourage. The following are criteria used by English and Indian court to find out tax avoidance:

- Use of colorable devices
- Defeating the genuine spirit of law
- Twisting of facts
- Taking only strict of law and suppressing the legislative intent

We can see following characteristics of a tax avoidance:

- Basically, there is presence of an element of artificiality or, to put this another way, the various arrangements involved in a scheme which do not have business or economic aims as their primary purpose.

- In some case tax advisors sell ready-made avoidance devices, one term of the contract of sale being that the tax payer keeps the facts secret for as long as possible. It is in the interest of the avoiders to keep the administration from learning about new schemes because official and public knowledge may be followed by legislation to counter that kind of avoidance.
- Tax avoidance often takes advantage of loopholes in the law or of applying legal provisions for purposes of which they were not intended (e.g. provisions designed to encourage manufacturing of equipment being used for leasing of motor vehicles).

Section 35 of Income Tax Act, 2058 has defined tax avoidance as any means of arrangement, one of the purposes of which is the avoidance or reduction of tax liability. This act has made the provision against tax avoidance section 35 of the act has given certain rights to Inland Revenue Department to minimize tax avoidance.

Methods of Tax Avoidance

According to Prof. Dr. Agrawal, the important devices used in avoidance of taxes are as follows:

- Registering firms which are not genuine composed mainly of family members to reduce incidence of tax.
- Diversion of income or assets to different taxable entities so that tax lowers tax rates may apply.
- Transfer of income to wife or child without adequate consideration.
- Transfer of assets and/ or income to non residents.
- Transferring business to 'tax havens'.
- Payment of salaries, interest and other benefits to family members
- Expenses camouflage
- Investment in capital assets. (Capital gains are not taxed in Nepal).
- Formation of trust and other Philanthropic type's institutions which are exempt from income tax but whose benefits are derived by the members of family. This is a usual device resolved to by rich tax payer. (trust in favor of children)

- Purchase of such firms which have amounts be carried forward as losses. Such firms can be purchased at low prices but their losses can be set off against the profits other entities etc (Agrawal, G.R., 1978).

2.1.4 Tax Planning

Tax planning is avoiding tax by availing the various relief's and concessions available in the law. It implies compliance with taking provisions in such a manner that full advantage is taken of all tax exemption, deduction, concession, rebate and relief permissible under the act so that the incidence of tax is kept at lowest possible point. Thus, tax planning reduces the outflow of cash resources by way of taxes to the government so that same may be effectively utilized by assesses for his benefit.

Tax planning is legal ethical and economic. It is a legitimate device of minimizing tax liability or tax burden. For the purpose of enhancing the investment provides different types of facilities to the business organizations. Tax planning means use of these facilities given by the laws to reduce the tax liability.

Indian Supreme Court judge Ranga Nath Mishra on the case McDowell and company vs. CTO says, "Tax planning may be legitimate provided it is within framework of law. Colorable devices can not be part of tax planning and it is wrong to encourage or entertain the belief that it is honorable to avoid payment of tax by resorting to dubious method".

In the words of Mishra, the legitimate device to reduce tax liability is tax planning. If there is use of unnecessary means to reduce tax liability, it can not be taken as tax planning.

To conclude, we can say that tax planning is a scientific planning of company operations. It is economic, legal and ethical activity, it is the use of various incentives, concessions, allowances, rebates etc. and it is an activity related to future. It has the objectives of: (Kandel, Puspa Raj, 2007: 332).

- Reduction of tax liabilities
- Minimization of litigation
- Productive investment

- Healthy growth of economy
- Economic stability

2.1.5 Features of Tax Planning

The features of tax can be explained as follows: (Poudyal, K.B., 1998).

- It is future oriented. It concerned with activities to be undertaken in future.
- It is a legitimate device of minimizing tax burden. The legislature encourages using this device.
- It is legal, ethical and economic.
- It is the genuine use of facilities provided in the tax law.
- It established a good relationship between government and business community. It enhances a healthy environment in the country.

2.1.6 Method of Tax Planning

Methods of tax planning depend up on the objective sought to be achieved. Broadly speaking tax planning may be short-range or long range.

The short-range tax planning is applied to realize tax benefits under special circumstances. For examples where total incomes goes up on account of huge capital gain in a year, tax incidence may be substantially reduced by resorting to other exemptions provided in this connection. It is an example of short-range tax planning.

The long range tax planning may not confer immediate tax benefits but it may be advantageous in long run. For example selection of nature of the product, selection of location, selection of source of capital etc (Lal, B.B, 1996:161).

2.1.7 Importance of Tax Planning

We know that a tax is payment of money by person to the government. Because of the involvement of money in tax paying, it is a burden to the taxpayer. So each and every tax payer wants to reduce it. The reduced liability, on the other hand, induces the people or investor to do the extra investment work. In case of individual also, the reduction of tax liabilities encourages

to do extra work. Due to this reason, the government provides certain facilities to the public related tax matters. It is known that the use of such facilities by the people is tax planning. Tax planning has certain implications or importance (Pandy, T.N., 1994:24-27).

The major among them are:

- Tax planning saves tax and increase profitability.
- It avoids unnecessary worries, tensions and administrative hassles.
- It helps in using the facilities provided by the government.

There are subsidiary advantages also of tax planning. They can be:

- It helps in increasing working capital.
- It helps in analysis of risk.
- It helps in an increases of profit distribution.
- It creates easiness in day to day work.
- It enhances the investment opportunity.
- It enhances competitive abilities.
- It helps in upgrading technology.
- It creates good business environment.
- It helps in development of manpower.

2.1.8 Tax Management

Tax management is an all pervasive term which is different from tax planning. Tax management is the efficient, systematic and timely handling of tax matters to save time, talent, treasure and to avoid worry, tension, stringent penalty and prosecution. It is not only taking advantage of various incentives but also keeping assesses alert as regards various dates on which different types of returns are to be field study.

Tax manager has to see that all details to be submitted to the tax office are available before due date and returns are filed so that penalty or penalty interest are avoided. It is the duty of tax manager to see that the assessor's case does not go by default. It is maintenance of records and documents, filling of tax returns in time and performing other tax related duties efficiency (Birds, R.M. 1992:527).

2.1.9 Scope of Tax Planning Under Income Tax Act, 2058

Income Tax Act, 2058 has reduced the scope of tax planning, to a great extent, by abolishing all the tax related provisions under Industrial Enterprise Act, 2049 and other respective acts. We know that, there was great scope of tax planning in most of the countries of the world during 1950s to 1980s. Developed countries provided investment allowance and accelerated depreciation, where as developing countries like Nepal provided tax holiday for the purpose of promoting the investment. In Nepal, Industrial Enterprise Act, 2038 and Industrial Enterprise Act, 2049 provided many types of tax facilities to industrial sector.

The new Act had widened the tax base by bringing. In all the income into tax bracket. After 1990s the trend of tax system reversed. Now, there is fashion of reducing the tax facilities provided to the industrial sector. “ Low rate wide net” is the main slogan of the current taxation system. Under this Act, tax planning can be divided into the heads.

- Strategic or long-term tax planning
- Operational or short-term tax planning

A. Strategic or Long Term Tax planning

Strategic tax planning is normally for a longer period and it may not pay off immediately. As per ITA, 2058 areas for strategic or long term tax planning can be as follows:

1. Selection of Business

An entrepreneur can plan to minimize the tax by selecting those areas of business activities where the tax rate is minimized. As per Income Tax Act, 2058, different types of tax rates are applicable to different types of business activities. For example as follows: (ITA, 2058, Section 50).

Table 2.1
Tax Rate in Different Types of Business

S.N	Features of Business	Application Tax Rate
1.	Business related in Agriculture (not registered).	Tax free
2.	Tobacco and alcohol (special industry).	20 %

3.	Business related to export and construction of infrastructure projects like construction of road, bridge, tunnel, rope way, sky bridge, electricity generating and transmission etc.	20 %
4.	Business related to insurance, finance and banking sector and petroleum industry.	30 %
5.	Other general business, except stated above.	25 %

2. Selection of the form of Organization

Business organizations can be organized in different form: sole proprietorship, partnership and company. Different types of tax facilities are provided to different forms of business organizations proprietorship firm get exemption facility but proprietorship firm but fixed tax rate is applicable to a company and partnership do not progressive tax rate is applicable to a company. A company should pay double taxation to the government, i.e. one from the profit of a company and another form divided received by an individual, where as a partnership should not pay double taxation, individual get medical facilities but companies do not individuals should follow cash basis accounting but a company should follow accrual system.

3. Selection of Location

Tax planning can be used while selecting the location of the business. The industries established in backward areas get more facilities than the industries established in developed ones. As per the income Tax Act, 2058; Kingdom of Nepal is divided into four parts-remote areas, undeveloped area, under developed area and other areas. The tax rate applicable to the industries established in the remote area is 70% of the ordinary rate. Tax rate applicable to the industries established in undeveloped area is 75% of the ordinary rate. Accordingly, the tax rate applicable to the industries established in underdeveloped area is 80% of the ordinary rate. The facilities are provided to special industries for ten years. The industrial firms established in special economic zone and export promotion are also given special facility as regards to taxation.

There is provision of remote area allowance also to natural person according to Income Tax Act, 2058.

Table 2.2
Exemption for Remote Area: (Rule 38)

Area Loss	A	B	C	D	E
Exemption(Rs)	30,000	24,000	18,000	12,000	6,000

Export incomes earned from factories in special economic zone, export promotion zone and IT Park also get special benefit. The industries established in special economic zone get 100 percent holiday for 5 years and will be taxed at 50 percent of ordinary rate after 5 years. The industries established in remote area will be 100 percent tax free for ten years of commencement.

25% tax rebate will be provided to Information Technology Industry established within Information Technology Park.

4. Selection of the product

For the proper selection of the nature of the product, the investor should take care of benefits given by the government. The investor in hydropower generation, transmission or distribution and construction of infrastructures project. Industries related to tobacco and alcohol should pay tax at 25%. On the other hand, loss recovery period for BOOT (built, own, operate and transfer) project is 7 years with carry forward provision, whereas business organization producing other products have the facilities of carry forward of loss for 4 years (Sec. 20).

5. Selection of Sources of Capital

Capital required for conducting a business can be raised through issuing shares debentures, borrowing loans or through retained earnings. The rewards are dividend, interest and capital gain respectively. In Nepal, the tax rates applicable to each of these sources of capital are different. Interest is taxed at 5% of loans is from natural person but dividend is taxed at 5% final withholding. In case of capital gain, tax rates is 10% for the gain on the disposal of non-business chargeable assets related to natural person where as the profit from disposal of other assets is taxed at normal rate of profit i.e. 20%, 30% and 25% respectively for industrial firms, financial firms and other respectively. Accordingly, interest to a deductible expenses but

dividend and capital gain are not, since Income Tax Act, 2058 also has favored debt, making interest deductible expenses; the firm can minimize tax by engaging more than other forms of capital (Sec. 14).

6. Size of Business

Size of business can also be used for the purpose of tax planning. If the business house are of those doing business of less than Rs. 15,00,000 or has the annual income of less than Rs. 1,50,000 the tax payers are within the area of presumptive taxation. According to Income Tax Act, 2058; such taxpayers should pay Rs. 2,000 as taxation if the business is in metropolitan or sub-metropolitan area. They should pay Rs. 1,500 as tax if they are established in any municipality area and Rs. 1,000 if they are established in area other than metropolitan, Sub-metropolitan and municipality. Furthermore, transporters should pay income tax for the income earned by vehicles at the rate of Rs. 1,500 for bus, truck, minibuss, mini-truck etc, Rs 1,200 for microbus, car, jeep, van etc., Rs 850 for three wheelers, auto-rickshaw and Rs. 750 for power tiller, tractor etc.

The number of employee can also be used for the purpose of tax planning. If one industry has more than 600 Nepalese employees, it should pay only 90% of the ordinary tax rate. Accordingly, those who employ Nepalese citizen for work, they per worker Rs. 500 as expenditure.

7. Merging of Business

Inclusion of non-industrial unit in industrial unit can also be helpful in minimizing tax. Industrial units (except liquors and tobacco) pay tax @ 20% where as non-industrial units (i.e., trading company (forward integration) reduced the tax liability. Similarly, merging of loss making units is also helpful in tax planning. Hence, the losses of loss making unit can be adjusted with the profit of profit making units.

B. Operational of Short Term Tax Planning

As per Income Tax Act, 2058 areas for operational or short-term planning can be as follows:

1. Acquisition of Fixed Assets

A business firm can make tax planning while acquiring fixed assets needed for running its activities. There are mainly two ways of acquiring fixed assets: Leasing and Buying. The issues to be considered are cash outflow, tax shield in respect of depreciation, interest payable or lease rent. If assets are purchased through borrowing, the interest on capital can be deducted as expenditure. So, the tax payers can evaluate both the options before making purchase decision (sec. 2 BC).

2. Repair and Maintenance Cost

Income Tax Act, 2058 has allowed repair and maintenance cost up to 7% of depreciation basis. Taxpayers should plan these expenses in such a manner so that maximization deduction is possible. The unabsorbed repairs can be capitalized and depreciated from the next year. The organization can see tax implication in making repair and maintenance cost due to inflation factor. It means present value of future recovery will be less than value of recovery (sec. 16).

3. Pollution Control Cost

Income Tax Act, 2058 has allowed to deduct the expenses related to purchasing or installing of pollution control device. However, there is limitation in this regard. Only 50% of the adjusted taxable income of all the business can be deducted in one year and the remaining amount can be capitalized. Here, adjusted taxable income means income before deducting donation, pollution control expenses and research and development expenses. While making such expenditure, it would be better to keep this within 50% of adjusted taxable income. Inflation factor reduces the present value of future recovery in this case also. (Sec. 17).

4. Research and Development Expenses

As in the case of pollution control expenditure, research and development expenses also are allowed by Income Tax Act, 2058. The limit of allowable expenditure is 50% of the adjusted taxable income, it can be capitalized. Because of the capitalization, the present value of expenditure is reduced and so the tax can be planned in making this expenditure also. Such

research and development expenses can be made by the tax payer itself or through universities (sec. 18).

5. Stock Valuation System

As per Income Tax Act, 2058 cost of trading stock can be deducted. For the purpose of finding out the values of closing stock price or market price whichever is less is allowed. For costing purpose, two methods are allowed by Income Tax Act, 2058. In case of cash accounting system, price cost method should be adopted whereas in case of accrual accounting system the absorption cost method is permitted. If cost of stock can not be determined; stock can be valued either in FIFO or weighted average method. From tax angle, weighted average method is more beneficial as it produces lower profits and thereby decrease the tax liability (Sec. 15).

6. Donation

A taxpayer can deduct the donation made to tax exempt organization in any income year; the limit of such donation should be actual amount donated or 1,00,000 or 5% of the adjusted taxable net profits. By notifying in Gazette, the government can allow unlimited amount of donation to certain institutions. As announced in finance ordinance, 2060, the donation made to Lumbini Development Trust do not contributed to there two trusts. A taxpayer can plan the amount of donation to minimize the tax burden (Sec. 12).

7. Remuneration of Employee

Income Tax Act, 2058 has made taxable most of the allowances that were not taxable Under Income Tax Act, 2031. However, there are still some facilities given to employees by the new act under which the tax planning can be made. Such facilities are up to Rs 30,000, remote area allowance, meal and Tiffin expenses, contribution to retirement fund, Medical expenses or medical insurance cost of up to Rs 750, vehicle facility of up to .5% and house rent facility of 2% of the salary of the employees. The organization can see all these facilities while restructuring the remuneration of the employees. If husband and wife of any person are employed, it will be beneficial to file separate return. If only one person of the family is earning income, the joint return is beneficial (Rules 13, 13(2), 20, 21 of the Income Tax Rules, 2059 and sec. 27 of the Income Tax Act, 2058).

8. Retention or Distribution

Tax planning can be done while deciding to distribute the dividend or retain the money in the organization. If the distribution is made, the dividend tax rate is 5%. If there is retention, the capital gain tax rate is 10%. Tax planning can be done while purchasing the share capital of a company. If investment is made of dividend should be added to the income. Instead, the dividend from the resident company is taxed only at 5%.

2.1.10. Tax Planning for Various Types of Payment and Activities (project planning)

1. Remuneration

The corporate tax payers should pay careful attention while planning the remuneration of the employers. Tax planning in case of employee's remuneration needs the study of tax law from both the point of view, i.e. from the point of employees and from the point of view of employers. Income Tax Act, 2058 has abolished most of the facilities provided by Income Act, 2031. However, there are still some provisions which help to plan the tax in relation to remuneration.

The following income are included in the remuneration of one employee:

- Payment of wages, salary, leave pay, overtime pay, fees, commissions, prizes, gifts, bonuses and others facilities.
- Payment of any personnel allowance including and cost of living, subsistence, rent, entertainment and transportation allowances.
- Payment for agreement to any conditions of the employment.
- Payment for the termination or of service or compulsory retirement.
- Payment providing any discharge or reimbursement of costs incurred by the individual or an associate of the individual.
- Retirement contributions including those paid by the employer to a recognized retirement fund in respect fund of the employee, and retirement payments.
- Other payments made in respect of the employment and
- Other amounts and perquisites and gains due to change in tax accounting require to be included.

From the view point of employees, the following are the area where the tax planning can be made:

- The employee can provide facility either by providing residence to the employee or vehicle facility. However, the employer should consider that 2% of employee's remuneration as per sec 27 of the act and rule 13(2) of the Income Tax Rules should be included in taxable income. Accordingly he can provide vehicle facility also to the employee by adding 0.5% of the remuneration of the employee to his taxable income. Rule 21 of Income Tax Rule, 2059 says that the contribution limit to the retirement fund of a natural person in on financial year can be Rs. 3,00,000 or one third of assessable income whichever is lower.
- An employee can save tax through increasing the magnitude of retirement contribution. Income Tax Rule, 2059 has allowed to deduct the remuneration from taxable income.
- 10% of net profit before tax can be given to the employees as bonus of the employees.
- If it is pension income of a resident person, 25% of Rs. 1,00,000 in case of individual and Rs. 1,25,000 in case of a couple.
- The employer or employees provide the employee certain amount of money where final with holding is made in place of regular amount of money of salary if the annual remuneration of the employee attracts 25% of the tax rate. The main reason of doing so is the less tax rate on with holding than on the regular amount of salary.

2. Self-Employment

Self-employment means conducting earning activity without being engaged to any organized body. In being specific, self-employment denotes doing business on own behalf. It can also be categorized as the small-scale business.

There is scope of tax planning in case of self-employment also. The self-employer can be a dignified citizen of the country by having the tax planning. Self-employer can save tax by availing various facilities provided by the tax law. Different ways of saving the tax by self-employer can be as follows:

a. Presumptive Taxation

Income Tax Act, 2058 had made a provision of presumptive tax to small tax payers. The threshold for presumptive taxation is Rs. 1,50,000 incomes or Rs. 15,00,000 turnover of the business. The presumptive limit for individuals conducting business in the metropolitan or sub-metropolitan cities is Rs. 2,000 for individuals conducting business in municipalities is Rs. 1,500 and for individual conducting business any where else other than stated above in Nepal is Rs. 1,000. The self-employer can plan tax before establishing the business considering the above stated provisions. There is provision of presumptive taxation to those who earn income from operating vehicles also. The annual rates of income tax per vehicle are Rs. 1,500 for minibus, mini truck, truck and bus; Rs. 1200 for car, jeep, van and microbus; Rs. 850 for three wheeler, auto-rickshaw and tempo; Rs 750 for tractor and power tiller.

b. Exemption Limit and Progressive Tax Rate

According to Income Tax Act, 2058, proprietorship firms get exemption facility of Rs. 1,00,000 if the owner is individual and Rs. 1,25,000 if the owner is couple. Progressive tax rate is applicable to proprietorship but fixed tax rate is applicable to a company. Company should pay double taxation to the government, i.e. one from the profit of a company and another from the dividend received by an individual, whereas a proprietorship should not pay double taxation (Sec. 11).

c. Medical Tax Credit

An individual can claim a deduction from his tax liability a medical tax credit up to Rs. 750 per year for the approved medical expenses incurred from him. This facility, however, is not available to partnership or company. This will also help to reduce his tax liability (Sec. 51).

d. Retirement Fund Facility

At the time of Income Tax Act, 2031; only the employed men used to get the retirement fund facility. At the time, employees could contribute 10% from his salary and employer also could add 10% of his remuneration. The employee could also contribute 10% of his salary to in

citizen investment fund. Income Tax Act, 2058 has abolished this discrimination. Right now, self-employed person also can contribute up to one third of assessable income or Rs. 3,00,000 whichever is less for retirement fund (Sec. 63, ITA, 2058 and Rule. 21, ITA, 2059).

3. Capital Structure

Capital structure is the combination of different sources of capital. A company can be financed mainly by equity or debt capital or a combination of both sources of financing affects tax liability of a taxpayer in different ways. For example, if debt financing is used, the company has to pay interest on loan, which is a deductible expense for income tax. ITA 2058 has stated that the interest include during the year for the debt obligation of the person will be available for deduction to the extent that:

- The borrowed money is used in that year.
- If the money is borrowed for purchase of an asset is used in that year.
- In another case the debt obligation is created in the production of income form business or investment.

Thus whatever be the amount of interest it is deductible in computation of taxable income. On the other hand, if the company uses equity capital (either new issue or retained earnings) the company has to pay dividend on equity capital, which is paid out of taxed profit and is no deductible for income tax. Dividend received by the shareholders is also subject to final tax at 5% so; there is scope of tax planning regarding the choice of capital component (Sec. 14).

4. Location of Industrial Set-up

As per the Income Tax Act, 2058, there is scope of tax planning while selecting location of the business also. The provisions under the Income Tax Act, 2058 and Industrial Enterprise Act, 2049 as regards to location of business help in tax planning . For example, in remote area, an individual can avail up to Rs. 30,000 Remote area allowances. Special Industry enjoys a concession tax rate as a facility under certain conditions mentioned below: (Sec. 11(3)).

Table 2.3
Case of Special Industry Only (Sole+Entity)

Conditions: (A)	Tax Rate/ Entity (B)	Rebate On Tax (C)	Net Applicable Tax Rate (B-C)	Period
1. if operating in a highly undeveloped zone	@20%	30%	70% of B=@14%	1st 10 years
2. if operating in an undeveloped zone	@20%	25%	75% of B = @ 15%	1st 10 years
3. if operating in an under developed zone	@20%	20%	80% of B = @ 16%	1st 10 years
4. if operating in a special economic zone	@20%	20%	80% of B= @ 16%	1st 10 years
5. if operating in a remote zone	@20%	100%	Nil	1st 10 years

The scope of tax planning is enhanced due to provision of applying different amounts of taxes to firms situated in different types of cities. Business having up to Rs. 15 lacks transaction or Rs. 1,50,000 incomes in metropolitan and sub-metropolitan city should pay Rs. 2,000 as tax. Business of the same nature in municipalities should pay Rs. 1,500 and business of the same nature in VDCs should pay Rs. 1,000.

5. Depreciation System

There was a great scope of tax planning by selection of depreciation system under Income Tax Act, 2031. The industrial tax payer had the right of selecting the depreciation method between straight-line systems and diminishing balance system. Under that system, diminishing balance method was more beneficial than the straight line system due to rate difference.

Income Tax Act, 2058 has abolished the system of providing right to tax payer for selecting the depreciation system. The new act has made the poll based diminishing balance method for structure, office equipment, vehicle and machinery mandatory. Accordingly, it has prescribed straight-line system of depreciation for intangible assets. So, in comparison to Income Tax Act,

2031; there is limited scope of tax planning through depreciation planning. However, there is scope of reducing tax liability through proper planning of depreciation expenditure.

Table 2.4
Depreciation Rate Under Income Tax Act, 2058 as follows: (sec-19)

Block	Assets included	Depreciation Rate WDV
A	Buildings, Structures & similar works of permanent nature.	@5%
B	Computers, data processing equipments, furniture, fixture & office equipment	@ 25%
C	Automobiles, Bus & Mini-Bus	@ 20%
D	Construction & earth moving equipments, capitalized P.C.C., R&D cost and any tangible asset not included in above block A,B&C (e.g. plant & machinery)	@ 15%
E	Intangible assets : such as :- patent right, software, trade mark etc	Original cost/Useful life = %

**1/3 Depreciation more for Special Industry (entity only)*

Costs that are included in a person's pool of depreciable assets are added to the depreciation basis of the relevant pool in two portions. The first portion is added at the time the assets are added to the pool or the cost is incurred, whichever is later, and the remaining portion of the cost is added during the next income year if the pool has not been dissolved. If the portion to be added between the start of the income year and the end of the year is added; if the portion is to be added between the beginning of magh and the end of chaitra, 2/3 is added and if the portion is to be added between the beginning of baishakh and the end of the income year; 1/3 is added.

6. Leasing or Buying

The assets of one organization can be purchased in two ways-lease or outright purchase. Leasing or outright purchase can be made by borrowed fund or own capital. If the assets are leased, the tax payer can claim for the rent and management fees. If it is purchased, there is the facility of depreciation. If borrowed funds are used, the interest to be paid can also deduct.

While making the decision regarding leasing or buying, tax planning, tax planning can be done by considering these factors.

7. Timing of Activity

It is already discussed that a business organization uses to have three types of planning; strategic, operational and project planning. There are certain activities, according to Income Tax Act, 2058 are the provision of following deducting the pollution control device expenditure, Research and Development expenditure, Repair and maintenance expenditure, depreciation, donation etc. timing of activity denotes the planning of different activities in time frame in such a way as to obtain maximum tax facility from such expenditure. It includes the planning of future business expenditure is such a way under which maximum amount of tax way saving can be made. There are certain factors, which should be consideration for the purpose of timing of activities. They are given below:

1. The main thing to be consideration in this respect is the saving of tax. The tax planner should minimize tax payment as far as possible.
2. Loss should be recovered at first because it can be recovered only within certain duration. According to Income Tax Act, 2058; the time period to recover the loss is 4 years in ordinary case. If it is infrastructure or BOT/BOOT project, the loss recover period is 7 years.
3. After recovery of loss, Research and Development expenses and pollution control expenses should be recovered. The reason is 50% of adjusted taxable income can be recovered in the year of investment. The remaining balance also can be capitalized and recovered in next years (Sec. 20)

2.1.11 Tax Reform in Developing Countries

Beginning of the 1970s, a number of developing countries tried to radically reform their tax system. What can we learn from these experiences with tax reform? How can any lessons learned be made useful to other countries also on the road to tax reform? The world Bank has studied there question for several years now and found the fruits of this research. The goal of tax reform project has been to obtain a better understanding of how developing countries can improve the performance of their tax systems. As the World Bank has become increasingly

active in structural adjustment and other policy based lending developing countries, growing demand have been placed on it to suggest, and in some reform. Equal attention has been given to the process of tax form how it is implemented, and the substance or results or reform result efforts. Throughout the focus in a practical rather than theoretical aspect of tax reforms. Poorly designed or poorly functioning tax systems variety of problems in developing countries (Kandel, P.R., 2007: 335).

- ✓ Fiscal imbalances and insufficient tax revenue.
- ✓ Distortion is resources allocation that can reduce economic welfare and growth.
- ✓ Inadequate provision for equality.
- ✓ Poor administration of taxes.
- ✓ Trade offs and interaction in redesigning tax system.

2.1.12 Process of Tax Reform

It is one thing to devise a model blue print for tax reform. It is quite to have it ready when the moment is rip for reform and to apply another to have it ready when the moment is ripe for reform and to apply successfully. A number of the county studies illuminate the important steps that should guide the reform process. It is important, for example, to have the appropriate policy measures “on the shelf” before a fiscal crisis strikes in order to forestall the adoption of ill advised tax reforms. Successful tax reform efforts also required detailed knowledge of the defect of current system, especially a sense of who pays taxes at his industry, firm and household level, as well as felling for how the distribution of tax burden would be affected by alternative tax measures that attempt if local policy makers are actively involved in their design and implementation and reform results in the certain of a care of local tax experts who identify with, and assume responsibility for the success of the reform. While successfully tax reforms always invest in better tax administration, in the end reformed measures must be compatible with existing tax administration capacities and tax planning. (Thapa, G.B., 2002:12).

2.2 Review of Literature

There are various thesis to research different aspect of income tax. This is the dissertation especially to a study on the implementation aspect of tax planning in Nepal i.e. this study is concentrated with the tax planning and its implement in Nepalese industries. Only few books,

dissertations, articles and reports are found that are concerned with tax planning and its application however many books, dissertations, articles and reports were studied and have been review for performing this research. Many dissertations presented in T.U., articles and reports have described the income tax law, provisions, structure of income tax, problems and prospects of income tax and path for reform of income tax but almost not of one have been found in respect of tax planning aspect. These studies have not been studying in the root of income tax, tax planning i.e. tax incentives provision and applicability of tax incentives and tax planning all the remaining studies are incomplete regarding the income tax.

2.2.1 Review of Books

Surya Prasad Marahatta and Ananda Prasad Khatioda (1970) published a book named “*Fundamental of Nepalese Income Tax: with up to date financial directives and regulation.*” In their book they had described the legal provisions relating to income tax and practical aspects. They ad described the Income Tax Act 2020. This Act was not beneficial because of changing in the tax law. They were fully based on campus level syllabus because the prime objective of this book was to meet the university students.

B.B Lal (1992) An Indian author, published his 14th revised addition in titled “*Direct Taxes*” in which he has mainly focused with income tax, wealth tax, gift tax and tax planning. In his book, he has mainly pinpointed about different provision of tax incentives and its use in regards to tax planning. He states that the admissible depreciation has been restricted to 75% in the case of corporate assesses, to promote tourism in remote areas; the rate of deduction was increased from 30% to 50% compared to previsions. Tax rate was increased from 8% to 12% and domestic companies were libel to pay such charge @15%. For the purpose of preventing tax evasion, scope of tax deduction was enlarged. To promote social and economic welfare, expenditure in eligible projects approved by national committee was allowed to be deducted in computing taxable profits of business or profession. Publishing industry had been given a boost by providing 20% deduction in computing total income. Interest on refund was 1% per month. He has described about tax planning by sending one chapter. Introduction and meaning of tax planning test of successful tax planning, methods of tax planning.

Karna Bir Poudyal (1998) has published a book entitled, “*Corporate tax Planning*”. He has described about the various tax incentives such as tax holiday, set off and carry forward or losses, depreciation allowance, amortization of preliminary expenses, export incentives, tax free interest and dividends, exemption of interest on unpaid income tax, incentives for listing in Nepal Stock Exchange.

He has found that the tax incentives in the form of tax concessions, amortizations and deductions have an important feature of the Nepalese corporate tax system. These incentives have been introduced from time to time to promote economic growth by mobilizing savings and their investments according to planned priorities of Government of Nepal.

He has also compared the tax incentives prior to and after the passing of industrial enterprises act 1992. His comparison shows that the industrial enterprise 1992 has given more incentives to industries than prior Act.

Dr. Puspa Raj Kandel (2007) has written a book entitled, “*Tax laws and Tax Planning in Nepal*”. This book’s main objective is to meet in conformity with the MBS level syllabus of T.U. He has presented the numerical examples to derive the taxable income and tax liability. Another book entitled, “*Nepal Ko Bartaman Kar Byabastha*” by the same writer in the same year has been published. This book is based on the course of BBS level.

2.2.2 Review of Articles

Many books, research reports and articles have been written and published in aspect of income taxation, very few and little portion of books of income tax have given room for income tax management. But all the books of income tax have given room for income tax management. But all the books of income tax have written little of more about income tax management. We can find many articles written in income tax administration and talking little about income tax and little of them are concerned with income tax management. Some of the articles and studies on taxation are presented below:

Surendara. M. Trephati (Jan-Feb, 2006) has published an article titled “ *Aadhunik Kar Prasasan Ka Bibidh Pacchhyaharu*” on journal “*Rajoshwo*”. He has overviewed and explained the different aspect to income tax administration in his article. He further mentioned that, tax policy, tax law, tax objective or administration, organization, capable manpower, transparency, self assessment of income and its inspection, tax examination and research, up to date records of tax payers and the use of information technology, physical facilities etc are the different aspects of tax administration.

He has analyzed all the above mentioned aspects of modern tax administration detailed and he concludes that the modern tax administration is not functioning well because there is the lack of full implementation of tax law, lack of transparency in both tax payers and administrator, lack of adequate tax officers, frequent change in policy and laws, lack of adequate training to people working at tax offices etc.

He further concludes that, although there exist some defects in modern tax administration, it is improving its way of functioning, and he is hopeful to see the well functioning tax administration in near future.

An article titled “*Soyam Kar Nirdharan Ra Aaya Biberan*” written by Abinath Rai (Feb,2006) was published in journal “*Rajoshwo*”. In his article he has described about the self assessment procedure of income tax provided by income tax Act-2002 (2058 B.S.). Under this law every assessment will be treated as self assessment where person files return of income tax for an income year, an assessment is as made on the due date for filing the return of the tax payable by the person for the year and in the amount shown in the return of the tax payable by the person for the year and in the amount shown in the return and the amount of that tax still be paid for the year being the amount shown in the return. He has mentioned about the types of income tax return, due date of filing income tax return, structure of income tax return, financial auditing and tax auditing. And finally he concludes that to get the targeted percentage on GDP as assumed by tenth five year plan we sound improve the existing income tax system and it is necessary to modernize the tax administration to implement income tax law effectively.

Dr. Chandra Mani Adhikari (Apr-May, 2006) has published an article titled “*Nepal Ko Kar Niti, Prasasan Ra Sanghatan Tatha Tesko Karyanoun Pachheya.*” On the journal “*Rajoshwo*”. In his article he has tried to describe about the tax policy of Nepal, tax administration and implementation of tax policy in Nepal. He has described area of public finance, objective of tax policy in Nepal, results by improving income tax policy, shortcomings and challenges of tax policy etc.

In his article he has clearly mentioned about the policy reform in income tax and implementation of policy and its administrative aspects. And he has concluded that it is necessary to improve tax administration to implement tax policy and law correctly and then the well tax management can be done in the nation.

Bamsidhar Ghimire (2050) has published an article titled “*Principle of Direct Tax and Provision of Direct Tax*” on journal “*Rajoshwo*”. In his article he has analyzed the principle of direct tax and provision of direct tax. He has described about the classification of direct tax and provision of direct tax. He has described about the classification of tax, relation of capital and income, base of income or expenditure tax, base of tax in Nepal, Procedure of computing income, weakness of traditional accounting system, classification of tax rate index, index of income tax in Nepal, contribution of income tax to national revenue, errors of past provision, reification of tax improvements, some steps of administrative improvements etc. he found that the income tax was only 7% of total revenue that as very low as compare to neighboring country. For this he has identified the following causes:

- No taxation on agricultural income.
- Narrow base of income of retail business. etc.

He has also identified some error of provisions relating to income tax. They were progressive tax has not played an effective role for equal distribution of income, unproductive tax concession holidays and rebate, provision of low additional fees as compare to market interest rate, deduction given to record keeping tax payers and timely paying tax payers has not played an effective role etc. he has accounted the improvement made for income tax like; expansion of corporate tax rate on private limited company by 50% on flat rate, maximum 40% rate of

individual income tax, provision of tax collection at source, provision of self-assessment of tax, increase in additional fees to remove tax evasion etc. he also accounted some step of administrative improvement. They are: provision of income assessment committee, flat rate of tax to small tax payers, establishment of tax offices.

Puspa Kandel (2001) has published an article titled “*Draft of Income Tax Act 2001, Critical Analysis.*” On journal “*Rajoshwo*”. He has criticized the ITA 2001 on several grounds. They are exemption of agricultural income from income tax, export duties levied on exports, inequality between different capitals earned income (i.e. tax on interest dividend and capital gain), and withdrawal of exemption provision and adjustment for inflation. He further criticized the Act for the provision on income tax from exports as 0.5% of total export because it is not good choice of income tax base.

An article “*Draft of Income Tax System and its Reform in Nepal, as Descriptive Way*” was published in journal “*Business Age*”, written by “Govinda Bahadur Thapa (2001)”. In his article he has described the tax system, features of tax, and causes of reform of tax and areas of reform. He has criticized the tax system as too many and too high rates. Multiple objectives of taxes scheduler rather global approach to income taxation, too much income brackets and high progressively complicates and ambiguous tax laws. He further added, ‘tax was levied at the manufacturing rather than retail stage which added to the production cost. Too many tax incentives and tax holidays narrowed the tax base and revenue collection had to be increased from that raising of tax rates. But the high tax rates encouraged tax avoidance and evasion and also gave birth to the unaccounted economy.’

He has identified the areas for reform the tax system in Nepal. They are; low rates on broad base, simplicity and neutrality, gradual abolition of exemptions, deductions and tax holidays to broad tax base few rates of single role, few taxes with high revenue productivity, emphasis on tax compliance rather than coercive enforcement, incentives to saving and investment, conversion of sales and service taxes into VAT, excise duty only on cigarette, tobacco, alcohol, automobile, petroleum and surcharge and additional duty system to mark the tax system simple, making the tax system internationally compatible to attract foreign investment.

Revenue Consultation Committee chaired by Bhoj Raj Ghimire, MOF/NG Nepal, 2001, has published a report on 2001; the committee has studied the overall taxation situation of Nepal. This report has suggested widening the income tax base by including all kinds of tax payers and income. It has also suggested finding out the tax payers of new sector for this. The report suggested making the Act more transparent and clear in order to attract foreign and domestic investors, for income taxation self assessment was fully recommended. The report has suggested that the exemption limit should be according to the purchasing power and inflation. It has also suggested implementing account base VAT more effectively. For small tax payer having up to Rs 2 million, tax collection should be used on their sell and purchase description.

2.2.3 Review of Thesis

Poudel, Karna Beer, kshatry (1997) in his thesis “*Corporate Tax Planning in Nepal*” has tried to make an overview and conclusion supporting to the objectives, research methodology, and findings as follows:

Objectives

- To examine the corporate tax structure in Nepal.
- To examine the implications of tax factor in selecting the best alternative strategy in different aspects of strategic planning.
- To analyze impact of corporate tax on managerial decision relating to the different aspects of project planning.
- To examine corporate tax planning in respect of operational planning.
- To investigate tax planning practices being followed in respect of strategic planning project planning and operational planning by Nepalese Companies.
- To offer suggestion for improvement in corporate tax laws which have direct bearing on the corporate tax planning.

This study provides comprehensive information to managers for strategic planning; project planning and operational planning that would help reduce tax liability within the legal framework. This study, thus expected to benefit corporate planners, entrepreneurs, managers, taxation authorities and the academics.

Scope and Methodology

As stated earlier, this study examines tax implications in strategic planning, project planning and operational by companies in Nepal. The study also outlines tax planning practices in decisions relating to these three aspects of corporate planning. It is the study of corporate tax planning based on the information collected from 30 samples of manufacturing companies registered under Companies Act, 1964 of Nepal. The sample companies include 14 government companies and 16 private sector public limited companies.

Findings

The selection of tax base is an important constituent of corporate tax structure. The different tax base is gross assets, business expenditure, value added, cash flow and book profit. His Majesty's government of Nepal has also followed book profit as the tax base for the purpose of corporate of income tax.

Another important constituent of corporate tax structure tax rate. The corporate tax structure in Nepal has undergone a substantial change over the years. Prior to 1986-87, tax rate structure was same for both individuals and companies. In rate structure was separated and in the case of companies (including government companies and public limited companies in the private sector), the progressive tax rate structure was replaced by flat rate system. It was extended to private limited companies also in 1993-94. Another important feature of corporate tax in Nepal is the lowering down of tax rate from 60% to 67% (on taxable income above Rs. 1,30,000) in 1982-83 to 23.33% (flat rate) in 1994-95. Further, there are different flat rates for different types of companies. Thus, while non-industrial companies are rated at a flat rate of 33% industrial companies are at the rate of 28%. Further, if a company is listed in Nepal Stock Exchange, the tax rate is reduced by 5%. The government of Nepal has rationalized the corporate tax rate compatible with many other low tax rate countries. In Fact, Nepal has fallen in line with the general international trend of lowering down the corporate tax rate.

Suggestions

The foregoing discussion shows that Nepalese companies in general have been taking advantage of the tax benefits in their strategic planning, project planning and operational

planning decisions. However, there are still a number of companies, which have failed to do so either because these companies did not have efficient tax planning system or because they were the loss making companies and, therefore, could not get the advantage of tax benefits. Besides, there are some tax provisions under income tax act and Industrial Enterprises Act, which require amendments. An attempt is therefore, made here to offer some important suggestions which have emerged from this study. There are as follows:

1. Tax rates to non-industrial companies set-up in industrially Background Area: from the view point of equity, it is suggested that the necessary amendments should be made in this section to enable all companies, whether industrial or non-industrial, to avail of the benefits of tax rebate and thus to accelerate the pace of industrialization in these regions.
2. Export-oriented industrial companies should also be entitled to partial exemption of export earning.
3. Tax rate should be different for Resident and Non- resident companies like India, Belgium, Germany, Indonesia and New Zealand, foreign companies are taxed at a higher rate than domestic companies.
4. It is suggested that the taxpayers should pay the unpaid tax along with interest. Similarly, if the refund is to be made to the taxpayers, it should also be paid along with interest if company loses the case. It is required to pay the amount of unpaid tax only.
5. It is recommended that there should be a separate tax section headed by a tax Executive under the Finance Department particularly in large and medium companies to discharge all function relating to tax management, including tax planning.
6. It is suggested that there should not be discrimination on the name of tax liability.
7. Use of best judgment assessment (BJA) should be effective by tax officers.

Karki, Bidur (2005) in his thesis “*Theory and Practice of Tax Planning in Nepal*” has tried to make an overview and conclusion supporting to the objectives, research methodology and findings as follows”

Objectives

- 1) To analyze the existing problems of income Tax Act, 2058 with respect
- 2) To study the concept of tax planning'
- 3) To examine the application of tax planning in Nepal.
- 4) To study the gap between theory and practice of tax planning in Nepal.
- 5) To analyze the tax planning practices followed by Nepalese companies.
- 6) To provide suggestions to Nepalese companies/ business house to use tax planning based on the above study.

Methodology

This study is concerned with the tax planning in Nepal. It is the study of corporate tax planning based on the information collected from 20 trading companies and 20 production and fertilization companies. This study also includes 5 finance company and 5 insurance companies.

This study is based on primary and secondary data. Primary data has been collected mainly through questionnaire and interview, Field study visit, and mailing information of the respondents. Secondary data related to fixed assets, depreciation, capital structure, profit, provision for taxes etc. Published by Nepal Stock Exchange Ltd. Annual reports of the Ministry of Finance, Department of Industries, Economic Newspapers and journals.

Findings

Following are the major findings of the study:

- 1) Existing nature of taxable revenue in Nepal has still been in poor condition. It means that Income Tax 2058 has not been able to collect enough revenue according to the plan made on theory.
- 2) In fact, the concept of tax planning is technical analytical comparative and strategic to use in practical lives. So, the performance of tax planning depends on the skill, knowledge and experience of tax planning depends on the sill, knowledge and experience of the manpower.

- 3) Even though taxpayers have accepted the application of the planning in Nepal, the tax payers have not been regular for the proper utilization of tax planning.
- 4) There is a vast gap between theory and practice of tax planning in Nepal. No work could be implemented recording to plan and polices.
- 5) All of the company follow tax planning in respect of all the Field study of their activities like operational planning, strategic planning and project planning. Otherwise, they could not develop their lives.

Suggestions

Tax rate should be different for resident and non-resident companies like India, Germany, Belgium etc. and foreign companies are taxed at a higher rate than domestic companies.

- 1) Use of best judgment assessment (BTA) should be effective by tax officers.
- 2) Export oriented industrial companies should be entitled to partial exemption of export earning.
- 3) Tax rebates to Non-industrial companies' set-up in industrially background areas.

It is suggested that there should not be discrimination on the name of tax liability.

Puspa Raj Kandel (March, 2000) has presented the PhD. thesis entitled "*Corporate tax system and investment behavior in Nepal*". He undertook the research work to find out the problems relating to corporate tax which blocks the development of private investments. The main objectives of his study were to evaluate the corporate tax system in general, to examine the sensitivity of certain policy like inflation, capital gain, dividend tax and interest tax etc. based on their impact on tax burden.

Parameshwor Pant (1996) has presented a thesis named "A study on Income Tax Management in Nepal". In his research he has analyzed the situation of income tax management in Nepal at that time. He has also studied the administrative aspect of income tax in Nepal. In his research work he got the poor situation of tax administration, misuse of power by tax officers, lack of transparency between tax payers and tax officers etc. and he further concludes that large improvement should be done in income tax administration to develop effective income tax

system in Nepal. This research study was based on income tax Act 2031. We can get the former scenario of income tax management before income tax Act 2002.

Ramesh Sigdal has presented a thesis entitled “A study on Income Tax Management in Nepal” in 2005. In his research work he has tried to identify the current situation of income tax management of Nepal. He has analyzed the ratio of income tax to total revenue is not satisfactory. And he recommends that the administration should try to increase effective public participation to minimize the income tax evasion. According to him applying the following suggestions income tax evasion can be minimized.

- Increase the administrative efforts.
- Enforce heavy fines and penalties.
- Enforce to maintain proper accounts.
- Minimize illegal business activities.
- Revenue department should also manage properly to carry out the spying activities to find out the income tax evader. It should be coordinated with special police force and revenue investigation center.

2.3 Research Gap

As the research gap is concerned there are many changes taken place in the Applicability of Tax Planning in Nepalese companies. Many years have already been passed since it came into applicability but less study had undertaken on the topic of A study on the Implementation of Tax Planning in Nepal in Nepalese context and most of the studies were related with theoretical aspects. So, this fresh study related to implementation aspect of tax planning in Nepal has been done in this research. The researcher has tried to analyze the existing problem faced by the business sectors in major market area of Kathmandu city and another industrial area of Nepal by conducting Field study, in order to know the practical experience of tax planning and its application. In this research the study period is considered up to fiscal year 2064/65. Data are both primary and secondary. But findings, suggestion and recommendations given in this report are based on current primary data analysis and annual report of IRD.

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the combination of two words research and methodology. Research means a careful investigation or inquire specially, through search for new facts in branch of knowledge. It is systematic and organizes effort to inquire about specific problems that need answer. Methodology is a systematic rules and procedures up to on which research is based.

3.2 Research Design

Research design is the specification of method and procedure for acquitting the information needed. It deals with what information is to be collected from which source and by what procedures. If research design is good, it ensures that the information obtained is relevant to the research has been carried out in terms of implementation of tax planning in Nepalese organizations. For an empirical investigation; an opinion of study has been conducted. Most of the data are information of the study were concerned with the opinion, experience and performance of the respondents. After the collection of data, this study analyzed and described its own procedure. Research design, thus is overall framework for the achievement of the goals and objectives of the research.

3.3 Nature and Source of Data

Mainly the primary source of data and information has been used in this research. In addition secondary sources of data rarely have been used in some extent. Data are collected in order to fulfill the objective of the study. Descriptive abstracts are taken from books, booklet, articles, newspapers, magazine, reports etc.

The sources of data can be divided into two parts:-

1. Primary Sources
2. Secondary Sources

❖ **Primary Sources**

Primary data are those fresh and original data which are collected and recorded by the researcher. Unpublished data from field study by questionnaire, mail, direct visit etc. are primary source. A set of some related questions were developed and distribution to the respondents in order to make accurate and actualization.

❖ **Secondary Source**

Published data like articles, news, thesis, books are secondary sources. The major source of secondary data for the study are;

- Published journals from Nepal Rastra Bank.
- Published report of IRD and its website (www.ird.gov.np)
- Published documents of Ministry of Finance like Budget Speech, Economy Survey etc.
- Published document of World Bank's reports, National planning commission and Central Bureau of Statistics report.
- Other related data records like economic journal, tax journal, business age, new business age, Income Tax Act, 2058 & Rules, 2059, Industrial Enterprise Act 2049. Kantipur, The Rising Nepal, Himalayan Times, Kathmandu Post, Gorkhapatra daily, website etc.

3.4 Population and Sample

It is very difficult task to study about the universe. In other words, an individual can't study about the universe. Therefore sample study had been done through 20 respondents of following nature of the companies is the table:

Table 3.1
List of Sample Companies

S.N.	Nature of Companies	Number
1.	Commercial Banks	6
2.	Insurance companies	4
3.	Manufacturing Companies	5
4.	Trading Companies	5
	Total	20

3.5 Procedure of Data collection

A set of Questionnaire was development and distributed to the selected respondents in order to get accurate and actual information. Some Questionnaire was administered in personal meeting with the respondents and additional information was also collected from interview of the respondents. And also data are collected from secondary sources.

3.6 Procedures of Data Presentation and Analysis

The result of each and every question out of the questionnaire was submitted respectively. Similarly they were ranked and planned in order by editing and coding. The view of the respondents about the questions was presented in respective orders so that the analysis was fully based on the respondents. The cumulative result of each question was described in the respondent language. The main priority was given to the highest support and decision of respondents. The support of the respondents were collected in the numerical form as well as in the language form. Finally, the conclusion and suggestion of the study were presented in summary.

3.7 Statistical Tools Used

For making analysis and interpretation of collected data from primary source the ranked tabulation and ranked correlation were used along with simple percentage as demanded by subject matters.

Rank correlation coefficient is the measurement of relationship between two variables with respect to their respective ranks it measures the degree of relationship between the two casualty related variables. The following formula is used to calculate ranked correlation coefficient:-

$$r_s = 1 - \frac{6 \sum d^2}{n^3 - n}$$

Where,

r_s = Spearman's rank correlation coefficient

d = Differentiate of corresponding ranks (i.e. $d = R_1 - R_2$)

n = Number of pairs of observation

It deals with the various analysis and interpretation of data.

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is the main body of the study, which solve the research problem for obtaining the specific goals of the research. It deals with the data and information collected form the primary sources, i.e. questionnaires, and interview and field study. It deals with the overall state of applicability of tax planning in Nepalese organization. It helps for summarizing the conclusion and findings for the research.

This chapter introduces the 20 sample units or private, public and government companies relating to various sectors like production and fertilization, commercial banks, trading companies and insurances companies about tax planning behavior.

4.2 Implementation scenario of Tax Planning in Nepal

In accordance with the Income Tax act, 2058, Income Tax Rules, 2059, Industrial Enterprise Act, 2049 and annual budgets. It was implemented as the replacement or improvement of tax facilities provided by government to the profit motive organization.

The most significant points of its implementation are to increase the tax sector and habits of pay tax to the government. It is the plan of government. But to decrease payment of tax to sue many type of facilities, that are provided by government. It can be seen and analysis the applicability of tax planning in Nepal as following.

4.3 Sample Analysis of Measurement

This measurement deals with the result obtained from various sector of the companies. It explains about the view and specific conclusion of the companies. The samples of 20 companies were observed with the help of questionnaire and personal interview for the following results.

4.3.1 Information About the Company

Among the 20 companies, there were 6 commercial banks, 5 production and manufacturing companies, 5 trading companies and 4 insurances companies. All companies are located in Kathmandu valley. Most of the companies are private and public companies. Tax planning is more concern to private and public companies because the government companies feel less responsibility about this matter.

4.3.2 Information about the Respondent

Out of these 20 respondents, 7 (i.e.2 from manufacturing companies, 2 from trading companies, 2 from commercial Banks and 1 from Insurance companies) were accountants, 5(i.e.2 from manufacturing companies and 3 from trading companies) were proprietors, 3 (1 from manufacturing company and 2 from commercial banks) were managers, and 5 (1 from manufacturing companies, 1 from trading company, 2 from commercial banks and 1 from insurance companies) were auditors. Most of them have at least three years of experience in related field study. They filled the questionnaires on personnel contract basis. Some of the questionnaires were filled using the local friends. Some respondents denied felling the questionnaires at first visit. However, the researcher became succeed to collect the questionnaires from all respondents listed as Sample Company well response of them. The researcher contact and visited to promote some tax officer and could gather some relevance information per refining to tax planning.

4.3.3 Familiar with Tax Planning

To know the familiarity of tax planning among the business houses (respondents) a question was asked. The result has been presented in the following table:

Table 4.1
Familiarities with Tax Planning

Options	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	3	4	6	4	17	85
No	2	1	0	0	3	15
Total	5	5	6	4	20	100

Source: Field Study, July 2009

From the table 4.1 is observed that 85% of the respondents have some knowledge of tax planning and remaining 15% of them are unknown about tax planning. However, they are utilizing the facilities provided by the Act knowingly or unknowingly. On the other hand those respondents who are familiar with the concept of tax planning replied that they have utilized every benefits provided by the government in terms of tax planning. The study shown that, especially some large production and fertilization, trading, insurance company and commercial banking sector based companies have properly utilized the tax planning to minimize the tax liability. Some of the organizations invite manager level meeting including accountant and broadly discuss about optimum benefits of tax concession, incentives, allowances, rebates and relief provided by tax laws. They used to audit their statements internally and externally by the export auditors. So, they are very careful about tax planning. Though there was system of tax planning in some extent because of confusing tax laws.

On the other hand 15% of the total respondents have not understood the concept of tax planning. It is very surprising to say that of the respondents said that they have the term tax planning but they have not understood its meaning. They were in confusion that tax planning means proper utilization of revenue by government. They said that they have used it to take advantages of the facilities provided by current law. It was also found that they have tried to minimize tax liabilities as less as possible by using the customer's satisfactions. In deed they said that they have cheated the government but give benefit to the customer by charging low price.

Form the above analysis it is observed that some businessmen known the concept of tax planning and have utilized it properly to reduce tax liability.

4.3.4 Reasons for not Familiarities with Concept of Tax Planning

To know the reason why they are not familiar with tax planning concept, the responses given by the respondents have been tabulated as follows:

Table 4.2
Reasons for not Familiarity with Tax Planning

S.N.	Reasons	Mfg. Com.	Trd. Com.	Comm. Bank	Insur. Com.	Total no. of Respondents	% of Respondents
a.	Idea and concept of tax planning	1	0	0	0	1	25
b.	Difficulty to follow the method of tax planning	1	1	0	0	2	40
c.	Lack of qualified manpower	0	1	0	0	1	25
d.	Other(self answer from respondents)	0	1	0	0	1	25
-	Total	2	3	0	0	5	100

Source: Field study, July 2009

The table 4.2 shows that, 25% of the total respondents (i.e. not familiar with tax planning, 5 respondents) said that idea and concept of tax planning are not clear. They said that depreciable assets have been defines according to pool 'A', 'B', 'C', 'D' and 'E'. But there are others assets like advertisement board, vehicles used for construction of public natures and capital nature which have not been clearly classified into different pool group.

Similarly, 40% of the total respondents (i.e. 5) said that tax planning is very difficult process to use determination of deductible expenses is chargeable to current year. Profit and loss account are confusing jobs, Pollution Control Cost, Research and Development cost are allowed for deduction at 50% of adjusted taxable business income are so difficult task in use. The excess Research and Development cost and Pollution Control cost are capitalized and depreciated under pool 'D' form next year. But calculation procedure of taxable business income is confusing in current tax law.

Similarly 25% of the total respondents viewed their concern towards lacking of qualified man power for tax planning as a major reason behind not using tax planning their reasons clearly indicate that the provisions of tax law are unstable or they are changed according to change government policy. Lack of energetic, young dynamic professional degree holder and fresh qualified manpower, special training, instability of tax law are the main cause for not using tax planning in some of the manufacturing and public enterprises. As a result, they attract towards

tax evasion not tax planning. So tax planning was still in practice in our country lack of stable was, clear concept and qualified manpower.

Similarly, 25% of the total respondents said that they did not want o pay tax to the government. They have bad habit, they used to follow any time which way is best or tax evasion and avoidance. They do not want to familiar with tax planning because they do not want to pay types of payment to the government.

4.3.5 Application of Tax Planning

The result of application of tax planning has been presented in the following table:

Table 4.3
Application of Tax Planning

Options	Mfg. Com.	Trd. Com.	Comm. Bank	Insur. Com.	Total no. of Respondents	% of Respondents
Very little	4	4	0	0	8	40
moderate	1	0	2	2	5	25
As much as possible	0	1	4	2	7	35
Total	5	5	6	4	20	100

Source: Field study, July 2009

The table 4.3 shows that of total respondents (i.e. 20), 40% of them are applied tax planning very little because they do not have practical knowledge of tax planning and prefer to apply tax evasion. They viewed that they have to adjust their expenses systematically to reduce tax liability under tax planning. But such adjustments of expenses had to be made even for tax planning. But they claimed that they needed to pay money either expenses like donation or as tax. From the above analysis, it is clear that the respondents do not know the true concept of tax planning. They have preferred tax avoidance to tax planning to reduce tax.

Similarly, 25% of the total respondents (i.e. 20) said that they applied tax planning in their company in an average. They claimed that they are not increased the expenses like donation, pollution control cost, Research and Development cost, Life Insurance, Medical expenses etc. As tax reducing device, rather they try to minimize their unnecessary expenses. They attempted to pay their tax payable to the government with out cheating. They want to make healthy

growth of economy and stability of economy by paying taxes without violating. Their attitude towards tax planning is neither positive nor negative. But they use some of facilities provided by the tax law properly and effectively.

Similarly, 35% of the total respondents replied that they apply tax planning as much as possible. They claim that tax planning is the facilities given to them by the government. So, they have taken the advantages of tax planning. They claimed that they usually assess their income/ profit with tax reducing tools. If such types of expenses like medical expenses, like insurance premium, research and development cost, pollution control cost, project planning, strategic planning and operational planning are helpful for reducing tax liabilities, they would utilized such expenses. They strongly believe that tax planning is very effective moral and legal way to minimize tax liability. So, the companies follow the tax planning as much as possible.

4.3.6 Implementation of Tax Planning

The result of the question “Is tax planning being implemented in Nepal?” has been presented in the following table:

Table 4.4
Implementation of Tax Planning in Nepal

Implementation	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	2	2	4	2	10	50
No	1	2	1	1	5	25
No idea	2	1	1	1	5	25
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.4 reveals that of the total respondents 50% of them viewed that tax planning is being implement in Nepal. Every taxpayer wants to minimize his tax liability by utilizing the maximum facilities of the tax law. Only the tax planning has been implemented for obtaining such purpose. So, they try to make strategic planning, project planning and operational planning by considering the facilities of the tax law. Tax planning has reduced the over burden

of the tax payers. Those who have to pay maximum tax can take advantage of tax planning. But small earner groups do not think about advantage of tax planning because their earnings is equal to or less exemption limit.

Similarly 25% of the total respondent's viewed that tax planning is not being implement in Nepal. The research shows that the practice of tax planning is increasing smoothly and gradually in Nepal. But industry of the tax payers has not understood about tax planning because it has vast concept and idea. There are various criteria that should be fulfilled for tax planning. A tax payer can not easily co-operate with this criteria. On the other hand, some tax payers have habit of tax evasion and tax avoidance which the fell easy due to weak tax administration. For the proper application of tax planning, there should be stable, clear responsible and situational tax law. In addition there should be proper administration about self-assessment. And corrupted persons should be punished strongly.

However, 25% of the total respondents said that they have no idea about implementation of tax planning. They are unanswered whether it is implementing or not. They are not being sure that tax planning was the solution of tax burden in Nepal. There may be various reasons about implementation and misused of tax planning in Nepal. They claimed they also feel some problem to implement tax planning because of deal meaning of some terms in tax planning like about business assets and non business assets. They also say that the some points of tax law are frequently changed in Nepal.

4.3.7 Difficulties to Implementation of Tax Planning

The question "Do you know any types of difficulties to implement of tax planning because of complicated?" The result of difficulties to implement of tax planning because of complicated are presented in the below table:

Table 4.5
Difficulties to implementation of Tax Planning

Options	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	5	5	4	3	17	85
No	0	0	2	1	3	15
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.5 shows that 15% of the total respondents said they had not a problem to implementation of tax planning in the organization. Another part of this answer, 85% of total respondents said that they had faced many types of problem to implementation of Tax Planning. So, there have very difficulties and complicated for the implementation of tax planning in Nepalese companies. These are as follows:

- Depreciation
- Statutory exemption, pension, life insurance, disable persons allowance, medial tax credit
- Donation
- Timing of Activity
- Capital Structure
- Location
- Remote Area
- Special Industry
- Pollution Control Cost, Research and Development Cost and Repair and Improvement Cost.

It is so difficult to implement above part of allowances, rebates, exemptions, concessions etc. another part is lack of consciousness, discretionary power of administration and lack of qualified manpower experts.

4.3.8 Reason for not properly implementation of Tax Planning

To know the reason for not properly implementation of Tax planning, the responses given by the respondents have been tabulated as follows:

Table 4.6
Reasons for not properly Implementation of Tax Planning

S.N	Reasons	Mfg. Com	Trd. Com.	Comm. Bank	Insur. Com.	Total no. of Respondents	% of Respondents
a.	Idea and concept of tax planning to implement	3	2	0	0	5	25
b.	Difficulty to follow the method of tax planning	1	2	2	1	6	30
c.	Lack of qualified manpower	1	1	0	0	2	10
d.	Other(self answer from respondents)	0	0	4	3	7	35
-	Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.6 shows that, 25% of the total respondents (i.e. not properly implementation of Tax planning, 20 respondents) said that idea and concept of tax planning are not clear. They said that depreciable assets have been defines according to pool ‘A’, ‘B’, ‘C’, ‘D’, and ‘E’. But there are others assets like advertisement board, vehicles used for construction of public natures and capital nature which have not been clearly classified into different pool group.

Similarly, 30% of the total respondents (i.e. 5) said that tax planning is very difficult process to use determination of deductible expenses is chargeable to current year. Profit and loss account are confusing jobs, Pollution Control cost, Research and Development cost are allowed for deduction at 50% adjusted taxable business income are so difficult task in use. The excess Research and Development cost and Pollution Control cost are capitalized and depreciated under pool ‘D’ from next year. But calculation procedure of taxable business income is confusing in current tax law.

Similarly 10% of the total respondents viewed their concern towards lacking of qualified man power. Lack of energetic, young dynamic professional degree holder and fresh qualified manpower, special training, instability of tax law are the main causes for not using tax planning in some of the manufacturing and public enterprises. As a result, they attract towards tax evasion not tax planning. So tax planning was still in practice in our country lack of stable law, clear concept and qualified manpower.

Similarly, 35% of the total respondents said that they did not want to pay tax to the government. They have bad habit, they used to follow any time which way is best for tax evasion and avoidance. They do not want to familiar with tax planning because they do not want to pay any types of payment to the government.

4.3.9 Method Applying for Reducing Tax Liability

There are many types of methods to reducing tax liability in practice. The respondents are replying in which more use in his companies is. For the simplicity the sample listed company divided into two category public and private company as above and they ranked separately which was shown in the following table:

Table 4.7
Methods of Reducing Tax Liability

S.N.	Methods	Rank by public co.'s Respondents (R ₁)	Rank by private co.'s Respondents (R ₂)	d=R ₁ - R ₂	d ²
a.	By taking advantage of loopholes in tax law	2	3	-1	1
b.	By utilizing tax concession, incentives, allowances, rebates and relief provided in existing law	1	1	0	0
c.	By exaggeration of expenses or suppressing the one or many sources of income	4	2	2	4
d.	By offer bribe to tax officer	3	4	-1	1
	Total			$\sum d = 0$	$\sum d^2 = 6$

Source: Field study, July 2009

Firstly, respondents of public companies gave priority to utilizing tax concession, incentives, allowances, rebates and relief provided in the existing law. They viewed that all the facilities are very much essential for the proper utilization and mobilization of resources and development. They are very sincere their duties and responsibilities towards the government. At first, they claimed that they do not search any weak points in the tax law to take advantages and never think about evasion. They are always responsible for their long-term duties. So, they

accepted to avail tax concession, incentives, allowances, rebates and relief for reducing their tax liabilities.

Secondly, the respondents of public companies gave second priority to by taking advantages of loopholes in tax law. It is the art of dodging tax without actually breaking the tax law. Without restoring to illegal ways, they effect reduction in tax liability. It means that, there are various chances of colorable devices in the current tax law. It was made easy to defeat the genuine spirit of law. Behind it, misrepresentation or twisting of facts, taking only strict interpretation of law and suppressing the legislative intent. Loopholes in the tax law thus may be defined as any planning activity which is done under the legal provisions but breaks the basic philosophy and spirit of tax legislature. It is legally permissible but unethical. So, if the companies want to reduce the tax liability by second ways, they used to adopt this method.

Thirdly, the respondents of public companies gave priority to the overstatement of expenses and understatement of income because it is the part or reducing tax liability. They do not want to do those types of work but if they failed the above methods after that they used to take those types of work but if they failed the above methods after that they used to take those types of action. In this case they could no saw the actual expenses and income. They make expenses greater than actual and make income less than actual. It is very dangerous activity to the government. So, as much as possible the government has been taken action in this case. Fourthly, the respondents of public companies gave priority to the give bribe to the tax officers because they are making complicated in every phase of assessment of income and expenses. So, if we gave some money, they are doing every thing which are we want. That is very complicated situation in our country.

In converse to this, private organization's respondents gave first priority to misrepresentation of income and expenses in Nepalese context. According to this research they were saying that, they did not want to pay any types of tax to the government. They want as much as possible reducing tax liability. So, it is a first priority to reduce the tax liability.

Secondly, respondents of private organization gave priority to taking advantages of loopholes in tax law. They mean to say that loopholes are the weakness of the law which the government

should avoid by proper tax administration. To take advantages of the loopholes in the tax are not illegal. So, the tax payers always try to do such work for reducing their tax burden. They use not only loopholes but also tax planning. In deed, they do not search only loopholes in the tax law but also in some courses where they get easily to take advantages of loopholes in the tax law. Most of the time, they use facilities provided by the tax law in their practical assessment purpose of the tax liability.

Thirdly, respondents of private organization gave priority to tax planning for the purpose of reduce the tax liability. They had a small number of qualified manpower; therefore they did not use to tax planning properly. Therefore they had given third priority to this method. It is a best way of reduce the tax liability in our country. The private companies are taking some advantages of tax planning. It is very sadness part of our country Nepal.

Fourthly, respondents of private companies gave priority to give bribe to the tax officer for purpose of reduce the tax liability. It is a very fraud work to reduce tax from the activity.

Rank correlation coefficient between public and private organization respondent's response relative to cause of methods applying for reducing tax liability.

$$\sum d^2 = 4 \text{ and } n = 4$$

$$r_s = 1 - \frac{6 \sum d^2}{n^3 - n}$$

$$= 1 - \frac{6 \times 6}{4^3 - 4}$$

$$= \mathbf{0.4}$$

The spearman's rank correlation coefficient (rs) between public and private companies responses and relative to cause of methods applying to reduce tax liability is positive i.e. 0.40.

There is positive correlation between public and private organization respondents' response with regard to methods of reducing tax liability. They accepted that methods of reducing tax liability is being applied more these day in Nepalese companies (i.e. private and public) have been same. The main methods to applying the reducing tax liability in Nepal are presented table- 4.7 and both types of organizations respondents' ranked them separately. Their attitudes for the methods of reducing tax liability are similar. The government should try to eliminate bribe, loopholes and exaggeration of income or expenses from all organizations.

4.3.10 Difficulties to Tax Incentives has helped to Tax Planning in Industrial Sector

The result of the present tax incentives have helped to plan tax industrial sector has been presented in the following table:

Table 4.8
Extent of Tax Incentives have helped to Tax Planning

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Very much	2	0	3	2	7	35
Sufficient	0	1	1	1	3	15
Somehow	1	2	0	1	4	20
Not at all	2	2	2	0	6	30
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.8 shows that, 35% of the total respondents said that present tax incentives helped to tax plan in industrial sector has been very much. They said that it was very good for the reduction the tax liability in industrial sectors. The law of income tax had been covered every where for the help to the industry.

Similarly, 15% of the total respondents said that about the tax incentives to tax plan is sufficient. They thought that it is sufficient for the tax plan to the present situation in our country. It means it helps to reduce the tax evasions and tax avoidance in the society. It helps

to make ethical environment of industrial sector. Every tax payers are paying tax fairly and they do not cheat forever.

Similarly, 20% of respondents said that it had been helped somehow. It is not sufficient for the tax plan in the Nepalese industries. But it could help some part of tax plan. It is uncompleted tax law, unpractical and uneasy to apply in assessment of income or expenses.

20% of total respondents replied that it is not only insufficient but also impractical incentives for the tax plan. It is not help to promote the tax planning but it should help to promote tax evasion and avoidance in industrial sector. It should have to need improve as soon as possible.

4.3.11 Suitability of Tax Planning to Minimize Tax Liability

To know the suitability of the tax planning for minimize tax liability. The result has been presented in the following table:

Table 4.9
Suitability of Tax Planning to Minimize Tax Liability

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	3	4	6	4	17	85
No	2	1	0	0	3	15
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.9 reveals that, of the total respondents, 85% of them believe that tax planning is very effective method to minimize tax liability whether they are used or not. The tax concession rebates and allowances to tax payers in order to enhance the healthy environment in the country. Thus, it is an arrangement of one's financial and economic affairs by taking complete legitimate belief of all deductions exemptions allowances and rebates so that tax liabilities reduced to minimum. The research shows that attitude towards tax planning is going on positively in Nepalese organization. But first of all government should take it very positively for providing awareness programmed to organization, effective improvement of administration, proper analysis and evolution methods followed companies.

On the other side 20% of the total respondents explained that the tax planning is not suitable for minimizing tax liabilities because most of the people have not understood the concept of tax planning. So, they are wrongly accepting tax planning. Tax planning has provided rebates, concessions and deduction for different location's industries etc. but only such facilities could not win the motivation of the respondents. They need good training stable facilities, securities and special support of the government. So, it is very vast and critical to get such facilities by the tax payers. They have not got moral support for tax planning. First of all, the government should have fair administration in tax application so that tax payer would be obliged for compulsory payment of tax. Then they think positively about tax planning. But tax payers are taking more advantages by cheating the government of tax evasion rather than tax planning. So, the government should increase positive perception about tax planning by clear concept and developing subsidiary facilities like infrastructure, security and moral support.

4.3.12 Misuse of Tax Planning as Tax Evasion and Tax Avoidance

The result of misuse of tax planning as tax evasion and tax avoidance in Nepal has been presented in the following table:

Table 4.10
Misuse of Tax Planning as Tax Evasion and Tax Avoidance

Alternative	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	2	2	1	2	7	35
No	1	2	4	1	8	40
No idea	2	1	1	1	5	25
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.10 shows that, 35% of the total respondents said that tax planning is being misused as tax evasion and tax avoidance in Nepal. There is weak tax administration in Nepal, so that tax payer can easily take advantages of the government. Most of the tax payers always show either nil tax liability or less tax liability. There is not deep investigation about tax liability. As a result, they think about tax avoidance and tax evasion. On other hand, the Tax Act has encouraged self assessment so that they can take their real liabilities easily for less tax

statement. They also complained that the facilities of tax planning have to be increased with moral support of the government. Similarly, only self assessment should not be accepted for tax assessment. These should be regular investigation on every self assessment.

On the other hand 40% of the total respondents responded that tax planning is not being misused as tax evasion and tax avoidance in Nepal. Tax evasion and tax avoidance also reduced the tax liability but these are different from tax planning. Rare tax payers follow tax evasion because of no provision for heavy punishment in Income Tax Act, 2058. This process naturally encourages themselves for tax evasion. Therefore, to overcome the problem of the avoidance, the government has to pay due attention on the tax avoidance and improve the paying behavior of people. It is found that, tax avoidance and tax planning are applied together by some companies. They claimed that both are legal. Because of unclear concept idea advantages of the loopholes and tax planning for reducing tax liability.

However 25% of the total respondents answered that they have no idea and experience about tax planning being misused as tax evasion and avoidance in Nepal. They never attempted to analyze any other organization about the ways for fraud and errors. They claimed that they are always responsible for their duties and are paying tax regularly to the government. They never try to apply tax evasion and avoidance because they do the business for long – term. The facilities provided by law should be utilized because it is the authority for every organization.

4.3.13 Methods used by Taxpayers for the Assessments of Tax

The tools of assessment for submitting the tax liability has been presented in the following table:

Table 4.11
The Tools of Assessment for Submitting the Tax Liabilities

Assessments	No. of Respondents	% of Respondents
Self-Assessment	20	100
Total	20	100

Source: Field Study, July 2009

The table 4.11 shows that of the total respondents 100% of them use self-assessment for submitting tax liabilities because income tax act 2058 has focused on the self assessment system. Self-assessment is the assessment done by assesses him at the time of submission filling return of income. They always use to submit their tax liabilities by taking advantages of concessions, rebates, relief, incentives, and allowances provided by the tax law. These were the facilities they could follow under self-assessment. There are varies levels of fine and penal for those who violate the tax law. So, they never take advantages of self-assessment. But, none of the respondents said that they use jeopardy assessment for submitting. The tax liabilities because this assessment is done under special circumstances according to income tax Act 2058-they are”

- When the person becomes bankrupt, is wound-up or goes into liquidation.
- When the person is about to leave Nepal indefinitely.
- When the person is otherwise about to cease activity in Nepal.
- When the department otherwise consider sit appropriate.

Where an assessment is made under jeopardy assessment with respect to a full income year, they would not file a return of income for the year. However with respect to part of an income year, the assessed person is still required to file a return of income of the year.

Similarly none of the respondents told that they use amended assessment for submitting tax liabilities because they are regular tax payer and never cheat to the government. So, there is not any doubt that tax officials have to make amended assessment to adjust their liabilities to tax in such a manner as, according to the department’s best judgments. While amending an assessment the Department is grant an opportunity in writing to produce proof, it any, in own favor with respect to the assessment specifying the basis that leads to the amendment and giving a time limit of 15 days.

4.3.14 The period of 10 years Rebate is Sufficient or not to the Scope of Tax Planning in Nepal

The result of the period of 10 years tax rebate is sufficient to increase the scope of tax planning in Nepal is the presented in the following table:

Table 4.12
The Period of 10 years Tax Rebate is Sufficient or not to the Scope of Tax Planning in Nepal

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	4	4	5	3	16	80
No	1	1	1	1	4	20
Total	5	5	6	4	20	100

Source: Field Study, July 2009

Table 4.12 shows that, of the total respondents of them 82% of them accepted that the period of 10 years tax rebate is sufficient to the scope of tax planning in Nepal. It is a very good chance for the businessman to improve the industrial sector. Another part of this rebates are, the government provided to his facilities for special industry only. These industries are directly connected with the whole economic system of the country. They help to increase the employment, technology and decentralization of the industries. These are highly undeveloped zone, undeveloped zone, underdeveloped zone, special economic zone, remote zone, it park and providing direct employment to 600 or more Nepalese citizens through-out the whole years. Another facilities provided by government is depreciation facilities for the special industries (entity only). They can deduct 1/3 more depreciation other than above features of industries. They are agreeing with the government policy. They said that 10 years time is more sufficient to increase the habit of tax planning in Nepal. In 10 years most of the industries should be earned profit from the industries. They could be done tax planning very efficiently.

Another part of the study is, 20% of the total respondents said that they was not satisfied the rebate system of the government. It is not only dedication of the government but also causes of increase the tax evasion and tax avoidance. It, the government wants to improve the tax planning system in Nepal, it should be changed recently. The inaccuracy of the system of tax planning that should be needed immediately changed is as follows:

- Time duration of tax rebates
- Area of tax free.
- Rate of tax.
- Transparency etc.

4.3.15 The Tax Exemption, Rebates, Deduction and Concession granted to the Company under the Existing Tax Law is Sufficient or not

The result of the tax exemption, rebates, deductions and concessions granted to the company are the presented in the following table:

Table 4.13
The Tax Exemption, Rebates, Deduction and Concession granted to the Company under the Existing Tax Law are Sufficient or not

Alternative	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	2	4	5	3	14	70
No	2	1	1	0	4	20
No idea	1	0	0	1	2	10
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The Table 4.13 shows that, of the total respondents, of them 70% of them accepted that the tax exemption rebates, deductions and concession granted to the company under the existing tax law are sufficient. They are able to reduce enough tax liabilities with the help of tax planning by using exemptions, deductions, rebates and concessions of existing tax law. All facilities provided by existing law are satisfactory but it is very vast in language and difficult to understand. There is a lot of confusion in some section and sub-section of the Act. They always claim about their facilities provided by the act in different ways of project planning, operational planning and strategic planning. Those facilities have made them successful in every step of their business law.

Opposing to this 20% of the total respondents said that the tax exemptions, rebates, and concession granted to the company under the existing tax law are not sufficient because the amount of rebates, concessions etc. should be given in descending order according to time period. The newly established company should face various problems in strategic planning, project planning and operational planning. So, they must be provided maximum incentives, rebates, and concessions etc. in the beginning and reducing in the years to come. In addition, they said that only such types of facilities can not play great role in the progress of the company they need security, moral support, technical support, financial support, feasibility

development etc, by the government. They claimed that the government in Nepal has made systematic policy and laws the aristocratically but the practical is more difference. So, such types of supportive activities should be maintained to make such exemption, supportive activities should be maintained to make such exemption, rebates, deductions and concessions sufficient. They also suggested that the amount of rebate, deduction, exemption and concession should be increased. Similarly the period of carry forward should be extended. One respondent also added that the facilities of carry back ward to all the organization should be equally provided.

In the same way 10% of the total respondents responded that they are unknown about tax exemption rebates, deductions and concessions provided in existing tax law. They are using some facilities but have no ideas to analyze. Whether these facilities or not. They are using some facilities for reducing their tax liabilities but they can not decide that these facilities are sufficient or not.

4.3.16 Following are the Important Area of Strategic Planning

a. Tax Consideration while Deciding Location of Business

Table 4.14
Tax Consideration while Deciding Location of Business

Options	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	3	4	6	4	17	85
No	2	1	0	0	3	15
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.13 reverts that. Of the total respondents 85% of them consider tax factor at the of deciding location of business. Various important factors which should be considered while deciding the location of a firm are infrastructure facilities, nearness to product market. Tax benefits etc. specially non-manufacturing companies like banking, insurance, trading etc. don't compromise in case of location. They usually established people gather area but they consider tax benefits in that area too.

In contrary to this 20% of the total respondents do not consider tax fact while deciding their location. They give priority to other facilities of that particular area. Some of the respondents said that this policy of category the whole nation into four reasons (developed, underdeveloped, undeveloped and remote) from the view point of balanced regional development. But this policy of the government has not been effective due to lack of essential factors like infrastructure, peace, market, availability of raw materials ,manpower etc. Which are very necessary precondition.

b. Considerations of Nature of Business for Tax

Tax consideration at the time of selecting nature of business has been presented in the following table:

Table 4.15
Tax Consideration at the Time of Selecting Nature of Business

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	4	2	6	4	16	80
No	1	3	0	0	4	20
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.16 shows that, 80% of the total respondent’s consider tax factor of the time of selecting nature of business. They should that they are attracted to invest those selectors in which the act provides more and more facilities. At the same time, being a profit oriented businessman, they always consider the profit or loss calculation while investing any sector. Almost of the respondents view that on of the respondents said that deciding about nature of business is one of the most important strategic decision at the time of setting up of new firm or expansion and diversification of business activities of an existing firm.

On the other hand 25% of the total respondents didn’t consider tax benefits while deciding the nature of business. They told that they invest in those sectors where they look profit or can be lived easily. Some of the respondent’s replied that they invested only for professional in spit of bearing business losses. But, they are optimistic about future. From taxation point of view,

while deciding the nature of business preference should be accorded to industrial units as tax benefits are available only to those units.

c. Tax Considerations at the of Merge and Amalgamation of Companies

Tax consideration at the time of merge and amalgamation of companies has been presented in following table:

Table 4.16
Tax Considerations at the time of Merge and Amalgamation of Companies

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	5	3	6	4	18	90
No	0	2	0	0	2	10
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.15 shows that, of the total respondents, 90% of them consider tax factors while deciding merge and amalgamation decisions. They said that amalgamation is an important instrument of tax liability. A profit making company may merge with a loss make company in order to claim certain tax benefits which would result in deduction in the tax liability? It would also help in the carry forward of losses of loss-making company to be set off against the profit deserved from the business of the profit making company. A non-industrial company may merge with industrial company in order to reduce tax liability.

In country to this 15% of the total respondents do not consider tax factor while taking merge and amalgamation decision. Actually, they never plan for strategic purpose and are unknown about tax planning. They do not know that tax factor is an important while making merge and amalgamation decision and how this helps to reduce tax liability.

4.3.17 Following are the Important Areas of Project Planning

a. Tax Consideration at the Time of Acquisition of Fixed Assets

Tax consideration at the time of acquisition of fixed assets has been presented in the following table:

Table 4.17
Tax Consideration at the Time of Acquisition of Fixed Assets

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	5	5	6	4	20	100
No	0	0	0	0	0	0
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.19 shows that 100% of all respondents accepted that they give tax consideration at the time of acquisition of fixed assets. They can make tax planning while acquiring fixed assets needed for running their business activities. These are mainly two ways of acquiring fixed assets: leasing and buying. The issue to be consider is cash out flow, tax protect in respect of depreciation as well as interest on borrowed loan is allowed for deduction. So, they said to evaluate both the options before making purchase decision of fixed assets. On other hand none of the respondents said that they do not give tax consideration at the time of acquiring fixed assets. they said to be on the point of maximum incomes from less expenditure. As a result, their after tax incomes will be more.

b. Tax Consideration at the time of Expansion and Diversification of Business

Tax consideration at the time of expansion and diversification of the business has been presented in the following table.

Table 4.18
Tax Consideration at the Time of Expansion and Diversification of Business

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	4	2	5	2	13	65
No	1	3	1	2	7	35
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.17 shows that 65% of the total respondents told that they use to consider tax at the time of expansion and diversification of the business. They consider tax rebate, concession, incentives etc. such facilities also encourage them for the expansion and diversification of the

business. So, they plan on such facilitated area for the expansion of the business. They are diversity small business into large scale business. As a result, they would develop economic stability in the country.

On other hand 35% of the total respondents stated that they did not consider tax at the time of expansion and diversification of the business. They expand and diversify their business when they are financially strong. So, they do not afraid of paying tax, when they could increase their income.

c. Tax Consideration at the time of Making or Buying Decision

Tax consideration at the time of making or buying decision has been presented in the following table:

Table 4.19
Tax Consideration at the Time of Making or Buying Decision

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	5	5	6	3	19	95
No	0	0	0	1	1	5
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.18 shows that 95% of the respondents said that they give tax consideration at the time of making or buying decision. Through which way, they decrease their tax liabilities with the help of tax planning is their main concern. How long they can pay interest on their loan while making or buying. At that time they observe the tax planning facilities in both decisions.

In contrary to this, 5% of the total respondents said that they do not give tax consideration at the time of making or buying decision. They said they have to pay taxes at any cost on both decisions. There is not so more difference on each decision. Wherever they get facilities, they have to face some difficulties like time limit or any agreement. So, they do not give so more tax consideration on both decision but they get main priority to income. They focus on cost, quality of products, regularity in the supply of the product etc. rather than tax benefits.

d. Tax Consideration at the time of Disposal of Fixed Assets

Tax consideration at the time of disposal of fixed assets has been presented in the following table:

Table 4.20
Tax Consideration at the time of Disposal of Fixed Assets

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	3	4	6	4	17	85
No	2	1	0	0	3	15
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.20 shows that 85% of the total respondents explained that they give tax consideration at the time of disposal of fixed assets. They consider about depreciation and capital gain tax when they would sell at more than purchase price. But the Act has not made any specific provision regarding capital gain (loss). As a result, items of similar nature are treated differently. Capital gain except from disposal of business assets of an individual are not allowed for deduction. In case of other tax payers, capital gains are not allowed for deduction. Such diverse treatment has been arisen confusion. Income Tax Act, 2058 has avoided such confusion. The act has treated depreciable assets, business assets, and non-business chargeable assets as capital assets, and non-business chargeable assets, as capital assets and gains realized from disposal of such assets as capital gain.

In the other hand 15% of the total respondents said that they do not give tax consideration at the time of disposal of fixed assets. They said that they have to sell at less than purchase price which they reduce at the time of calculation of depreciation. They sell at which price they can get but tax consideration is not their main focus.

e. Tax Consideration at the time of Modernization, Replacement, Repairs and Renewal of Existing Assets

Tax consideration at the time of modernization, replacement, repairs and renewal of existing assets has been presented in the following table.

Table 4.21
Tax Consideration at the time of Modernization, Replacement, Repairs and Renewal of Existing Assets

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	2	4	6	4	16	80
No	2	1	0	0	4	20
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.21 shows that 80% of the total respondents said that they give tax consideration at the time of modernization, replacement, repairs and renewal of existing assets because tax facilities would help to reduce their tax liabilities. They can reduce 7% repairs and maintenance cost from their incomes. They search the ways of deductible expenses on the above activities.

On the other hand 20% of the total respondents said that they do not give tax consideration at the time of modernization, replacement, repairs and renewal of existing assets. These are their compulsory work. So, they are concerned only on 7% repairs but do not search other additional alternatives. They keep tax consideration as secondary purpose.

4.3.18 Following are the Important of Operational Planning.

a. Tax Consideration at the time of Choice of Method of Accounting

Tax consideration at the time of Choice of Method of Accounting has been presented in the following table:

Table 4.22
Tax Consideration at the time of Choice of Method of Accounting

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	3	2	6	4	15	75
No	2	3	0	0	5	25
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.22 shows that 75% of the total respondents said that they give tax consideration at the time of choice of method of accounting. Income Tax Act, 2058 has specified the methods

of accounting in section 22. Subject to this Act, an individual or an entity should keep record of income and expenses according to generally accepted accounting principle (GAAP). An individual should record on case-basis and entity should record on accrual basis. Although a company is required to account on an accrual basis, in respect of banking business the department may accept accounting policy formulated by Nepal Rastra Bank in accordance with Nepal Rastra Bank Act, 2058 and other prevailing banking acts. Especially modern organizations use latest methods of accounting system.

In contrary to this 25% of the total respondents said that they do not give tax consideration at the time of choice of method of accounting. They said that are compulsory books prescribed by the Act for individual, partnership and company. Either facts or late they have to record liabilities in both method of accounting i.e. cash basis and accrual basis. They argued that methods of accounting do not affect in a company's tax liability if we consider as a long term.

b. Tax Consideration at the time of Production Decision

Tax consideration at the time of production decision has been presented in the following:

**Table 4.23
Tax Consideration at the Time of Production Decision**

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	5	3	4	2	14	70
No	0	2	2	2	6	30
Total	5	5	6	4	20	100

Source: Field Study. July 2009

The table 4.23 shows that 70% of the total respondents said that they would give tax consideration at the time of production decision. They try to utilize maximum resources on which they get tax consideration facilities, like remote area allowances, concessions, subsidies etc. on their production function. Manufacturing industry as categorized in section (3) of Industrial Enterprises Act, 2049 has been said as special industry.

They mean to say they minimized tax liabilities by tax planning in respect of production decision.

In converse to this 30% of the total respondents said that they do not give tax consideration at the time of production decision. Their main objective is to increase production and extend their market. They would search such marketers where they earn maximum income. Tax liabilities are their secondary objectives.

c. Tax Consideration at the time of Personal Remuneration

Tax consideration at the time of personal remuneration has been presented in the following table:

Table 4.24
Tax Consideration at the time of Personal Remuneration

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	4	4	5	3	16	80
No	1	1	1	1	4	20
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.25 shows that 80% of the total respondents said that they give tax consideration at the time of personal remuneration. Tax planning in respect of remuneration payment should be viewed from the point of view of employers as well as employee. In planning for employment income, tax planner should employ this expenditure scheme in such a way that benefited. The employer should see that which was spent on employees was allowed to be deducted while computing business income.

In other hand 20% of the total respondents mentioned that they do not give tax consideration at the time of personnel remuneration. They mean, they provided facilities to employees for receiving more remuneration but they do not take such remuneration as their tax reduction source. It is because they almost have no idea about reducing tax liability by providing personal remuneration.

d. Tax Consideration at the time of Avoidance of Penal, Fine and Prosecution

Tax consideration at the time of avoidance of penal, fine and prosecution has been presented in the following table:

Table 4.25
Tax Consideration at the time of Avoidance of Penal, Fine and Prosecution

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	3	3	4	2	12	60
No	2	2	2	2	8	40
Total	5	5	6	4	20	100

Source: Field Study, July 2009

Table 4.26 shows that 60% of the total respondents explained that they give tax consideration at the time of avoidance of penal, fines and prosecution. They try to bear less tax increase of penal fines and prosecution. But they never try to do such behavior of fines prosecution. They use to submit correct tax liability regularly.

On the other hand same percent of the total respondents mentioned that they give tax consideration at the time of avoiding penal, fines and prosecutions. They mean to say that there are not any facilities for avoiding such penal, fines and prosecution. So, they never make any tax consideration for such fines. Actually, they pays fines and penalties if do any mistakes against the law.

4.3.19 Tax Planning Factors which are Considered by the Companies

The result of the questions for the factors are considered for the tax planning in your company is as follow:

Table 4.26
Tax Planning Factors which are Considered by the Companies

Tax planning Factors	Mfg. Co.	Trd. Co	Comm. Bank	Insu. Co.	Total no. of Respondents	% of Respondents
Depreciation & Donation	2	2	4	0	8	40
Location, Timing of Activity & Capital Structure	2	1	1	1	5	25
Depreciation, Donation, Location, Timing of Activity & Capital Structure	1	2	1	3	7	35

Total	5	5	6	4	20	100
-------	---	---	---	---	----	-----

Source: Field Study, July 2009

Table 4.27 shows, that 40% of the total respondents said that according to the answer of the question, they use to time to tax planning are considered depreciation and donation. Because these factors are mostly practice in those companies and another reason are application of those factors are very easy.

Depreciation factor is the best way to reduce tax liabilities. It is a non-cash expense for the companies, so the companies want to use as much as possible. There are many types of depreciation system are practice in our business area, these are Diminishing Balance Methods, Straight – Line Depreciation Methods, Sum of Year’s Digits Methods, Method Accelerated Cost Recovery System (MACRS) and Double Declining Balance Method. Bu, Diminishing Balance Methods and Straight-Line Methods are very popular at now days.

Similarly, 20% of the total respondents said that they are considered these factors for the tax planning in those industries are location of the business, timing of activity and capital structure. They gave first priority to area of business because government is granted many types of facilities, rebates and allowance for the location. The government categories to the location in difference sectors, these are Remote Area, Undeveloped Zone, Under-developed zone, Highly Undeveloped Zone and Special Economic Zone. Another part of the location are categories in five-division, these4 are area ‘A’, ‘B’, ‘C’, ‘D’ & ‘E’. The government provides different types of facilities to the different types of location. So, the investors are thinking about the location of the business. Second priority is giving to Timing of Activity because it is a very important part of tax planning in ever sector of losses, 4 years carry backward of losses, 7 years carry forwards of losses and set-off of losses from another sources. It can help to save the tax liability in the income year. Third priority gave to capital structure. If, the company needs capital from the loan, bank loan, issuing equity share, issuing debenture and private money lender. They said that they applied more profitable sector for fulfill of the capital.

On the other hand 35% of the total respondents are use to all sectors as much as possible to reduce tax liability. They always think how to reduce tax liability from the legal ways. They want to utilize the facilities, rebates and allowance that are provided by the government.

4.3.20 Complication in Tax Planning in the Company

Any complication in tax planning in the company has been presented in the following table:

Table 4.27
Complication in Tax Planning in the Company

Options	Mfg. Co.	Trd. Co.	Comm. Bank	Insur. Co.	Total no.of Respondents	% of Respondents
Yes	4	4	5	2	15	75
No	1	1	1	2	5	25
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.28 shows that 75% of the total respondents said that they have complications in tax planning in their companies. Because tax law was very confusing, controversies, difficult to understand, dual meaning, unclear section and sub-section which have brought a great problem in terms of tax planning. On the other hand, most of the tax payers try to reduce tax liabilities both legally and illegally because of such problems. They also feel such problems in the tax rebates, concessions, incentives etc. They do tax facilities like tax rebates, concessions, incentives etc. They do tax planning in the sections where they feel easy and legal. The tax law had provided various tax facilities to the taxpayers but such facilities have not been correctly applied in their company. They did tax planning on which they found legal, fair and easy. Indeed, they can not be able to utilize the tax planning fully because of unclear idea and concepts.

In country to this 15% of the total respondents explained that they do not have complications in tax planning in their companies. They mean that they try to utilize the tax planning facilities in the tax law. They explain the tax planning concept according to

the norms of the tax law. They adjust such facilities like rebates, subsidies, deductions, timing of activities, location section, and exemption limit into systematic way so that tax liabilities will be minimum. They proved some confusion with logic and clarification while making tax planning. Through tax idea and concept are difficult to understand, they used to study thoroughly and do the same.

4.3.21 Practice of Tax Evasion and Avoidance in Nepal

Respondent's believes regarding practice of income tax evasion and avoidance has been presented in the following:

Table 4.28
Respondent's View Regarding Practice of Tax Evasion and Avoidance in Nepal

Options	Mfg. Co.	Trd. Co.	Comm. Bank	Insur. Co.	Total no.of Respondents	% of Respondents
Yes	3	4	4	3	14	70
No	2	1	2	1	6	30
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.29 reveals that 70% of the total respondents, of them believed that income tax evasion and avoidance are being practice in Nepal. They said that income tax evasion and avoidance tendency are increasing in Nepal because of Tax Department's negligence. The business tax payers includes all types of tax payers who takes an obligation to pay carrying business such as public corporation, private corporation, semi-public corporation, partnership and sole trading business. The numbers of tax payers belonging to business are increasing each year in Nepal. But the number of statement being submitted in the tax department are not increasing accordingly. Some organizations follow tax evasion and tax avoidance due to various reasons to minimize the tax liability. They said that this is very easy way of tax planning to reduce tax liability. They said that this is very easy ways of tax planning to reduce tax liability. Specially, small business units are enjoying income tax evasion and tax avoidance in Nepal due to lack of weak administration of Tax Office.

However, 30% of the respondents have no idea to decide whether tax evasion and tax avoidance are practice in Nepal or not. Actually, they have no idea about tax evasion and tax avoidance. But some of the facilities provided by Act are used by them and they are familiar with some methods of tax evasion.

4.3.22 Avoidance of Tax Evasion and Tax Avoidance Behavior of Nepalese Tax Payers

For the simplicity, the sample listed company divided into two viz. Public and private company. Executives were asked to ranked these five factors of location in order of their priority i.e. 1 to 5 if an executive wanted to give top priority to infrastructure facilities, this factor was given rank 1, and as much the least important factor was given ranked 5. This has been done separately for public and private organization. The overall result has been presented in the following table:

Table 4.29
Response Relating to Avoidance of Tax Evasion and Avoidance Behavior of Nepalese Tax Payers

S.N.	Methods	Rank by public co.'s Respondents (R ₁)	Rank by private co.'s Respondents (R ₂)	d=R ₁ - R ₂	d ²
a.	Educating tax payers by training	5	2	3	9
b.	Simplifying tax laws in terms of language section, sub-section etc.	3	3	0	0
c.	Timely assessment of taxes	2	4	-2	4
d.	Incentives to regular tax payers	1	1	0	0
e.	Effective implementation fines and penalties	4	5	-1	1
	-	-	Total	∑d=0	∑d ² =14

Source: Field study, July 2009

Firstly, respondents of public organization gave priority to incentives to regular tax payers. They told that evasion and avoidance behavior of Nepalese tax payers be avoided by giving incentives to regular tax payers. So that they will be very happy to submit correct the liability in the time. If, the government increase more facilities to tax payers then the application of tax planning can be used broadly i.e. tax payers may avoid the tax evasion and tax avoidance.

Secondly, the respondents of public companies responded that tax evasion and tax avoidance behavior of Nepalese tax payers can be avoided by timely assessment of taxes. They said that tax evasion behavior of Nepalese tax payers can be avoided by timely assessment of tax. They mean to say that there must be proper evaluation about self-assessment. Such types of observation warn the tax payers to submit the correct the tax liability in a prescribed time limit.

Thirdly, they told that tax evasion behavior of Nepalese tax payers can be avoided by simplifying tax laws in terms of language, section and sub-section etc. It is very hard to understand and interpret the Income Tax Act because of vast language, dual section and sub-section etc. So, they agreed that use of tax evasion and tax avoidance can be reduced if tax law is simplifying in terms of language, section and sub-section ect.

Fourthly, they told that tax evasion and tax avoidance behavior of Nepalese tax payers can be avoided by fine and penalties in some extent. Fine and penalties warn those who use to reduce tax liability in illegal way. They view for charging fines and penalties to avoidance income tax evasion and tax avoidance in Nepal. Otherwise, the behavior of tax evasion and avoidance can not be stopped.

Fifthly, they told that tax evasion and tax avoidance behavior of Nepalese tax payer can be avoided by providing training to tax payers. They said that most of tax payers are not qualified about the systematic use of tax facilities provided by tax law. Training is believed to them clear about tax confusion.

In converse to this, private organization respondents gave first priority to incentives. They said that tax evasion and avoidance behavior of Nepalese tax payers could be avoided by

giving incentives to the regular tax payer. The incentives play a vital role to use application of tax planning for all organizations. If the tax payers are satisfied with the facilities provided by Act and the facilities help to reduce enough tax liabilities, then the use of tax evasion and avoidance will be decreased. Incentives encourage them to accept the tax law and submit their correct tax liabilities.

Secondly, the private organization's respondents gave priority to provide training for all tax payers to avoid tax evasion and tax avoidance in Nepal. They said that most of the tax payers are unknown about tax planning, practice, method and system of tax planning etc. Therefore, they try to use tax evasion and avoidance to minimize their tax burden. Only the format and books of tax statement provide by Inland Revenue Department can not be enough for minimizing tax liability by using facilities of tax law in tax planning.

Thirdly, they gave priority to simplify tax laws in terms of language, section, sub-section, reference etc. Moreover, every section has been explained by the reference of another section which is difficult to link each other.

Fourthly, they suggested for the timely assessment of taxes to avoided tax evasion and tax avoidance behavior. They submit correct or artificial statement of income which must be observed time to time. Such types of timely assessment behavior may avoid tax evasion behavior in some extent.

Fifthly, they have supported fines and penalties system. But, they view that fines and penalties should be last instruments to avoid tax evasion and avoidance. They view that showing tax liability should be maintained by self-discipline. Indeed, they gave least priority to fines and penalties.

Rank correlation coefficient between private and government organization respondents relative importance of avoiding tax evasion and tax avoidance behavior in Nepalese Organization.

We Know,

$$\sum d^2 = 14 \quad n = 5$$

$$\begin{aligned} \text{Spearman's rank correlation coefficient (} r_s \text{)} &= 1 - \frac{6\sum d^2}{n^3 - n} \\ &= 1 - \frac{6 \times 14}{5^3 - 5} \\ &= \mathbf{0.3} \end{aligned}$$

Spearman's rank correlation coefficient (r_s) = **0.3**

Tax evasion and tax avoidance are an important tool which helps to decrease tax liability illegal and unethically. It helps to decrease the government revenue. So, it must be controlled by tax office. The public and private organizations' respondents ranked them separately which are shown in table 4.30.

The rank correlation coefficient between public and private organizations' respondents is positively correlated to each other i.e. 0.3, it implies that the attitude towards controlling tax evasion and tax avoidance behavior in Nepalese organization is generally difference between public and private organizations'. The tools is different the important view as assigned by the public and private organizations' for avoiding income tax evasion and avoidance income tax evasion and avoidance in table 4.30. Public organizations' focus on incentives and timely assessment where as private organization focus on incentives and training.

4.3.23 The Cause of Income Tax Evasion and Income Tax Avoidance in Nepal

For the simplicity the sample listed company divided into two viz. public and private company as above and they ranked separately which was shown in the following table:

Table 4.30

**Response Relating to Cause of Income Tax Evasion and Avoidance of
Public and Private Organizations' Respondents in Nepal and overall
Ranking of each**

S.N.	Causes	Rank by public co.'s Respondents (R ₁)	Rank by private co.'s Respondents (R ₂)	d=R ₁ - R ₂	d ²
a.	Loopholes in tax law	8	9	-1	1
b.	Higher income tax rate	6	7	-1	1
c.	Tax administration	1	1	0	0
d.	Wide-spread illegal business	3	2	1	1
e.	High corruption	2	3	-1	1
f.	Poor tax paying habit	4	8	-4	16
g.	Complicated in tax law	7	6	1	1
h.	Open border with India	5	4	1	1
i.	Political undisciplined	9	5	4	16
	Total			∑d=0	∑d ² =38

Source: Field Study, July 2009

Firstly, the respondents of public companies gave priority to tax administration system. Administration always plays a vital role to implement rules, regulation, laws, and politics system effectively. In Nepal, because of weak tax administration system use of tax evasion and avoidance are increasing day by day. So, the government should improve it rapidly as much as possible to manage with tax evasion and tax avoidance process. The Private organizations respondents gave same priority administration system. View of the private respondents the regulation of tax administration effectively is pre-requisite to avoid tax evasion. They argued that tax administration system being very weak in Nepal. Most of the organizations are able to enjoy tax evasion and avoidance. Therefore, they suggested that tax evasion and avoidance are eliminated easily if the government has transparency effective tax administrative system.

Secondly, the respondents of public companies focused poor tax paying habit as one of the major reason to promote tax evasion and avoidance. They said that they are always loyal towards. The public companies never think about tax evasion and avoidance and follow the rules and regulation honestly. They further added that some private companies often deny paying tax and searching from minimizing their tax liabilities as much as possible using tax planning or tax evasion and tax avoidance or all. The private companies' respondents gave second priority to the wide-spread illegal business due to open border with India. They argued that illegal business are increasing day by day affectively adversely to other legal business holders.

Thirdly, the respondents of public organizations gave priority to wide-spread illegal business. In Nepal illegal business is drastically increasing day by day. The major reasons behind the drastically illegal business are to earn huge profit by the investors in short period. And therefore, the investors pretend to hide the real information about transaction. This process naturally leads to promote tax evasion and tax avoidance. But, the respondents of private organizations view that the high corruption as a major cause for promotion tax evasion and avoidance in Nepal. Many literature shows that corruption always encourages using tax evasion and avoidance. Since, the corruption is being promoted day by day in Nepal. So, tax evasion and avoidance is also promoted directly or indirectly because of corruption. Therefore it has been highly and seriously suggested to punish all participating parties to control tax evasion and avoidance with encouragement to promote, develop and regulate effective punishment system.

Fourthly, the respondents of public companies gave priority to the high corruption to causes of tax evasion and avoidance in Nepal. They told that the corruption is the very thing for the evasion of tax liability. The private companies' respondents gave fourth priority to complicate to the tax law. The act is very hard to understand and interpret it because of vast language, dual section and sub-section etc. so, most of the organization do not have the knowledge of tax planning and therefore, are unable to imply in practically in their organization. Because of this, they are unable to imply in practically in their organization.

Because of this, they use tax evasion and avoidance to minimize the tax liability through it is illegal and unethical.

Fifthly, public companies respondents gave priority to open border with India. It is one cause of income tax evasion and avoidance in Nepal. It is also that Nepal is land locked countries at three sides by India. India is biggest trade partner of Nepal. The illegal business are increasing due to open border policy with India. Many goods are brought with out paying import tax and sold affecting Nepalese product market. Another part of this study is private companies respondents gave fifth priority to poor tax paying habit. They claimed that their responsibility towards government is increasing day by day in Nepal. The government should tempt them with additional facilities to encourage tax paying system and develop the habit of paying tax among them.

Sixthly, the public organizations' respondents focus to complication in tax law. The income tax act, 2058 is not simple in terms of language and there is not different provision of tax planning. The respondents of private organizations gave sixth priority to open border with India. It is one cause of income tax evasion and avoidance in Nepal. The illegal business are increasing due to open broader with India. Many goods are import without paying import tax. So, it is a very difficult situation to our country Nepal. As soon as possible the government has taken action to this situation.

Seventhly, both companies' respondents focused to political undisciplined as seventh priority. They view that political leaders are not fully commitment towards the people. The frequent change in government is the main reason which adversely affects the policy and strategy. This situation does not allow policies to be uniform, consistent so that implementation task became a difficult job. This situation certainly helps to promote tax evasion and avoidance in Nepal.

Eighthly, the respondents of public companies are giving priority to higher income tax rate. Most of the respondents said that income tax rate of Nepal is not too high as compare to other other developing country. But they further added that facilities should be added on

the favor of all organization. The respondents of private companies gave priority to loopholes in income tax laws. Some of them informed to researcher that they also applied loopholes i.e. weak points of tax law, to minimize tax liability. Loopholes in income tax law are instruments of tax avoidance. Tax avoidance is taking advantage of the loopholes and lacuna in tax provision. It is the art of actually breaking the law. It is not illegal but unethical.

Lastly, the respondents of public companies gave priority to the loopholes in income tax laws and private companies' respondents gave priority to higher income tax rate in Nepal.

Rank correlation coefficient between public and private organization respondent's response relative to cause of income tax evasion and avoidance.

$$\sum d^2 = 38 \text{ and } n = 9$$

$$r_s = 1 - \frac{6\sum d^2}{n^3 - n}$$

$$= 1 - \frac{6 \times 38}{9^3 - 9}$$

$$= \mathbf{0.69}$$

The spearman's rank correlation coefficient (r_s) between public and private organizations' responses and relative to causes of income tax evasion and tax avoidance is highly positive i.e. **0.69**.

There is high correlation between public and private organizations respondents' response with regards to cause of income tax evasion and avoidance. They accepted that tax evasion and avoidance are being applied more these day in Nepal. And their view regarding the cause of tax evasion is almost same. The main causes of income tax evasion and avoidance in Nepal are presented in table 4.31 and both organizations respondents' ranked them

separately. Their attitudes for the causes of tax evasion and avoidance are mostly similar. The government should try to eliminate tax evasion strategy from all organization.

4.3.24 Tax Deducts at Source

The result of tax deduction at source has been presented in the following table:

Table 4.31
Tax Deduction at Source

Alternatives	Mfg. Com.	Trd. Com.	Comm. Banks	Insur. Com.	Total no. of Respondents	% of Respondents
Yes	2	3	6	4	15	75
No	3	2	0	0	5	25
Total	5	5	6	4	20	100

Source: Field Study, July 2009

The table 4.32 shows that 75% of the total respondents said that they deduct tax at source because they have to pay dividends, interest on deposit, debenture, and debt certificate payment of rent to natural person, gain on investment insurance, unapproved retirement fund, royalty, accumulated leave pay, part time remuneration and meeting fees. Such types of payments should be compulsorily paid after tax at source as per income tax act, 2058.

On the other hand 25% of the total respondents explained that they do not deduct tax at source because tax at source is not required to be made on the following payment:

- Payment of interest to a resident bank or other residential financial institution.
- Payment made by an individual other than in conducting a business of payment of rent for the lease of a building.

4.4 Major findings of the Study

If we are find extra new things in this study that is called major findings of the study. That was not practice before this study. It helps to identifying the result which are and are not meet the objectives of the study.

4.4.1 General Findings

- Tax Planning is most scientific, modern and new innovation in the field of taxation.
- Tax planning has been most essential alternative of reduce tax liability for tax payers and most essential alternative of tax evasion, tax avoidance and tax delinquency for the government.
- Most of the business man or respondents are lacked with the concept of the tax planning. They are facing problems of how to reduce tax liability in legal way.
- All of the company follows tax planning in respect of all the field of their activities like operating planning, project planning and strategic planning.
- There are a vast gap between theory and the implementation of tax planning in Nepal.
- The concept of tax planning is technical, analytical, comparative and strategic to use in practical lives. So, the performance of tax planning depends on the skill, knowledge and experience of the manpower.
- Existing nature of taxable revenue in Nepal has been still been in poor condition. It means that Income Tax Act, 2058 has not been able to collect enough revenue according to the plan made on theory.

4.4.2 Findings From the Primary Data

- The opinion survey shows that the familiarities of tax planning are 85% of the total respondents have some knowledge and 15% of the respondents are unknown about tax planning (i.e. 20 respondents).
- According to survey, reasons for not familiarities with tax planning are idea and concept of tax planning, tough to follow the methods of tax planning, lack of qualified manpower and do not want to pay tax to the government. The majority is lack of qualified manpower. It means the education level of the tax planning need to be improved in future.

- The opinion survey shows that the application of tax planning in Nepal is very little. Among 20 respondents, majority (40% said very little, 35% as much as possible and 20% said moderate).
- According to this survey, methods of reducing tax liability are taking advantages of loopholes, use of tax planning, exaggeration of income and expenses and negotiation with tax officer. Private and public company both applied comparatively same in Nepalese industry.
- 50% of the total respondents (i.e. 20 respondents) were said that they no problem to implement the tax planning. Whereas remaining 25% said that they have been problem in implementation of tax planning and remaining 25% said that they no idea about taxation.
- According to Survey 85% (i.e. 20 respondents) said that there is a difficulties to implement the tax planning and remaining said that (15%), there is no difficulties to implement the tax planning .
- 35% respondents said tax incentives have helped to tax planning very much, 15% respondents accepted sufficient to T.P., 20% respondents accepted some how helped to T.P. and 30% accepted it is not sufficient to tax planning.
- Most of the viewers are fever of suitability of tax planning for minimizing tax liability (i.e. 85% of 20 respondents).
- 35% respondents said that tax planning is being misused as tax evasion and tax avoidance, 40% of them said is not being misused as evasion and avoidance, & 25% of them answered that they have no idea and experience about tax planning being misused as tax evasion and avoidance in Nepal.
- According to study, all the respondents use self-assessment for submitting tax liability (i.e. 25 respondents).
- 80% of respondents are accepted that the period of 10 years tax rebate is sufficient to improve industrialization in Nepal.
- 70% of them accepted that the tax exemption, rebates, deductions and concession granted to the company under the existing law are sufficient, 20% are not agree with this tax law and 10% of them have not any idea about it.

- Most of the respondents were considered tax factors while deciding merge and amalgamation, at the time of deciding location, at the time of selecting nature of business, at the time of expansion and diversification of the business, time of making or buying and time of acquisition of fixed assets decision.
- Opinion survey shows that 85% of the total respondents said they consider tax at the time of disposal of fixed assets.
- 80% of the total respondents are accepted that they consider tax factor at the time of modernization, replacement, repair and renewal of existing assets.
- 75% of them accepted that they considered tax factor at the time of choice of method of accounting. And 25% are not considering tax factor.
- According to this study 65% are considered and 35% are not considered tax factor at the time to marketing decision.
- At the time of personal remuneration 80% of the total respondents considered tax factor.
- 60% are considered and 40% not considered the tax factor at the time of avoidance of penal, fines and prosecution.
- Opinion survey shows that 75% of the total respondents told that they have complications in tax planning in their companies and 25% of the total respondents explained that they do not have complications in tax planning in their companies.
- Most of the respondents accepted that tax evasion and tax avoidance are being practice in Nepal.
- According to this study, government could decrease tax evasion and tax avoidance using some methods, these are timely assessment of taxes, incentives to regular tax payers, to improve tax law, effective implementation of fine and penalties and to five effective training about tax planning. Government could give same priority to both nature of companies to improve the system of tax evasion and avoidance.
- Opinion survey shows that 75% of total respondents said that they deduct tax at source. And 25% of the total respondents said that they they do not deduct tax at source.

CHAPTER- V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter deals with overall findings of the study, its conclusion and recommendation and area of further research. The next attempt in this chapter will be made for the suggestions on the basis of findings. This chapter is sub-divided into summary, conclusion and suggestions.

5.1 Summary

Tax planning is defined as a plan where by the tax payers makes use of all the concession or facilities available to him under tax law and pays the minimum possible tax. It is an art and science of planning the companies operations in such a way as to attract the minimum liability to tax with the help of various concessions, allowances and relief's provided for in the tax law. Tax planning is one of the most important functions of management. It is the new and innovative concept and it requires technical and critical mind to plan tax burden can be minimized by using all the weapons given by the laws. Due to over influences of tax evasion and avoidance, most of the companies has ignored tax planning. Tax evasion and avoidance discourage by the tax planning. Tax planning is a very important for every business organization, because it helps to reduce tax liability in legally and ethically.

The study absolutely has some limitation but such impact will not affect usefulness of the study in a significant manner. Lack of trained manpower for the application of tax planning, complication in tax law, term of language, section and sub-section, use of tax revenue by the government, stable system of tax planning are main problems of this study.

The first chapter with the general background of the study, objectives of the study, statement of the problem, significance of the study, organization of the study, research methodology and limitation of the study. The main objectives of the study are to analyze

the effectiveness of implementation aspect of tax planning in Nepalese industries. In addition, offer to Nepalese organization to apply tax planning based on the above study.

The second chapter included that the review of the related books, thesis, article, rules and regulation etc. Which include the conceptual framework on the different views of different writer books and articles. The conceptual framework sheds lights on concept of tax planning, tax avoidance, tax evasion, tax management. It attempts to explore the scope of tax planning under Income Tax Act, 2058 as strategic tax planning and operational tax planning. Selection of the business, selection of product, selection of location, selection of sources of capital etc. are the areas of strategic planning. On the other hand acquisition of fixed assets, repair and maintenance cost, pollution control cost, research and development cost, stock valuation system, donation, personnel remuneration, etc. are the area if short-term or operational tax planning. This chapter also covers about the situation of income tax evasion and avoidance in Nepalese industries and methods of tax evasion, avoidance and delinquency. At last, review of literature has attempted to review the study is done so far on the related topic of a study on effectiveness of implementation aspect of tax planning in Nepalese industries.

Third chapter related with research methodology followed in this study. It has included the research design, nature and source of data, producers of data collection, procedures of data presentation and analysis and statistical tools used. Most of the data and information of the study were concerned with the opinion, experience, interview and performance of the respondents in additional, secondary data were not included in this study. Basically, the sources of primary data are; opinion, survey through questionnaire and interview field visit and mailing information of the respondents.

The fourth chapter is the most important in this study. Because all the new innovation are included in here, all the information about the tax planning are here and all there findings to help met the objectives of this study are also included in this chapter. This chapter introduces the 20 sample units of private companies and public companies relating to various sectors like production, finance, investment trade and commerce about tax

planning behavior. The collections of each questionnaire are presenting and analysis in fourth chapter. The ranked and tabulated used along with sample percentage ranged correlation as demanded by subject matters.

5.2 Conclusion

Finally, it can be explained that no of respondents states their weakness. All of the respondents that they are always on the favor of tax law. They always support the norms and value of the tax law. Most of the respondents said that the government has provided various facilities to them on the law but the government has not been able to implement the system of the law in practical life. The government has made strict punishment for those who break the tax law but there is less moral support and subsidies for those who respected the law. The government always looks them as the means of revenue collection. But the government has not helped on their operation problem, strategic problem and existing problem but active for charging tax.

In fact, there was discrimination of the government to look after and behave large scale and small scale industries. They explained that tax evasion and tax avoidance are made by the tax payer on the support of tax administrators. Even tax administrators do not pay their duties and responsibilities equally. As a result, the norms of the tax law also take advantage of loopholes and tax evasion behavior of the tax payers. There is not correct implementation of tax law in practice for those who makes the tax law violated and ignore it for the personal interest. Similarly, due to lack of timely tax administration, there is imbalance in the system of tax law.

Indeed, we can say that tax concessions, rebates, subsidies, allowances etc. have priorities to remote, underdeveloped and undeveloped areas. But only such facilities can not promote the industries in those areas until there is infrastructure development like road, bridge, communication, water supply, electricity., market labor, technology etc. From some years ago, there is not any development program of the government. As a result, the condition of the industries is being poor. Unless there is balanced development, such tax

facilities can not make stable tax revenue or increase tax revenue or control tax evasion behavior of the tax payers.

In addition, income tax is administered directly by Inland Revenue Department. It is responsible for the implementation and administration of the Act. The government is the highest authority of the tax administration. The act has empowered the government to establish tax officers of the department and prescribe their jurisdiction by notification in Nepal Gazette to facilitate the department in fulfilling its responsibilities. Thus we can say that the rules and regulation of tax administration are very systematic in theory but incomplete in practice. By establishing many tax offices, the government has increased over staffing and expenses. So, over staffing should be controlled and there should regular supervision of every staff for duties. It means that every transaction should be transparent.

On the other hand, there is increasing habit of tax evasion in some tax payers but the administrators do not control such behavior. They also participate for the benefit of such evasion. So, they make individual discrimination for tax evasion and avoidance. Because of the negligence and support, tax evasion and avoidance behavior are increasing. It means that there is vast gap between theory and practice. Some tax payers search for loopholes of the tax law and take advantage of them. This is legal but unethical which also affect the revenue of the government. This means that tax payers try to reduce tax liabilities at any cost.

Similarly, the act has provided tax planning facilities to avoid illegal and unethical behavior of the tax payers. But the tax payers feel the difficulties to complete the criteria of the tax planning. They have to bear more expenses for labour, materials, transportation, fuel, go down, insurance and so on but could not get the price according to cost. It means that they are obliged to charge more cost which the general people could not afford. People strike for the high price of the product. But the government does not provide subsidies to reduce price. Because of poor condition of the companies, they can

not earn more so that the tax planning can not be effective in this condition. As a result, they are obliged for tax evasion and tax avoidance for the payment of less tax.

As a matter of fact, tax law is not clear, and special for on terms of language, section, sub-section etc. every section has been described by the presiding and sub-section. Such types of confusion in tax law make puzzle to the tax payers. They had to call for the tax expert even for general tax planning. So, it adds. They conclude that there should be good facilities provided by the tax law. As a result, they are encouraged for tax planning at every aspect of their activities.

Likewise, the taxpayer with respect of paying tax is entitled to enjoy the right to get respectful behavior, right to receive tax related information as per prevailing laws, right to get the opportunity of submitting proof in favor in respect of tax matters, rights to appoint lawyers or auditors for defense etc as per section 74 of the Act.

Related with the aspects like depreciation, marketing decision, method of accounting and decisions relating to personnel remuneration, revaluation of assets and avoidance of penal, fines and prosecutions all of which are directly or indirectly influenced by tax provisions. Out of the 20 respondents 80% of respondents have some knowledge of tax planning and remaining 20% of them are unknown about tax planning. The respondents, familiar with the tax planning have properly utilized every benefits provided by income tax act of tax planning. The main reasons of not following tax planning are unclear of tax planning, hard to follow the method of tax planning, lack of qualified manpower. All the tax payers (respondents) use self-assessment for submitting tax liabilities. Similarly, around 80% of respondents (i.e. 20) consider the factor at the time while deciding of location of business and remaining 20% does not.

Similarly 80% of the total respondents (i.e. 20) said that they give tax consideration at the time of choice of method of accounting. Around 85% of the total respondents (i.e.20) told that they have complications in tax planning in their companies. 80% of the total respondents (i.e.20) believed that income tax evasion being practice in Nepal, and 5% of

them have no idea about it. The main ways of avoiding income tax evasion and avoidance are educating tax payers by training, simplifying tax laws in term of language section, sub-section etc, timing assessment of taxes, and incentives to regular tax payers and fine and penalties. The rank correlation coefficient between private and government organizations, respondents are highly negative in terms of avoiding tax evasion and avoidance behaviors in Nepalese organization. But it is highly positive in terms of cause of income tax evasion.

In conclusion, every company accepted that they were under the rules and regulation of tax law. Similarly, they commented to the government's weak points. They mentioned difficulties of tax act and said that tax evasion and avoidance was made by the support of the tax administrator. There was vast different in the treatment of large and small companies even for the same matter. Indeed, they accepted that was vast gap between concept and implementation of tax planning in Nepalese Companies.

5.3 Recommendation

The forgoing discussion shows that Nepalese companies in general have been taking advantages of the tax benefits in their strategic planning, project planning and operational planning. By supporting the all summary and conclusion, we found that most of the company does tax planning but the degree of tax planning depends upon the strategy, and plan made by the company. Large scale of company can spend more in tax planning activities made by tax experts. Similarly, tax planning has not been used properly in practice. There is not proper administration about the effectiveness of implementation of tax planning in Nepal. Only the rules and policies could not be enough for the collection of correct tax revenue and supervision of the government so that any problem seen at the time of implementation of tax planning could be easily solved. In fact, there should be positive support of every aspect for the proper implementation of tax planning in Nepal. In conclusion, tax planning has not been implemented according theory in practice lack of co-operation of all the responsible parties.

On the basis of the research study, effectiveness of implementation aspect of tax planning in Nepal is progressive though it has not achieved its objective as intended. So, there are still so many problems which are facing by the government and business sector to apply tax planning successfully. On the basis of major findings and conclusion, following recommendations have been made for implementation of tax planning in Nepal.

1. Tax Incentives for Revival of Sick Units

Our study has shown that in spite of the fact that industrial sickness is one of the serious problem before the government, very little has been done for the revival of sick units carry forward and carry backward of losses. It being hardly started that the revivals of sick units require both fiscal and financial incentives. Unfortunately, neither Income Tax Act nor Industrial Enterprise Enterprises Act provides for any tax incentives for rehabilitation of sick units. This is in addition to other financial and non-financial assistance, including incentives, to be provided by the government and financial institution for the revival of sick industrial units.

2. Provision of Best Judgment Assessment in True Spirit

It is suggested that the provision of best judgment assessment should be put to use in its true spirit. During our study, it was reported that the provision of best judgment assessment is being misused by tax officers. The tax law provides for best judgment only when a taxpayer does not submit return or submit incorrect returns. Tax officers generally, reject the returns on the ground that accounts are incomplete or incorrect but there may be correct account by twisting the fact. Many a times, assessment is done on negotiation between the tax payers and tax officer, under such a situation the tax officer is even bribed in order to minimize tax liability. If tax liability is decided by the agreement of two parties, the spirit of tax planning will not be of much use. Many companies may not use tax planning as they might intend to settle their future assessment through negotiation.

3. Provision of Interest on Unpaid Tax and Refund

Under Income Tax Act, 2058 (section 94) a tax payer is required to pay tax by three installments i.e.40%, 70% and 100% by the end of Poush, Chaitra and Ashad respectively. On the request of tax payer, the tax officer can extend the payment period not exceeding three months in total as multiple extension (section 98, ITA, 2058). Similarly, interest for failure to pay tax (section 119, ITA, 2058) is 15% p.a. for each month and part of a month on the amount of tax outstanding. Respectively, there is provision of fine and penalties for failure and misleading statement in ITA 2058. Against these provisions, of a company appeals to the Revenue Tribunal or Department of Taxation, it avoids payment of even fee, not to talk of interest, which is common practice. Many private enterprises abuse the appeal system to defer tax payment for several years. If the company losses of the case, it is required to pay the payment of unpaid tax only.

In order to minimize the misuses of the appeal system, it is suggested that the taxpayers should pay the unpaid tax along with interest, similarly, if the refund is to be made the tax payers along with interest.

4. Tax Rebates to Non-Industrial Company Setup Industrially Backward Areas

Earlier, tax rebate and additional allowances were available in different Act like Industrial Enterprises Act etc. however, now all tax rebate and additional allowances are available only in Income Tax Act, 2058. All the related matters provided in different Acts have been removed from respective Acts. If industry is providing direct employment to 600 or more Nepalese citizens throughout the whole years, 90% of the applicable tax rate (20%) is applied for the year. The industry operating in remote, undeveloped and underdeveloped area will have to pay 70%, 75% and 80% of the applicable tax rate (20%) respectively up to ten years commencing from and including the year in which the operation commences. Thus, these rebates are not available to non-industrial unit's setup in these areas. From the point of view of equity, it is felt that the necessary amendments should be made in this section to enable all companies. Whether industrial or non-

industrial to take benefit of tax rebate and accelerate the pace of industrialization in these regions.

5. Different Tax Rate for Residential and Non-Residential Companies

Under the existing provision Of Income Tax Act, 2058, both resident and non-resident companies in Nepal are required to pay at the same flat rate. Thus, no distinction is made between domestic company and foreign company so far as tax rate is concerned. It may be noted that in many countries including India, Belgium, New Zealand, Indonesia, Germany, foreign companies are taxed at higher rate than domestic companies. We fell that in Nepal also tax rate should be higher, say 40% in case of foreign companies as against 20-30% in case of domestic companies because of difference in the scope and coverage of the taxable income of these two groups of companies. A domestic company pays tax on the worldwide income, while a foreign company is required to pay tax on income earned in Nepal only. So, tax rate should be higher than domestic companies.

6. Separate Tax Section to be Setup by Companies

We have found, during the course of our investigations that not even in a single company there was a separate tax section or even a tax executive. In all sample companies, matters relating to tax were looked after by a finance officer/account officer along with his other financial/ accounting functions. Considering the importance of tax planning, it is recommended that there should be a separate tax section headed by a tax executive under department particularly in large and medium companies to discharge all functions relating to tax management, including tax planning.

7. To change Administration System

Income tax evasion and avoidance can be controlled by efficient, honest, trained and effective tax administration. Following steps should be taken in this regard:

1. There should be control on corruption. Tax personnel should have high penalty if they are involved in corruption.

2. A separate centre observation committee should be established under the finance ministry. This step was done by government to achieve the target revenue collection.
3. Proper co-ordination should be established among tax department's should be established among tax department of commerce and industry to obtain information regarding taxpayers
4. Proper tax planning and scientific way of tax collection should be made tax office.
5. Salary and other facilities of the tax personnel should be adequate so that they can maintain their living standard.
6. Long term tax policy should be developed in the country.
7. Tax personnel should be co-ordination and helpful with tax payers
8. Handsome rewards should be given to person who gives the information about tax evasion and avoidance.

8. Others

1. Government should create and environment of strong and full political commitment.
2. The training should be given to the registered businessman in order to make them able to maintain tax planning system.
3. The technology is changing; it is the challenge of the 21st century. So in the record keeping, computer system and networking program must be developed and linked so as to apply tax planning in industries.
4. The IRD should conduct regular seminars, meetings and interaction with good co-ordination business sector to create position attitudes towards in implementation of tax planning.
5. Current fine and penalty is strong so keep it same.
6. Open boarder is also a main problem for a successful implementation of tax planning. So, it should effectively be controlled to prevent the illegal trade and checking should be in practiced.

BIBLIOGRAPHY

Books

- Adhikari, B. (2002). *Income Tax Law: Then and Now*. Kathmandu: Bhrikuti Academic Publication.
- Agrawal, J. (2004). *Income Tax: Theory and Practice*. Kathmandu: Buddha Academic Publisher and Distributors.
- Bhattari, I. and Koirala, G.P. (2007). *Tax Laws and Tax Planning*. Kathmandu: Dhulagiri Books and Stationeries Putalisadak.
- Birds, R.M. (1992). *Improving Tax Administration in Development Countries*. Washington D.C.: Internal Monetary Fund.
- C.R. Kothri (1990). *Research Methodology: An Introduction, Research Methodology Methods and Techniques*. (2nd edition). New Delhi: Vishwa Prakashan.
- Denning, Basil W. (1971). *Corporate Planning: selected concepts*. U.K.: McGraw Hill Book Company (U.K.) Ltd. Quoted by Sukumar Bhattacharya, Mohinder. N. Kaura (1979). 'Relevance of Corporate Tax Planning to Corporate Planning'. The Chartered Accountant.
- Dhakal, K.D. (2008). *A Hand Book of Tax Law and Tax Planning in Nepal*. Kathmandu: Shanker Dev Campus.
- Kandel, P.R. (2007). *Tax Law and Tax Planning in Nepal*. (4th reprint edition). Kathmandu: Buddha Academic Publisher and Distributors Pvt. Ltd.
- Khadka, R.B. (2001). *Income Taxation in Nepal: Prospect and Retrospect's*. Kathmandu: Ratna Pustak Bhandar.

- Lal, B.B. (1996). *Direct Taxes, Practice and Planning. (9th edition)*. New Delhi: Konarka Publishers Pvt. Ltd.
- Ojha, P.k. (1993). *Taxation Law*. Kathmandu: Pairavi Prakashan.
- Sinivas, E.A. (1989). *Handbook of Corporate Tax Planning*. New Delhi: Tata McGraw Hill Publishing Company Limited.
- Wolff, H.K. and Pant, P.R. (2002). *A Handbook for Social Science Research and Thesis Writing. (3rd edition)*. Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.

Journals and Articles

- Bhattra, M. (1993). Facilities Provided by Industrial Enterprise Enterprise Act 1992: An Analysis. *Rajaswa*. Lalitpur, RTC Year 13. Vol. 2.
- Chander, Subhash and Om Prakash. (1984). Tax Planning and New Business in India. *Indian Journal of Commerce*, Vol.37. No. 141 pp. 53-63.
- Chander Mani Adhikari (Apr-May 2006). *Nepal Ko Kar Niti*, Prasasan Ra Sanghatan Tatha Tesko Karyanoun Pachheya. *Rajoshwo*. Lalitpur, RTC. Year 26, Vol-1.
- Ghimire, Bamsidhar (2050). Principle of Direct Tax and Provision of Direct Tax. *Rajoshwo*. Lalitpur, RTC, Year 13, Vol-2.
- Kandel, P.R. (2003). Are Tax Incentives Useful? If so when one? *Rajaswo*. Lalitpur, RTC Year 23, Vol-2.
- Kumar, P. (1984). Tax Planning, Corporate Growth and Investment in Large India Companies. *India Journal of Commerce*. Vol. 37, No. 141, p. 46-52.
- Ministry of Finance, Gov/N (2003-2004). *Finance Act*. Kathmandu: MOF.
- Ministry of Finance, Gov/N (2006/07-2007/2008). *Budget Speech*. Kathmandu: MOF.

- Ministry of Finance, Gov/N. (2006/2007). *Annual Report of Inland Revenue Department*. Kathmandu.
- Ministry of Industry, Gov/N (1992). *Industrial Enterprises Act, 1992*. Kathmandu: Ministry of Industry.
- Ministry of Law and Justice, Gov/N. (2001). *Income Tax Act, 2001*. Kathmandu: Ministry of Law and Justice.
- Pande, D.P. (1985). Corporate Tax Planning and Effective Tax Incidence. *Indian Journal of Commerce*. Vol. 38, No. 142, pp. 98-106.
- Pandey, T.N. (January 27, 1994) What is the Correct Approach to Tax Planning? New Delhi. *The Economic Times*.
- Rai, Abinath (Feb, 2000). Soyam Kar Nirdharan Ra Aaya Biberan. *Rajoshwo*. Lalitpur RTC Year 26, Vol-3.
- Thapa, G.B. (December, 2001). Tax System and its Reform. *Business Age*. Vol. 4, No. 12.
- Trephati, Surendra M. (Jan-Feb, 2006). Aadhunik Kar Prasasan Ka Bibidh Pacchhyahauru. *Rajoshwo*, Lalitpur RTC Year 26, Vol.-4.

Thesis

- Acharya, S. (1994). *Income Taxation in Nepal: A Study of its Structure, Productivity and Problems*. An Unpublished Master Degree Thesis, Kathmandu: Central Department of Economics, Tribhuvan University.
- Agrawal, G.R. (1978). *Resource Mobilization for Development: The Reform in Income Tax in Nepal*. Kathmandu: CEDA.
- Bhandari, H.B. (1994). *Contribution of Income Tax to Economic Development of Nepal*. An unpublished Master Degree Thesis, Kathmandu: Central Department, T.U.

- Bhattarai, R.K. (1997). *Effectiveness of Corporate Income Tax in Nepal*. An Unpublished Master Degree Thesis, Kathmandu: Central Department, T.U.
- Kandel. Puspa Raj, (2000). *Corporate Tax System and Investment Behaviour in Nepal*. An Unpublished Ph.D. Thesis, New Delhi: Department of Commerce Delhi School of Economics, University of Delhi.
- Karki, Bidur (2005). *Theory and Practice of Tax Planning in Nepal*. An Unpublished Master Degree Thesis, Kathmandu: Central Department of Economics, Tribhuvan University.
- Lamsal, B.K. (2002). *A study on Contribution of Income Tax on Government Revenue*. An Unpublished Master's Degree Thesis, Kathmandu: Central Department of Economics, Tribhuvan University.
- Marahatta, Surya Prasad and Khatioda, Ananda Prasad. (1970). *Fundamental of Nepalese income Tax: with up to date financial directives and regulation*. An Unpublished Ph.D. Thesis. Kathmandu: Central Department, T.U.
- Panta, Parmeshor. (1996). *A Study on Income Tax Management in Nepal*. An Unpublished Thesis, Kathmandu: Central Department, T.U.
- Poudel Kshatry, Karna Beer. (1997). *Corporate Tax Planning in Nepal*. An Unpublished Ph.D. Thesis. Kathmandu: Central Department, T.U.
- Sigdel, Ramesh.(2005). *A Study on Income Tax Management in Nepal*. An Unpublished Master Degree Thesis, Kathmandu: Central Department, T.U.

Website

www.ird.gov.com.np

www.google.com

APPENDIX-1
A Study on the Effectiveness of Implementation of Aspect of Tax Planning in Nepal

Questionnaires

Dear Sir,

I would like to introduce myself as a student of **Shanker Dev Campus**. In order to fulfill the partial requirement of Master's Degree in Business Studies (M.B.S) of Tribhuvan University, I am going to prepare a dissertation on "A study on the Effectiveness of Implementation of Aspect of Tax Planning in Nepal". Would you provide me necessary information for the following questionnaire in the research work?

I also promise that the information supplied by you will be exclusively used for academic research purpose only.

Thanking you.

Name of the respondent
Designation
Office/Organization
Address
Telephone No
Date

1. Are you familiar with the concept of tax planning?
(a) () (b) ()

2. If not, please give reasons for not familiar with tax planning concept?
 - a. idea and concept of tax planning are not clear ()

- b. difficulty to follow the methods of tax planning ()
- c. lack of qualified manpower ()
- d. others (if any, please specify) ()

3. To what extent tax planning has been applied in your organization?
 (a) very little() b) Moderate() c) As much as possible ()

4. Which of the following methods do you like to prefer for reducing tax liability?
 Please rank them in order of preference from most (1) to least (5) respectively.

S No.	Methods	Rank
1.	By taking advantages of loopholes in tax law	
2.	By utilizing tax concession. Incentives, allowances, rebates, relief provided in the existing law	
3.	By exaggeration of expenses or suppressing the one or many sources of income	
4.	By offer bribe to tax officer	
5.	Any others (please specify)	

5. Do you know any types of difficulties to plan tax because of complicated or impractical tax incentives?
 a) Yes () b) No ()

If yes, Please specify:

- i.
- ii.

6. Is tax planning being implementation in Nepalese Companies?

- i. yes ()
- ii. No ()
- iii. No idea ()

7. To what extent the present tax incentives have helped to plan tax in industrial sector?

- a) Very much ()

- b) Sufficient ()
- c) Somehow ()
- d) Not at all ()

8 In your opinion, is the tax planning suitable for minimizing tax liability?

- a) Yes () b) No ()

9. Do you believe that tax planning is being misused as tax evasion and tax avoidance in Nepal?

- a) Yes () b) No () c) No idea ()

10. Which assessment procedure do you use for submitting the tax liability?

- a. self-assessment ()
- b. jeopardy assessment ()
- c. amended assessment ()

11. Do you think the period of 10 years tax rebate is sufficient to increase the scope of tax planning in Nepal?

- a) Yes () b) ()

If no, what should it be?

- a.
- b.
- c.

12. Are the exemption, rebates, deduction and concessions granted company under the existing tax law sufficient?

- I i. Yes ()
- ii. No ()
- iii. No idea ()

13. Following are the important of strategic planning. Please indicate whether the company takes tax consideration in these areas.

S. No.	Areas	Yes	No
1.	Location of Business		
2.	Merger and Amalgamation of companies		
3.	Nature of Business		
d.	Any other are (please specify)		

14. Following are the important areas of project planning. Please indicate whether tax consideration is given in these areas by the company.

S. No.	Areas	Yes	No
1.	Expansion and Diversification of Business		
2.	'Make' or 'Bye' decisions		
3.	Acquisition of fixed assets		
4.	Disposal of fixed assets		
5.	Modernization, Replacement, Repairs		
6.	If any (please specify)		

15. Following are the important areas of operational planning. Please indicate whether tax consideration is given in these areas by the company.

S. No.	Areas	Yes	No
1.	Choice of methods of accounting		
2.	Production decisions		
3.	Marketing decisions		
4.	Personal remuneration		
5.	Avoidance of Penal. Fines and prosecution		
6.	Any other area (Please specify)		

16. Which factors are considered for the tax planning in your company?

- a. depreciation ()
- b. donation ()
- c. location ()
- d. timing of activity ()
- e. capital structure ()

17. Do you have any complication in tax planning in your company?

- i. Yes ()

ii. No ()

18. Do you believe that income tax evasion being practice in Nepal?

a) Yes () b) No () c) No idea ()

19. How tax evasion behavior on Nepalese tax payer can be avoided? Rank them in order of preference from most (1) to least (5) respectively.

S. No.	Areas	Rank
1.	Education tax payer by training	
2.	Simplifying tax laws in term of language, and products	
3.	Timely assessment of taxes	
4.	Incentives to regular tax payers	
5.	Fines and penalties	

20. What are the causes of income tax evasion in Nepal? (Rank them in order of preference from most (1) to least (8) respectively).

S. No.	Causes	Rank
1.	Loopholes in income tax laws	
2.	Higher income tax rate	
3.	Tax administrative inefficiency	
4.	Wide-increase illegal business	
5.	Complicated income tax laws	
6.	Open border with India	
7.	Political disturbances	
8.	Any other (please specify)	

21. Does your company deduct tax at sources?

a) Yes () b) No ()

22. What are your suggestions and recommendations regarding tax incentives and tax planning in Nepal?

.....
.....

Thank you very much for your kind co-operation.

APPENDIX-2
Tax Rate to Entities

S.n	Type	Tax Rates
1.	Bank, financial institution, general insurance company or entity established under Nepal Petroleum Act, 2040	30%
2.	Special industry established in remote area (for 10 years form the years of commencement) (0.7*20%)	14%
3.	Entity wholly operating as special industry	20%
4.	Special industry established underdeveloped areas (for 10 years form the year commencement) (0.7*20%)	15%
5.	Special industry established underdeveloped area (for 10 years form the year of commencement) (0.8*20%)	16%
6.	Entity that has operated any road, bridge, tunnel, rope-way, flying bridge etc. constructed by the entity.	20%
7.	Entity wholly engaged in the projects to build public infrastructure, own, operate and transfer it to government, or entity engaged in poor generation, transmission and distribution.	20%
8.	Entity that has earned income from export	20%
9.	An entity has earned income import	20%
10.	Income of as estate of a decrease resident individual, or trust of an incapacitated resident individual	Tax applicable to natural persons
11.	Repatriated income of foreign permanent establishment of an non-residential person situated in Nepal	10%
12.	Taxable income of a non-residential person providing shipping, air transport or telecommunication services.	5%
13.	Special industry providing direct employment to 600 or more Nepalese citizens (0.9*20%)	18%
14.	For other entities not specified above	20%

APPENDIX – 3

Payment of Final Withholding or Advance Tax

Section	Types of Payment	Rate of Withholding Tax	Final or Advance
87	Remuneration	Normal Rate	Advance
88.3&92	Interest on deposit, debenture, debt certificate and government bond not related to business paid to natural person by bank, financial institution, entity issuing debenture or company quoted at stock exchange	5%	Final
88.1	Payment for interest to other	15%	Advance
88.1 & 92	Payment of rent to natural person (not related to business)	15%	Final Tax
88.1	Payment of rent to natural resource, royalty, service fees	15%	Advance Tax
88.1	Payments of rent to others	15%	Advance Tax
Finance ordinance 2059	Meeting allowance	15%	Final Tax
Finance ordinance 2059F	Payment for Gov/N or approved retirement fund (see. 65 (i) 9h)	6%	Final Tax
88.1& 92	Payment from approved retirement fund or installment basis.	15%	Final Tax
88.1 & 92	Dividend from natural company.	5%	Final Tax
88.1 & 92	Gain from resident company	10%	Final Tax
89	Payment of insurance premium or a contractual amount in excess of Rs. 50000	1.5%	Advance Tax
Final ordinance	Teaching not on regular basis, preparation	15%	Final Tax

2060	of question paper, checking of examination		
------	--	--	--

APPENDIX- 4

Industrial enterprises Act, 2049 has classified Districts into four categories. Out of which relevant classifications are presented here:

1. Remote Area

Darchula, Bajhang, Bajura, Humla, Mugu, Kalikot, Dolpa, Mustang, Manang, Solukhumbu, Sankhuwa shawa, Khotang, Bhojpur, Achham, Dailekh, Rukum, Okhaldhunga, Myagdi, Terathum and Ramechhap.

2 Underdeveloped Area

Taplejung, Rolpa, Baitadi, Rasuwa, Gulmi, Parbat, Dadeldhura, Pyuthan, Doti, Salyan, Panchthar, Baglung and Sindhupalchok.

2. Undeveloped Area

Kailali, Surkhet, Arghakhanchi, Palpa, Syanja, Dhading, Lamjung, Tanahun, Gorkha, Sindhuli, Udayapur, Dhankut, Illam, Kanchanpur, Bardiya, Dang, Nuwakot, Kabrepalanchok and Dolkha.

Nepal government has specified following areas under remote area group:

Group A

Manang, Kalikot, Mugu, Dolpa, Humla, and Bajura.

Group B

Taplejung (Dhunsa and Dlanchungola VDC), Sankhusava (chepuwa, Hedanganna, Kimathanka, syasila, Balunga, Seemajar VDCs), Solukhumby (Khunjung, sirdiwas, prok, Loha, Keroja, Chhekumpr, Manchu VDCs), Baglung (Bodang, Nisee, Hukam, Ranam, Maikot, Takashachhi VDCs), Mustang, Jumla, Bajhang, Doti (Above 900 ft. of Khapted Herbs Garden Darchula).

Group C

Rukum, Jajarkot, Dailekh, Acham.

Group D

Taplejung (other VDCs), Bojpur, Terhathym, Sankhuwasava (Other VDCs), Khotang, Okhaldhunga, Solukhumbu (Other VDCs), Dhading (Gudathum, Lapa, Phoolkharka, Rigaun, Salyankot, Salyantar VDCs), Sindhupalchok (Baramcho, Baruwa, Mautoda, Birta, Gkolade, Gunsa, Guwa, Kiuwal, Listikot, Mahaukal, Pangtang, Phoolping, Katti, Dhaugapalkot, Timunathagal, Tinas, Dhyagal VDCs), Lamjung (Bahundang, Mahendradoya, Shreekali, Katadhi, Thuls Bensi, Thakan falika Devi VDCs), Dadeldhura, Baitadi.

Group E

Panchthar, Dhankuta, Ramechhap, Dlokha, Rawuwa (other VDCs), sindhupalchok (other VDCs), Dhading (Other VDCs), Lamjung (Other VDCs), Gorkha (Other VDCs), Gulmi, Argakhachi, Parbat, Baglung (Other VDCs).

APPENDIX – 5

List of Sample Companies

A. Insurance Companies

- 1. Alliance Insurance Company Limited. Durbarmarg, Kathmandu**
- 2. National Life & General Insurance Company Limited. Lazimpat, Kathmandu**
- 3. Everest Insurance Company Limited. Hattisar, Kathmandu**
- 4. Lumbini General Insurance Company Limited. Thamel, Kathmandu**

B. Commercial Bank

- 1. Nepal Credit and Commerce Bank Limited. Bagbazar, Kathmandu**
- 2. Bank of Kathmandu Limited. Kamaladi, Kathmandu**
- 3. Kumari Bank Limited. Putalisadak, Kathmandu**
- 4. Nepal Investment Bank Limited. Durbarmarg, Kathmandu**
- 5. Lumbini Bank Limited. Durbarmarg, Kathmandu**
- 6. Nepal Industrial & Commercial Bank Limited. Kamaladi, Kathmandu**

C. Trading Companies

- 1. Salt Trading Corporation Limited. Kalimati, Kathmandu**
- 2. Bishal Bazar Company Limited. Shukrapath, Kathmandu**
- 3. Sakar Company Limited. Tripureshowor, Kathmandu**
- 4. National Trading Limited. Teku, Kathmandu**
- 5. Nepal Oil Corporation. Babarmahal, Kathmandu**

D. Manufacturing Companies

- 1. Bottlers Nepal Limited. Balaju, Kathmandu**
- 2. Chaudhary Group Limited. Sanepa, Lalitpur**
- 3. Nepal Banaspati Ghee Udyog Limited. Kalimati, Kathmandu**
- 4. Himalayan Distillery Limited. Jwaulakhel, Kathmandu**
- 5. Arun Banaspati Udhog Limited. Sunsari**

