

CHAPTER - 1

INTRODUCTION

1.1 Background of the Study

Value Added Tax (VAT) is the most recent innovation in the field of Taxation. It is considered as one of the most powerful tool of the fiscal policy. From the long experience of VAT in several countries, many economists as well as policy makers have reached in the conclusion that VAT is probably the best in indirect tax. It has gain huge popularity within the short span of time.

VAT is as the name itself suggests, imposed on the value-added portion in different stage of sales. It is modern and scientific form of sales tax. Ultimately, the real and final burden of tax is shifted towards to the consumers who consumes goods and enjoys the services. As goods and services are shifted in the process of production and distribution, one after another stage the tax is also jointly shifted simultaneously.

Economic development and growth are important indicators to reflect the real situation of a country in overall development of the nation. Therefore, it has been an important concern and target of the government policy tools in any underdeveloped countries like Nepal. Achievement of high rate of economic growth, reduction of income disparities and poverty are few development strategies to which most of government efforts have been directed in the developing countries.

Government of a country requires sufficient revenue to carry out development plans to handle day to day administration, to maintain peace and security and to launch public welfare activities in

order to carry out such activities. The government collects revenue from various sources such as tax revenue fees, fines, penalties, subsidies and aids (Koirala and Bhattarai, 2008). Among them, tax is the main sources of government revenue is raised through taxation. Tax may be imposed on personal income. Tax is compulsory contribution imposed by public authority using the right given by Tax Law.

Taxation and economic development are two closely interrelated concepts since taxation has an important role in a country's economic development. Taxation is an effective tool with which the government can mobilize internal resources for economic development.

As Findlay's Shirras define. "Tax is a compulsory contribution to Public authorities to meet the general expenses of the government which have been incurred for the public goods and without inference to special benefits" (Koirala and Bhattarai, 2008)

Nepal is one of the least developed countries. Nepal is suffering from chronic social and economic diseases. Nepal has not been able to collect necessary government revenue to cure such diseases. Due to poor performance on internal revenue collection and mobilization, she has to still depend on foreign grants and loans. Unless remedy is made is due time, the country cannot run in the path of economic development.

Taxes as a major fiscal policy instrument and important government policy tools have an important role in increasing the rate of capital formation and thereby achieving the rate of economic growth. The role of taxation in economic development of country lies in its function of resources that country's productive capacity is enhanced. So every states needs resources whether to pay salary to

government employees or to conduct development work, i.e. huge amount of money called revenue. The major source of revenue is tax.

Tax revenue may be classified as direct tax and indirect tax. Direct taxes comprise of income tax, property tax, vehicles tax etc. these taxes are directly imposed on a person or an organization that bears the tax burden ultimately. Indirect taxes comprise of excise duty, custom duty, sales tax, entertainment tax, value added tax (VAT) etc. these taxes are shifted to other people. In the context of Nepal, direct taxes have lesser contribution for resource mobilization compared to indirect taxes.

VAT is an indirect tax and definitely a new concept as compared to other taxes. It is the youngest and the most emerging tax. It is the most transparent, effective and efficient indirect taxation which has established an account based modern transparent tax system. “VAT is a broad based tax on business designed to measure net value generated in a country” (Encyclopedia of Taxation and Tax Policy).

In recent decades, many developing countries around the world have begun to focus their attention on reforming poorly designed defective tax structure as an integral part of the development efforts. Such reforms have broken some older, practices and established some new trends and axioms. One of such trends is the increasing acceptance of a VAT as an important part of their tax reform programs (Bista, 2005).

Though VAT itself is a very scientific, transparent, broad based and investment friendly tax system many obstacles are there on the way of VAT. One of the challenges in implementing the VAT is taxpayers’ behavior. Tax administration found some taxpayers keeping dual accounting, issuing dual bills, taking VAT from the

customer but not submitting to the government and charging VAT without registration into the VAT. So there is a need for discouraging such taxpayers. In addition to this lack of billing habit is another serious problem as there is a little or no practice of issuing the correct bill. Use of bills during sale of goods and consumables are still regarded as a waste of time and useless things by many consumers in the country. Some sellers use to compel the buyers to pay extra 13 percent amount, who will demand the bill. All these are anti VAT activities (NRB, 2064).

Hence low public awareness as well as taxpayers' ignorance creates problems for the implementation of VAT in Nepal. There is need of the government awareness for the collection of tax and extended attention towards taxpayers' education and better taxpayer obligation and coercive enforcement of the tax laws and regulations for the default and tax evading taxpayers. Taxpayer education and assistance tells them what they need to know to comply and when they need to know it.

1.2 Statements of the Problems

Nepal is one of the least developed countries in the world. Its position in terms of GNP per capita is the lowest in SAARC region. It is known that increasing funds from internal source is not an easy task, particularly when business economy in itself going backward. There is another problem i.e. inadequacy internal sources in itself, to increase internal sources of finance. Sufficient resource is needed in the hand of government. There are various ways of rising internal resources like taxation, internal borrowing etc.

Nepal is a least development Country. It need huge amount of revenue to provide needed facilities to operate trade and industries.

To make economic condition strong, Nepal needs more economic growth than now. It has not raised enough funds from tax revenue. In Nepal, there is not business friendly environment between taxpayer & government. Taxpayer always tries to hide the income wholly or partly. So the government must make business friendly environment.

If we look at a glance to the budgetary system of Nepal, we can found a significant resource gap. Resource gap is the difference between total expenditure and total revenue. The financial expenditure of the NG has been increasing at a faster rate due to the slow increase in the rate of revenue to fulfill the expenditure requirement, owing to the inefficiency of tax administration and incomprehensive tax act.

This shows Nepal has remained one of the poorest countries in the world. Sound tax system is one of the essential requirements for an economic development of the country. It has been felt that revenue collection from VAT is lower in Nepal than expected due to the various related problems. It is said that Nepalese VAT law is inappropriate and the administration is worse. Tax system should be such that it raises adequate revenue to the government, without discouraging private businesses.

Another problem is the lack of awareness among the taxpayers regarding VAT. There is need of public awareness in VAT collection. Next problem is related to the coordination between the government and taxpayers.

On the basis of above mentioned factors, the following research questions have been sought to be answered in this study:

- i. What is the status of stakeholders consciousness concerning VAT?
- ii. Is the present management system of VAT effective?
- iii. What is the relationship between VAT collection and stakeholders consciousness?
- iv. What steps can be taken for improving stakeholders consciousness in Nepal?

1.3 Objectives of the Study

The basic objective of the study is to assess the tax consciousness among the people in Nepal.

The specific objectives of this study are as follows:

1. To examine the effectiveness of VAT in revenue collection.
2. To evaluate the relationship between VAT collection and stakeholders consciousness.
3. To assess and analysis the stakeholders consciousness concerning VAT.
4. To provide necessary suggestions and recommendations for making VAT effective.

1.4 Significance of the Study

Every country needs huge amount of revenue to conduct various activities such as making infrastructure, security and other administrative work, its source of income is tax ,fines and penalty loan and subsidies and foreign Aid . Among the domestic resource, VAT plays a significant role. Revenue from VAT can be maximizing either by imposing taxes at higher rate, or introducing new taxes or collecting VAT properly within existing portfolio. Increment in income tax rates may be more burdensome to the people. Introduction of new taxes and proper collection of tax depend on good VAT management policy and laws.

To bring all the taxpayer into tax net, the government should take steps to conscious the stakeholder's about present tax system. Stakeholders need to know about the different facilities provided by the tax law. The government should make business friendly environment to all taxpayers and bring into tax net .The study encourage the stakeholders to come into net and reduce tax burden by the tax planning rather than tax evasion and tax avoidance.

1.5 Limitations of the Study

Resources, time and availabilities of data are the main factors of the study. This research depends on mainly on primary data. Primary data, itself may not be accurate if there is respondents bias. Its main limitations are as follows:

-) Due to time constraint and other difficulties, data survey is limited within Kathmandu area only.
-) Resources and time factors also limit the study.

1.6 Organization of the Study

The research work has been organized in the following structure:

i. Introduction: This chapter includes the background of the study, statement of problem, objectives, significance, limitation and organization of the study.

ii. Review of Literature: This chapter includes review of former studies.

iii. Research Methodology: Methods of data collection and statistical and financial tools used in data collection and analysis, population and sample are described in this chapter.

iv. Data Presentation and Analysis: In this chapter, data and information are presented and analyzed with the help of different statistical and other relevant tools.

v. Summary, Conclusion and Recommendation: Summary and conclusions of the study and further suggestions have been included in this chapter.

Besides this bibliography, appendices and other required statements have also been included at the end of the study.

CHAPTER - 2

REVIEW OF LITERATURE

2.1 Conceptual Framework

2.1.1 Theoretical Background of VAT

VAT is broad based indirect tax. It is a modern tax system intended, when fully operational, to improve the collection of taxes, to increase efficiency and to lessen tax evasion. The VAT is not perfectly new form of taxation. It is a commodity based refined form of sales tax. In other words, it is improved and modified form of sales tax that is escaped from cascading effect. Except few exceptions it is levied on value added at each stage in the process of production as well as distribution. These stages may be as import, manufacturing, whole sale and retail the value added by a business firm is the difference between the receipts from the sale of the firms' product and sum of the amount paid by the firm for goods and services purchased during the period from business firm; it is equal to the sum of factor payment made by a firm (Due and Ann, 1997).

From economic point of view, a properly implemented value added tax is equivalent to a corresponding single stage tax. The unique nature of VAT is its potential scope in identifying and taxing the economic contribution or added value identifying and taxing the economic operation in connection with any activity of a business or any commercial nature.

Unlike a traditional sales tax that is imposed at the point of sale, a VAT is imposed in goods and service at each stage of production and distribution. It is imposed only on value added

amount. Deducing the material, labor, transportation, and insurance, packing cost and profit etc from sales value can calculate the value added. It has no any cascading effect. It provides the facilities of tax credit and refund. Under this system, comparatively, consumers have to pay less tax than sales tax. Because sales tax is based on sales or turnover amount in every stage and VAT is based on value added amount.

Usually, VAT is based on consumption. The consumption tax has two modes, one is sales tax and another is VAT. Each of these are different from income tax. It only taxes on money when it is spent. It is administered by registering the vendors whose annual turnover is more than threshold. The threshold is a limit within which the taxpayers are not compelled to come under the preview of value added taxation. The threshold is determined by adding the total turnover of the taxable goods and services. Although VAT is supposed to be regressive tax, and is levied on almost all goods and services, yet the especially exempt certain basic and necessity goods and services, it is levied at the time of sales transaction made by the registered taxpayer. The registered taxpayer is entitled to credit the input tax paid from the output tax collected from the sale transaction. No taxpayer collect VAT. “Much of the rule of tax liability and files the periodic returns himself” (Silwal, 2000).

So, whatever name we call, VAT is a newly entrant family member of indirect tax and it is imposed on the value added.

2.1.2 Evolution of VAT

In the history of taxation, value added tax is the latest and emerging tax. Dr. Wilhelm V. Siemens in Germany first proposed the concept of the VAT in 1919 as a substitute of Umasatzsteuer (multistage sales tax) in order to avoid the cascading and vertical integration of multistage tax. A tax mission to Japan headed by Prof. Carl S. Soup developed the concept of VAT further in 1949. The tax, however, remained as only a topic of academic interest until 1954, France introduced a VAT covering the industrial sector; the tax was, however, limited upto the wholesale level. From 1960 this tax system took speed in “European countries. European countries including Norway, Switzerland, Turkey and former Soviet States that are not the member of EU adopted VAT. Presently more than 120 countries have introduced VAT. It is mandatory for member European Union. It also has been adopted by Japan, china, Vietnam, Canada, South Korea and many other states in Asia, North and South America and Africa and former Soviet Union. In South Asia, India introduced mod. VAT (modified value added tax) in 1986 for manufacturing, products. Pakistan adopted it in 1990. Bangladesh and Srilanka started VAT in 1992 and 1995 respectively. Nepal Government introduced VAT system in 1997(2054 B.S.) although, the VAT Act was passed in 1995 and the VAT regulation was approved in 1996. But the VAT could only be introduced from November 16, 1997. VAT replaced the existing sales tax, the contract tax, the hotel tax entertainment tax designed to collect the same revenue as the four taxes it replaces. Thus this tax revenue creates a valuable alternative of tax sources, especially in countries those have a limited income tax base or that must rely on revenue from primary commodities (Khadka, 1999)

Table 2.1**VAT and its Implementation on Different Countries**

Years of Implementation	Countries
1954	France
1960	Ivory Coast
1961	Senegal
1962	Brazil, Denmark ,
1968	Germany, Uruguay
1969	Netherlands, Sweden
1970	Ecuador, Luxembourg, Norway
1971	Belgium
1972	Ireland
1973	Austria. Bolivia, Italy. U.K., Vietnam
1975	Argentina, Chile, Costa Rica, Nicaragua, Colombia
1976	Honduras, Israel, Peru
1977	South Korea. Panama
1980	Mexico
1982	Haiti

1983	Dominican Republic, Guatemala
1984	Peoples republic of china
1985	Indonesia, turkey
1986	Morocco, New Zealand, Niger, Portugal, Spain, Taiwan
1987	Grenada, Greece
1988	Hungary; The Philippines, Tunisia
1989	Japan Malawi
1990	Iceland, Kenya, Pakistan, Trinidad, Tobago
1991	Bangladesh, Benin, Canada, Jamaica, Mali, South Africa
1992	Algeria, Armenia, Azerbaijan, Bliers, Cyprus, Eisavador, Turkmenistan, Ukraine, Kazakhstan, Kyrgyz Rep, Latvia, Mold Tajikistan, Thailand, Uzbekistan, Russia
1993	Burkina Faso, Czech republic, Mongolia, Paraguay, Poland, Slovakia, Venezuela
1994	Bulgaria, Finland, Georgia, Lithuania, Singapore, Tanzania West
1995	Gabon, Switzerland, Zambia, Latvia, Liechtenstein, Togo

1996	Albania, Macedonian, Belize, Uganda, Guyana
1997	Nepal, Surinam, Barbados
1998	Croatia, Slovenia
1999	Cambodia, Cameroon, Mozambique, Netherlands, Antilles, Papua New Guinea, Slovenia
2000	Australia, Chad, Macedonia, Namibia, Sudan
2001	Rwanda
2002	-
2003	Lebanon
2004	India

Source: Subedi (1998), Applicability of VAT in Nepal

2.1.3 Principle of VAT

There are two principles for levying VAT. They are origin principle and destination principle. Choice between these two principles largely depends on the Goals and the policies of nation, accession of international trade, computing methods and types of VAT.

In case of international trade, two serious alternatives appear while implementing VAT in any country. They are taxing all domestically produced goods including exported ones and exempting all imports or taxing all the imports and making exemption' for all exported goods and services to the foreign countries (Subedi, 1998).

1) Origin Principle

Under this principle, all domestically produced goods including exports are taxed whereas all imports are freed. As per this principle all goods and services produced and generated in the country should be taxed whereas those imported from abroad should be relieved from taxation. This principle affects balance of Payment of the country negatively, especially for those who gave a poor performance in the world economy (Koirala and Bhattarai,2008).

2) Destination Principle

Under this principle, all imports are taxed whereas exports are freed. The VAT is collected at the point of import and the firm would receive a credit for the VAT paid and refund when exported. This principle has favorable effects on the country's balance of payments.

Therefore, destination principle is more appropriate for a country having consumption type of value added tax with the tax credit method of computation. Special benefit by this destination principle can be attained by those countries who have open boarder and cross country trade and Nepal too has adopted this destination-based VAT. (Koirala and Bhattarai, 2008).

2.1.4 Types of VAT

There are three types of VAT. Basic difference between all three types lies in how capital equipments are treated in computation of VAT. From these viewpoints, VAT is classified as follows.

1. Consumption Type VAT

Under consumption type VAT, all capital goods purchased from other firms, in the year of purchase, are excluded from the tax base while depreciation is not deduced from the tax base in subsequent years. The base of tax is consumption since investment is relieved from taxation under this type. This is the most popular type of VAT. Most of the countries including Nepal have adopted this type of VAT.

2. Income Type VAT

The income type VAT does not exclude capital goods purchased from other firms from the tax base in the year of purchase. This type, however excludes depreciation from the tax base in subsequent years. The tax base of this type is the net national income. Many countries do not prefer practice of this method because it faces the same problem as we face in calculation of income for a particular period.

3. Gross National Product Type VAT

Gross National Product type of VAT neither excludes purchased capital goods nor the depreciation from the tax base. It means the tax is levied both in consumption and gross investment. The tax base of this type is gross domestic product.

2.1.5 Methods of Computation of VAT

There are various methods of tax calculation in VAT system. Broadly, VAT can be computed by following three methods:

1. Additional Method

Under this method, the tax base is calculated by adding the payments made by the firm regarding factors of production that contributes in product. The factors are wages, interest, rent, royalties and profit. This calculation is appropriate for income type VAT.

2. Subtraction Method

In subtraction method, the cost of production like raw materials, auxiliary raw materials, chemical power etc are deducted from total sales to find out added value of production. This method is appropriate for consumption type of VAT.

3. Credit Method

This method is also called tax credit or invoice method. It is the universally accepted method. Under this method, tax is imposed on total sales or on total invoice price. Here the tax on purchases is deducted from sales. Taxpayers are entitled to deduct the prepaid tax or tax paid on purchases from gross tax liability.

In Nepal, except in used goods business (and reconditioned goods related business) the credit method is in practice.

2.2. Existing VAT System of Nepal

2.2.1. Development of VAT in Nepal

During 1990s, the concept of VAT existed in various official documents in Nepal. Nepal Government, first of all expressed the view of introducing VAT by Eighth plan. Initially the most documents mentioned the statement to convert the import and manufacturing level sales tax into VAT. Finance Act 1992 introduced the two-tier sales tax for nine items as the base for introducing VAT. Finance Act 1994 extended it for some additional

items. The Government formulated a VAT task force in 1994 in financial and technical assistance of USAID, which drafted the VAT documents to formulation the legislation. The parliament passed VAT act in 1995 (2052). However the opposition political party and business community opposed the implementation of VAT. They expressed the view that the infrastructures were insufficient and preparation was incomplete to implement the VAT effectively. Thus government could not get political consensus regarding the implementation of VAT. In such environment, the government introduced VAT system in 1997 (2054) from November 16, 1997 although the VAT Act was passed in 1995 and .the VAT regulation was approved in 1996. Danida provide technical assistance to implement the VAT in full phase. VAT replaced the existing Sales tax the Hotel tax, Entertainment tax and Contract tax.

It was designed to collect the same revenue as the four taxes it replaced. As designed law the VAT is a tax on many goods and services consumed in Nepal. It is a new tax system for Nepal. It was justified in the light if government fiscal imbalances and need for extra revenue mobilization through an efficient tax system to meet or to minimize the imbalance. At that time it was hoped that the introduction of new system would, however, make local business more competitive and remove the tax from exports. After implementation of VAT, it slightly changed the price of some goods and services. As the preamble of VAT 1995 Act the spirit of introducing the VAT system in Nepalese Tax Administration is to increase the revenue mobilization by making effective the process of collecting revenues required for the economic development of the country. In this way, the VAT is playing a key role in the economic development of the country (Koirala and Bhattarai, 2008).

2.2.2. Legal Provisions of VAT in Nepal

In Nepal, first of all, eighth five years plan (1992/1993-1996/1997) took a policy of adopting VAT. On July 11, 1993 the finance minister announced in his budget speech for 1993/1994 that VAT would be introduced within a year or two. In process of the adoption of VAT in Nepal, a VAT steering committee and a VAT task force were created in September 1993. After its formation, it made a draft for VAT legislation, conducted the taxpayers' education programme, and managed the organization structure and effective computer system. NG had initially scheduled to register taxpayer for VAT within the ninety days from the first day of the new year of Nepal calendar in 2054 (Khadka, 1999).

VAT bill was passed on March 20, 1995. VAT regulation was approved on January 24, 1996 by the cabinet. Finally VAT was introduced on November 19, 1997. From this date VAT replaced the Sales Tax Act 1967, Hotel Tax Act 1962, Contract Tax Act 1967 and Entertainment Tax Act 1961 (Khadka, 1999).

Nepal has adopted a consumption type VAT. Under this system, tax is levied on value added at each stage in the process of production and distribution. It is levied on output and credit is allowed for full amount of tax paid on purchase at previous stage. It is based on destination principle. The law in schedule 1 of VAT Act 1996 provides a list of exempted goods and services export of goods and services are zero-rated. Though threshold limit has been changed frequently, but by large it is fixed at Rs.2 million. Rate of VAT has been changed to thirteen percent from ten percent.

2.2.3. Features of VAT in Nepal

a) Coverage and Rates

The coverage of VAT may be defined with respect to both taxable transaction and person. Taxable transactions are defined broadly as suppliers made by the person engaged in business activities. Taxable persons are those who independently engaged in supplying the taxable goods and services including imports.

In Nepal VAT is levied on all types of goods and services, both imported and domestically produced, except those specifically exempted by law. It is extended right through to the retail level. It is levied on the value added by each firm at each stage in production and distribution process. However, the small traders whose annual turnover is below the registration threshold are not required to register for VAT.

Nepal has adopted a broad based consumption type VAT, using tax credit method. Nepalese VAT is subject to a standard rate of 13 percent, however a few transactions or goods and services are zero-rated and some are exempted from VAT.

b) Threshold

Nepal's VAT regime seeks to keep small vendors outside the tax net, who are defined using a "turnover" threshold as the criteria. Small vendors having an annual up to certain amount are not required to register under VAT. The amount fixed for this purpose is known as threshold.

However, it is common practice to register all importers, irrespective of the level of turnover. In Nepal, the existing level of threshold is Rs. 2 million also importers having commercial imports less than Rs. 2000000 annually or less than Rs. 10000 at a time are not required to register. This exemption from registration is aimed at the small traders in the border area who bring goods from India on a small quantity.

c) Exemptions

Exemptions simply imply the exclusion of a certain goods and services from the tax jurisdiction. Exemptions are granted on administrative or social grounds and also to minimize the problem of excess credit and consequent refund. In the case of dealer dealing with exempted goods and services VAT is not levied on his sales and he is not entitled to a credit for VAT paid on his purchases or imports. For example: if exports are exempted, exporters are not required to register under VAT. They do not need to collect VAT on their outputs and cannot claim for input tax credit. In Nepal several goods and services are exempt from VAT. Exemptions are generated particularly on administrative and social ground.

d) Tax Period

For the purpose of submission of return and amount of tax, taxpayer has been classified broadly in the following tax period.

i) Monthly Tax Period: Person who are statutory bound to register in VAT fall in this period. Whose turnover is above the threshold i.e. Rs. 2 million automatically fell in this period.

ii) Trimesters Tax Period: Whose taxable turnover is below the threshold but registered in VAT voluntarily, fall in this period. All the small vendors who gave voluntarily registered are entitled to get special facility of four month period for the submission of return and due amount to tax officer.

e) Zero Rating:

Nepalese VAT is subjected to a standard rate of 13 percent. However, a few transactions or goods and services are zero-rated. Zero-rating simply implies that certain goods and services are taxed at the rate of zero percent. Under the current VAT act 2052, exported goods and services are zero-rated; the trader supplying zero-rated goods and services is entitled to recover the input tax paid in his purchases used to make a zero-rated supply. It means VAT would not apply to the exports but exporters would receive input tax credit i. e. exports would be completely free from VAT. This technique has been used commonly in European Union (EU) and other developing countries.

Nepal has also Zero rates the exports goods and services. In present situation, the following supplies are zero rated:

-) Exports of goods and services.
-) Import of goods and services by a credited diplomat. etc.

f) Tax Credit

The credit is the most important feature of the VAT system. Under the Nepalese VAT system, taxpayers are entitled to claim input tax credit. It is however, allowed to the extent that the purchased/imported goods and services are used for goods and services sold in taxable transactions, including exports. A taxpayer must hold and be able to produce a valid tax invoice for the goods or services for which a credit is being claimed.

A taxpayer is not entitled to claim input tax credit on purchases related to exempt sales. In case of mixed transaction (i.e. making both taxable and tax exempt transactions), a taxpayer is entitled to claim input tax credit on the purchases related to the making of taxable sales.

g) Tax Refund:

Under the Nepalese VAT system, there is a provision for the refund of VAT. If the input tax is excess of the output tax, the balance should be carried forward to taxpayer, it is known as tax refund. On other word, when tax on sales is less than the tax on purchase, there should arouse the situation of tax refund. The efficient system of refunds is an integral part of VAT. Such situation arises mainly when goods are zero-rated. Technically the refund system is more complex and takes long period in developing economies.

For the Nepalese context, in the case of exports, refund should be made within one month from the date of submission of return. In other cases, the refundable balance should be carried forward up to six months period.

2.3 Methods of VAT Collection

2.3.1 Registration and Deregistration

a) Registration:

The first step towards VAT operation is registration of vendors who are legal taxpayers. Threshold limit for the registration is fixed at Rs. 2 million. All the taxpayers whose taxable transaction is above the threshold are compulsorily required to register in VAT. However the vendors having the transaction of only exempted goods and services, or falling below the registration threshold are not required to register in VAT system. But, vendors falling below the registration threshold can register voluntarily will be able to claim back input tax paid on their purchases to collect on their sales and to hold the collected tax until its payment to the concerned tax offices.

b) De-registration (VAT Rule 12)

In case the registration of any registered person be cancelled due to the condition such as:

-) In case of an incorporate body, if the incorporated body is closed down, sold or transferred or if the incorporated body is not existing.
-) In case of an individual ownership, if the owner dies.
-) In case of a partnership firm, if it is dissolved.
-) If a registered person discontinue to be engaged in taxable transactions.
-) If a person is registered in error.
-) If a person submits zero returns or not submits returns continuously for one year.

However, if the firms have already been taken the tax credit facility, tax credit would be determined on the stock including capital equipment and demanded to pay the VAT office.

2.3.2. Invoicing

Each registered trader must issue and invoice bill for each taxable sale. Invoices are the initial documents for VAT control. There are two types of invoice:

-) **Tax Invoice:** It is issued to VAT taxpayer. It is a crucial document of VAT, as it establishes to seller's liability for tax and the purchaser's entitlement to credit. A minimum of three copies of each invoice is essential. The original copy must be given to the buyer while the seller should retain the other two copies. These invoices should be issued in sequential

numerical order. These copies must be available at any reasonable times for inspection by tax officer. However, invoices can be prepared with different serial number for branches or different sections with prior approval from the tax office.

) **Abbreviated Invoice:** This is simple type of invoice for registered sales to unregistered persons who should be considered final consumer under the VAT system. A VAT registrant may issue an abbreviated invoice in the case of sales below Rs. 5000 including VAT with the prior approval of the tax office. It is not necessary to provide the details of purchasers and indicate VAT separately in the abbreviated invoice.

2.3.3. Books of Account

Every VAT registrant should keep clear and adequate records of his transactions (purchase or sales) which are subject to positive rate, Zero rate and exemption. A registrant is required to maintain a purchase and sale book and list each transaction in these accounts. Computerized accounts may be maintained with the prior approval of the VAT administration. At the end of each accounting period, the VAT registrant must total the amount of taxable purchases and imports, and taxable and tax-exempt sales made in this period. In the case of mixed supplies, the proportion of input tax the taxpayer is entitled to pay for the tax period must be computed.

A VAT registrant is also required to maintain the VAT account, which is monthly summary of taxable purchases and sales, and tax paid on purchases and charged on sales. All documents and accounts relating to the business must be retained for four to six years. .

2.3.4 Tax Assessment

VAT is self-assessed tax, whereby the taxpayer determines his tax liability, files his tax return and pays the tax within stipulated time; tax assessment is the process of determining the amount of tax, any individual or companies liable to pay. This may be done by either two ways. One is that the taxpayers make tax returns, listing their income from various sources and any facts affecting their entitlement to tax-allowances and then tax authorities make the actual assessment. The alternative method is self-assessment besides supplying information and their income and entertainment allowances; taxpayers produce the own assessment applying the tax rules to their own figures Then the assessments are checked by the tax authorities. However not all the VAT registrants may file their return and pay the tax within the specific time. Similarly, not all the taxpayers may file the correct return and pay the correct amount of tax.

2.3.5 Tax Return

In the Nepalese tax system, the tax return of each tax period must be filed at the relevant tax office within 25days following the end of the accounting period. The period is monthly, for compulsory registrants and once every four month for voluntary registrants. The head office is required to submit tax returns for the transaction carried out by its branches and sub branches if any. There are no special rules, for example, for seasonal business or others. Even if there is no transaction, it is necessary to submit a zero return.

On receiving a VAT return, the tax officer is required to examine the return and check for arithmetical accuracy. If this confirms that the amount shown as payable and other particulars on the return are correct, the return is to be accepted. Return could show debit, credit or zero. There is no need to attach purchases and sales invoices or any other document relating to the tax with the returns.

2.3.6. Payment of Tax

In Nepalese VAT system, a VAT registrant having output tax liability greater than the input tax credit is required to submit the difference to the government within 25 days of the month following the end of the tax period. However, some circumstances that are beyond the control of taxpayers can prevent paying tax due within the prescribed time, these include natural disasters such as floods and other unfavorable circumstances such as fire or death in the family. Under such circumstances the law grants the authority to the director general to waive the payments of the penalty. On the other hand, if the input tax credit exceeds the output liability; the balance of credit is to be carried forward for the next month. However, a VAT registrant who have more than 50 percent of his sales as exports can apply for refund instead of carry forward of the excess credit.

2.3.7 Penalties

Every firm (a person) has freedom to operate his business activity but the government always checks that whether the taxpayers perform according to act, rules and regulations or not. So the government always moves for checking, inspections and audit of their books of accounts. If taxpayers are found doing illegal and fraud activities, they are subject to penalties. For example, a vendor will be required to pay liable tax plus up to Rs. 1000 or 10 percent of payable tax whichever is higher, if he fails to register before the commencement of his business. Penalty of non-issuance of invoice is Rs. 500 each time whereas the similar amount for the failure to keep the required information in account is up to Rs. 1000 each time. Similarly taxpayer that has committed fraud or tax evasion will be charged with a penalty not exceeding 100 percent of the amount of tax or six months jail or both.

2.4 Review of Related Studies

2.4.1 Review from Books, Articles and Journals Related

Shrestha, (1999), in an article on “Consumers’ awareness necessary for success of VAT” focuses on need of awareness regarding VAT among consumers. According to him, though VAT is paid by the consumers the no clarity of its effects on their purchase and sales of commodities have led to confusion. Moreover, the government has been accused of not taking any positive steps towards educating them. Due to their ignorance, as opposed to the government policy, consumers are forced to pay VAT in all purchases they make; common people are still ignorant of VAT. Since consumers pay VAT, it is necessary for the government to educate them. It is necessary on the part of consumers to know about the goods and services that are VAT exempted not to be cheated by businessmen. Consumers also need to know the businessmen who are entitled to collect VAT and who are not.

2004, Nepal Tax journal published news about taxation .In this news their include lack of taxpayer education program, taxpayer should not have fully knowledge about positive aspects of tax laws. The news was stressed that taxpayer are accepting income tax 2058 as a compulsory law.

2008, The Kantipur daily published news about paying behaviors in Nepal and European countries .The news presented that 95%of taxpayer in European countries were willing to pay tax but in Nepal 95% taxpayer want to hide the income and they did not pay tax as per rules and regulation.

Khadka, (1999), an expert of Nepalese tax system, in his book entitled “VAT in Asia Pacific region” writes VAT is the most recent innovation in the field of taxation. It is levied on the value added of

goods and services. The tax is as broad based as it covers the value added to each commodity by a firm during all stages of production and distribution.

This book has covered all aspects of VAT including the nature of Vat, reasons for the growing popularity of VAT, development of VAT etc. This apart, the report examines the structure and operation of VAT in the Asian Pacific countries, which also explores the possibility of introducing VAT in Nepal. Probably he is the person of observer of VAT abroad and the firstly proposed VAT for Nepal with micro study of Nepalese economy and system.

Khadka(2000) in his book “The Nepalese Tax System” point out the need to introduce Vat in Nepal. In this book, there are several reasons to introduce VAT in Nepal one of the important reasons was to develop a stable source of revenue by broadening the tax base. Moreover, Nepal will help to become less dependent on international trade taxes for revenue in the future. Since it will not be in position to levy import duties on trade that take place within the South Asian Association for Regional Co-operation (SAARC) region after the South Asian Free Trade Organization (WTO), which will also have to be considered in this context .

Dhakal, (2002) wrote a book named “Aayakar Tatha Ghar Kar Sambandi Kar Ra Lekha”, This book was based on Income Tax Act 2031. This book is very useful to understand the meaning and objective of tax as well as getting knowledge about the history of taxation.

Adhikari(2003) published a book named “Modern Taxation in Nepal: theory and Practice”. This book has divided into five parts .In his first part, he described the theoretical aspect of tax .In second part, he described the income tax Act 2058 .In third part, he

described about Value Added Tax (VAT). In fourth part, he described property tax house and compound tax in Nepal. At last in fifth part, he described wind fall tax and other provision.

Dahal (GON, 1995) who headed to review Nepal's tax system has made same recommendations for a VAT in Nepal. In his report, the task force recommends for a VAT in the place of existing sales tax and small service based taxes as a long-term tax reform measure. The report has emphasized the introduction of VAT in Nepal to (a) broaden tax base and increase the tax revenue (b) make the tax system transparent and elastic (c) prevent tax evasion (d) make the tax system efficient and (e) encourage exports. The report has also emphasized that there are some other factors to be considered seriously before implementing a VAT. They are: (a) price level (b) equity (c) nature of the taxpayers (d) small taxpayers etc. The report recommends some necessary preparation to be undertaken before implementing a VAT such as drafting a law. developing an efficient and capable administration. A functional organization pattern is recommended. The other recommendations to the task force are: development of an effective tax refund system. measures to increase self-compliance, taxpayer's services, computerization of the administration, research and development, a different type of personnel system, extensive taxpayers education programme etc.

Good taxpayer services and well-designed and targeted publicity campaign are crucial elements in encouraging taxpayers to comply voluntarily with the tax legislation. To facilitate voluntary compliance, the tax administration should provide taxpayers with consistent, impartial, courteous and prompt service. In many developing countries and countries with economics in transition,

relatively simple measures, such as providing taxpayers with tax return forms, eliminating fees for receipt of tax payment by the banks, a common practice in some Eastern European countries and establishing taxpayer assistance counters in easily accessible locations in the tax administration would significantly improve taxpayer services (Silvani and Catherine, 1997).

Pokhrel and Dahal(2003) published a book named 'taxation in Nepal'. This book is based on BBS third year syllabus .this book is useful to student, auditors and other tax administrator .Theoretical as well as practical aspects of taxation have been included in the book.

Koirala and Bhattarai(2008) published a book revised edition named "taxation in Nepal". This book is base on BBS third year syllabus. In his book, they showed the method of computation of VAT and income Tax. They also clearly mentioned the different provision of Income Tax Act 2058. Relevant theoretical and practical aspects have been discussed in their book.

Pandey, (2006) in an article "Value Added Tax: On a New Path" also focuses on VAT consciousness for the success of VAT system. According to him, the success of VAT system is not only the success of the VAT department but also the success of the VAT nation as a whole. The role of general media, radio, and national daily/weekly newspapers play important in this context. Emphases should be given to mass public media instead of distributing booklets and return forms to taxpayer. Therefore, an environment of VAT consciousness should be created covering the public, non-government and government organization.

Kandel (2007), wrote two books on taxation .One book entitle 'Tax Laws and Tax planning in Nepal 'and other book 'Nepal ko

Bartaman Kar Bayabastha” .This book helpful for tax administration, auditor, tax consultant and taxpayer too .This book is also useful for effective tax planning .In his book, he described the Income Tax Act 2058, VAT in Nepal and Tax planning in Nepal. He has presented practice as well as theoretical aspects on taxation in these books.

K.C(2007) published a book revised entitled “Tax Laws and Tax Planning: Theory and Practice”. He divided the book in four parts. In his first part, he described the conceptual foundation. In second part, he described basic concept of Income Taxation of Nepal .In third part, he described VAT in Nepal .In last part, he described Tax planning. This book has presented practical as well as theoretical aspects. This book is useful to student, tax administrator, auditor and other .This book is useful to research work also.

2.4.2. Review of Related Dissertation

Ghimire, (1998), in his dissertation “Value Added Tax: Key Issue in Nepal” explains great importance for the effective implementation of VAT administrative capability in Nepal. Organizational structure, audit and inspection system, reward and punishment, political intervention, selection of skilled and experienced manpower are needed to improve for effective implementation of VAT. VAT is considered as a broad based tax and potential advantages of it can be attained fully if the tax is extended through retail level. For the period time, he suggested to improve following aspects: i) administrative power and creditability ii) identification of taxpayers iii) registration iv) education programs v) incentives for small traders.

Sharma, (2003), has examined several aspects of VAT administration such as its problems, constructions, possibilities,

operation and other aspects. In his dissertation, he has found the following findings:

-) Most of the traders and businessman are lacked with the minimum concept of VAT. They are mainly facing pricing, billing and accounting problems.
-) An adequate VAT education programs are not conducted and VAT administration has also facing lack Of administrative personnel.
-) The relation between government and business community is broken, which has been barrier to implement VAT successfully.
-) His suggestions to the government to implement VAT successfully in Nepal are as follows:
 -) The government should pay attention of design the strong administration.
 -) The government should try to produce gazette manpower and to train them well. The government should launch comprehensive education program.

At last, he concludes that VAT requires the strengthened administration for effective and efficient implementation.

Bista, (2005), in his research, focused the need of VAT for several reasons. They are effective revenue mobilization, industrial development, strong administration, transparency and avoiding all tax loopholes. VAT helps to reduce the resource gap by broadening the tax base and mobilizing additional resource by controlling tax leakage, smuggling, unofficial trade and corruption through transparency and account based cross checking. Positive and favorable effects of VAT on all sectors can be aliened only of

government can operate the administration with effectively and efficiently.

In his research, the following findings can be gained:

-) The sales tax system is failure to several cases: narrow tax base, inelasticity of tax rate, incapable and weak administration tax leakage, corruption and political intervention. So, the entire tax reform is needed.
-) A VAT is account based, invoice based and record based; it checks the tax loopholes.
-) For implementation of VAT the public awareness level relating VAT and VAT administration should be good and it is a pre-requisite in the preparation of VAT .

Subedi, (2005) in his dissertation “Implementation and Effectiveness of VAT in Nepal” explains monitoring system of the VAT administration is not effective, because of this; taxpayers are still encouraged for tax evading practice. Many businessmen do not issue invoice for their selling and even to follow the other importer invoice so an effective and efficient auditing, investigation and monitoring system should be developed.

He further explains that the VAT administration should be kept free from any sort of intervention or influences from the outside. Honest and capable person should be selected for key position. Training of the tax personal should be kept at the top most priority. A good working environment should be created inside the administration, reward and punishment system should be strictly followed as a major guideline of conducting administration. Tax officials should closely be monitored for any kind of misdeeds.

Bhandari (2006) submitted a dissertation named “Taxation Knowledge of Taxpayers in Nepal”. His main objective is to study tax knowledge of taxpayer. He had point out the present position of taxation Knowledge of taxpayer’s in Nepal .Tax payer knows about rapid change government policy etc. are the main problem of the study. He find majority of respondent were lack of knowledge about tax.

Similarly, he has suggested to government and other sector to improve taxation knowledge in Nepal .His major suggestion was as follows:

-) To increase income tax knowledge of taxpayer related information should be published regularly.
-) Special taxpayer education program necessary for employees and small taxpayer.
-) Professors, researchers’ taxpayers, tax experts should be taken while making tax policy.
-) The school as well as campus level curriculum should include tax related education so that taxpayer education programs can be more effective.
-) Highly co-operative between tax officer and tax payer mechanism should be established.

Dhakar, (2007) in his dissertation analyzed the Nepalese tax structure along with the basic emphasis and historical background and potential revenue of VAT in Nepal. The increasing trend of resource gap of Nepal is forcing the country to debt trap situation. Domestic resource mobilization through the properly designed tax system is the best way to uplift the situation. In this process, Nepal is adopted the destination based, consumption type VAT operated by

tax credit method. VAT encourages investment, supports economic growth and keeps price stable. Exemption and zero rating reduced the regressivity of VAT, however, it makes the administration complex. The study found that VAT is unable to compete the existing sales tax mainly due to the minimum use of invoice by sellers and as well as having no interest to obtain invoices by purchasers. Elasticity and buoyancy of Nepalese tax system are very low. Further, they are decreasing in recent years. VAT, more attractive from the theoretical as well as empirical aspects, is being, hot milk in mouth from practical viewpoint mainly due to the inefficient tax administration. Hence, the introduction of the VAT is not fulfillment of the requirement and VAT system itself has a great need of reforming in the Nepalese context.

Thapa(2007) presented a dissertation named ‘Effectiveness of Nepalese Tax Policy on various Business Sectors’. He had described various short coming of the tax system and policies.

His main objectives of the study were as follows:

-) To analyzed the nature of the existing Nepalese tax policy.
-) To know the tax system of various business organization.
-) To find out the reactions of organization regarding Nepalese tax policy.
-) To draw specific finding and conclusion of Nepalese Tax policy.

Similarly, his major recommendations were as follows:

-) The Income Tax Act, 2058 should be revised which simplified language and ambiguity should be removed .The goods that are

taxed once should be remarked so that double taxation should be avoided.

-) There should be clear and strict rule for reward and punishment. The person who conceals tax should be properly identified and given punishment. Tax authority should build up monitoring body for proper evaluation of the tax collection.
-) Entrepreneurs have indicated that tax officials are full of corruption so government should correct its bureaucracy. It should update its traditional and monotonous for tax collection which has encouraged corruption.
-) Very sensible and service oriented business which provide basic requirement like health education and communication should be given tax exemption or subsidy so that these facilities can be available for all level.

Shrestha (2008) presented a dissertation entitled of “A Study on the Problems and prospects of VAT in Nepal”. She had mentioned problem in the implementation of VAT in Nepal and effectiveness of VAT. She had also mentioned sales tax, superiority of VAT over sales tax. She had suggested for effective implementation of VAT in Nepal were follows:

-) VAT refund mechanism should be simplified, so that the refund can be made without deals and the taxpayers have confidence in the system.
-) Incentives should be seemed to income registration and tax compliance .The no motive to file the tax return.
-) As most of the taxpayers are still ignorant about account keeping under VAT and who get by paying other people , taxpayers education program should be continued .Extensive

taxpayers education should be conduct from time to time familiarize the potential taxpayers and others with various aspects of VAT.

Gautam (2009) presented a dissertation named “An Analysis of Corporate Tax System in Nepal”. He had described the role of corporate tax in the Nepalese tax structure.

His main objectives of the study were as follows:

-) To examine the administrative and legal aspects of corporate tax and suggest reform.
-) To assess the impact of corporate tax on the Government Revenue.
-) To provide suggestion and recommendation for the betterment of corporate tax in Nepal.
-) To evaluate the role of corporate tax in the Nepalese tax structure.

His major suggestion and finding were as follows;

-) The income tax prescribed by Income Tax Act 2058 is very much reasonable. Scientific and modern .It is very efficient income tax system .It has prescribed many deduction and exemption in the income of corporations.
-) It seems that due to assessment delays, the income tax have made provision for the self tax assessment is also seems lengthy process and demands many document. From this system taxpayers faced many problems on heading of income and expenditure.
-) Tax administration was not more effective due to lack of trained employees, shortage of income tax professional,

weakness in government policy, defective income tax act etc in Nepal.

-) Because of unfriendly behavior of tax authorities to the taxpayer, taxpayers were not satisfied with them.

Marasini (2010) submitted a dissertation named ‘Taxpayers Awareness Towards Business Taxation’(A case study of Kathmandu valley).He had described view of taxpayer about the business taxation in Nepal.

His main objectives were as follows:

-) To study and evaluate the view of taxpayers about the business taxation in Nepal.
-) To examine the degree of awareness of taxpayers about concession, rebates and allowances provided by the tax Act.
-) To analyze the effectiveness of the business taxation.
-) To recommend possible measures for future improvement in business taxation to bring all taxpayer in net on the basis of study findings.

His main findings were as follows;

-) Most of the respondents had knowledge about income Tax, Custom Duty and VAT.
-) Major problems that employees faced while paying Income Tax is procedural complication.
-) Taxpayer education programme in Nepal are ineffective.
-) Taxpayer agreed that they should not clear the custom Duty them self .Businessman hire broker, auditor or C.A .for that job.
-) Majority of respondents were agreed that VAT is superior to Sales Tax.

Similarly his Recommendations were as follows:

-) The provision of concession, rebates, and facilities should be implemented effectively for encouragement to businessman.
-) Co-ordination between tax policy maker, tax personnel and other department should be established.
-) Present tax related education is not effective. Most of the taxpayer do not aware about changing tax rule and regulation. So, to increase awareness of taxpayer, dynamic tax administration, and billing enforcement, clear and effective tax policies are recommended.
-) Tax office collects Income Tax and VAT in their own office .Tax must be collect from business house door to door. So that, businessman pay their tax in time without hesitation.
-) The school as well as campus level curriculum should include tax related education .So that taxpayer education program can be more effective.

2.5 Research Gap

About ten years have already been passed since VAT come into operation but very few studies had be undertaken on the topic of VAT in the Nepalese context and most of the studies were related with theoretical aspects. They mainly focus on the revenue portion of VAT. However, such special study related to consciousness concerning VAT has been limited. In this study, the researcher has attempted to evaluate the contribution of VAT to the government revenue and public consciousness concerning VAT as well as taking the major market area of Kathmandu City by conducting field survey, in order to know somehow about the practical experience of VAT. So this study will be fruitful to those interested persons, students, scholars, stakeholder ,Civil Society, teachers, businessmen and government for academically as well as policy perspective.

CHAPTER - 3

RESEARCH METHODOLOGY

This study is undertaken to assess the stakeholder's consciousness concerning VAT and effectiveness of VAT in revenue collection in Nepal. Therefore, the main concentration of the study is to identify the level of knowledge and information about VAT and its invoicing system. For achieving these objectives, both primary as well as secondary sources of data were used in the study. Opinion survey technique was adopted while collecting primary data to find out the viewpoints of respondents representing different groups related to VAT. While conducting the opinion survey, questionnaires were distributed to the tax experts, VAT officials, businessmen, and consumers as per necessity.

3.1 Research Design

VAT is a new concept of tax in the present context of Nepalese economic system so still sufficient Information is not available for an intensive study. Most of the data information of this study was concerned with present as well as past phenomena either they are numerical or opinions. For an empirical research, an opinion survey has been conducted through structured questionnaire with reference to VAT system of Nepal. Hence, the research methodology followed in the study can be termed a survey com analytical research design.

3.2 Population and Sample

The overall administration of Inland Revenue was targeted towards many internal revenues like income tax, and excise duty. The IRD

and its 22 frontline Inland Revenue offices were being engaged in tax collection.

Population is the whole size of study. Covering all the population while taking data, the study gives more accurate finding. It is not possible due to various constraints like as time money etc .so this study take sample from large population In course of this study, 80 samples size from Kathmandu has been selected. The respondents have been divided into four groups. The following table shows the group of respondents and the size of samples:

Table 3.1

Group of Respondents and Size of Sample from Each Group

Serial Number	Group of Respondents	Sample Size
1	Tax Experts	13
2	Tax Officials	12
3	Businessmen/traders	20
4	Consumers	35
	Total	80

3.3 Sources of Data

Both primary as well as secondary sources of data have been collected in order to achieve the real and factual result from this research. All the possible and useful data as far as available have been collected. The major sources of data are as follows:

- a. **Primary Data:** To collect primary data, a set of questionnaire was developed and distributed to the selected respondents in order to get accurate and actual information. In this course

opinions were sought from tax authorities, and taxpayers' i. e. businessmen, and consumers.

b. **Secondary Data:** Secondary data are collected from following sources:

- Published documents from MOF and economic survey
- Publication of IRD and NRB
- Different relevant websites
- Publication of books reports and seminar paper of different institutions, e. g. FNCCI IMF etc
- Publication of VAT projects CBS
- Daily, weekly and monthly newspapers .and magazines, which are related to the research
- Budget speech of Nepal Government of various years
- Other related records and data relevant to the study

3.4 Methods of Presentation and Analysis of Data

The information, received from different sources, has been firstly tabulated into separate formats systematically in order to achieve the desired objectives. After that, the data has been tabulated and analyzed. For the purpose of analysis, generally the following tools have been used:

1. Statistical tool (as per need)
2. Percentage
3. Tabulation and trend presentation
4. Other i.e. graphs, charts and diagrams as needed

CHAPTER - 4

PRESENTATION AND ANALYSIS OF DATA

Government collect revenue from various source such as: tax revenue fees, fines, penalties subsidies and aids, among them, tax is the main sources of Government. Tax is collected mainly from two ways: direct tax and indirect tax. Direct tax is actually paid by the person on whom it is imposed. For a example: income tax, gift tax etc. while indirect tax is imposed on one person but another person abides, to pay it partly or wholly. For example value added tax (VAT). Those who pay tax are known as taxpayer. Taxpayers consciousness mean what type of knowledge they have about the income tax act, 2058. They have knowledge about different facilities provided by the government in tax law.

The presentation of data is the basic organization and classification of the data for analysis. After data collection is completed, the data is in raw form. It is necessary to arrange the data to makes some sense to researcher and other. It can later be presented to the reader of the research.

4.1. Revenue Structure of Nepal

The total revenue of government of Nepal is collected from tax and non-tax structures. The tax revenue, which is compulsory sacrifice of the people, can be divided into two components, direct and indirect taxes. The composition of total revenue collection of Nepal from the fiscal year 1999/2000 to 2009/10 is shown in the table below:

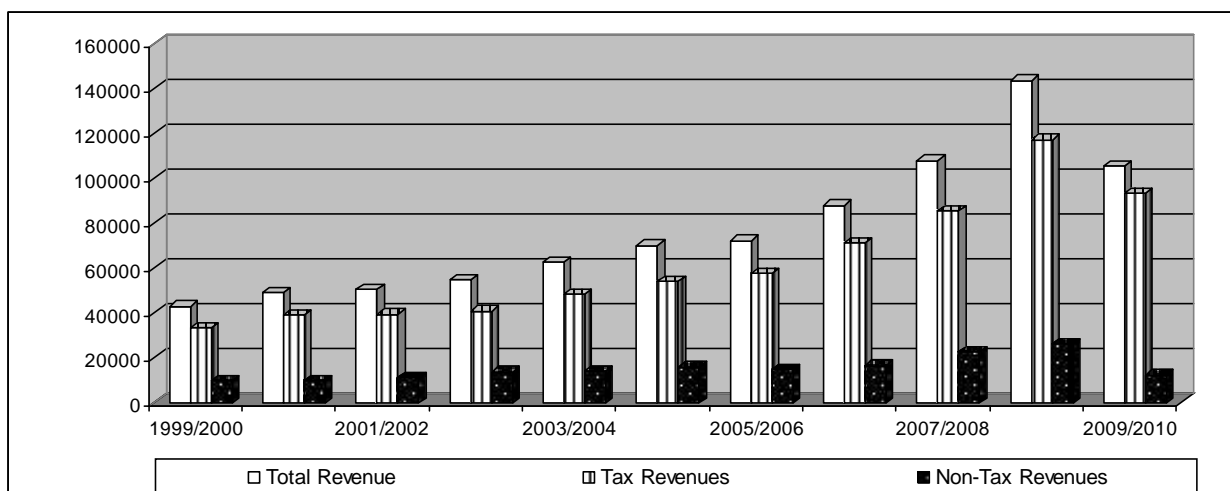
Table 4.1

**Composition of Total Revenue Collection of Nepal from the
Fiscal Year 1999/2000 to 2009/10**

Fiscal Year	Total Revenue	Tax Revenues		Non-Tax Revenues	
		Rs. (In Million)	%	Rs. (In Million)	%
1999/2000	42866.7	33152.1	77.29	9741.6	22.7
2000/2001	48893.8	38865.0	77.97	10028.8	20.51
2001/2002	50447.4	39330.60	75.74	11116.8	22.03
2002/2003	54538.8	40896.00	74.54	13642.9	24.26
2003/2004	62331	48173.0	77.29	14158.0	22.71
2004/2005	70122.7	54104.7	77.16	16018.0	22.84
2005/2006	72285.6	57434.0	79.45	14851.6	20.54
2006/2007	87712.2	71126.7	81.09	16585.5	18.91
2007/2008	1076722.5	85155.5	79.12	22467.0	20.88
2008/2009	143474.5	117051.9	89.58	26422.6	18.42
2009/2010	105464.3	93080.5	88.25	12383.8	11.74
Average			79.77		20.50

Source: GON,MOF, Economic Survey, 2010

Figure 4.1
Trend and Composition Total Revenue in Nepal for FY
1999/2000 to 2009/10



Source: GON,MOF, Economic Survey, 2010

The above table and bar diagram shows the composition of Nepal's total revenue, which constitutes tax and non-tax revenue from the fiscal year 1999/2000 to 2009/10. The share of tax revenue has always been greater than the share of non-tax revenue. The average share of tax revenue for the period 1999/2000 to 2009/10 was 79.77 percent and the average share of non-tax revenue was 20.23 percent.

From the fiscal year 1999/2000 to 2009/10 the amount of tax revenue is found in increasing every year with the amount of Rs. 42866.7 million to Rs.105464.3 million but the figure of percentage of tax revenue in the total revenue has been found fluctuating in different years. From fiscal year 1999/2000, 2005/06 the percentage contribution of tax revenue to total revenue has been decreased but it has increased from 77.16 percent in fiscal year 2005/06 to 81.09 percent in fiscal year 2007/08.

Likewise , the trend of non-tax revenue collection was also increased from Rs. 9741.6 million to Rs. 12383.8 million during the period of 1999/2000 to 2009/10 though percentage wise it has been fluctuating. This indicates that the role to tax revenue is very important of Nepal. Tax revenue has been placed a major source of government revenue in Nepal.

4.2 Tax Revenue Structure of Nepal

Tax revenue refers to the total sum of direct and indirect tax revenue. So, the total tax revenue is composed of direct and indirect tax revenue. The tax composition is known as direct and indirect tax.

Tax revenue is one of the principle sources of the government revenue, is a compulsory contribution imposed by a public authority respective of the exact amount of service rendered to the taxpayers is return. It covers theoretically and practically includes following heads such as persons, organizations business firms and even foreigners who are doing business of consuming goods or using service in Nepal.

The trend and composition of tax revenue for the fiscal years 2001/2002 to 2009/10 given in the table below:

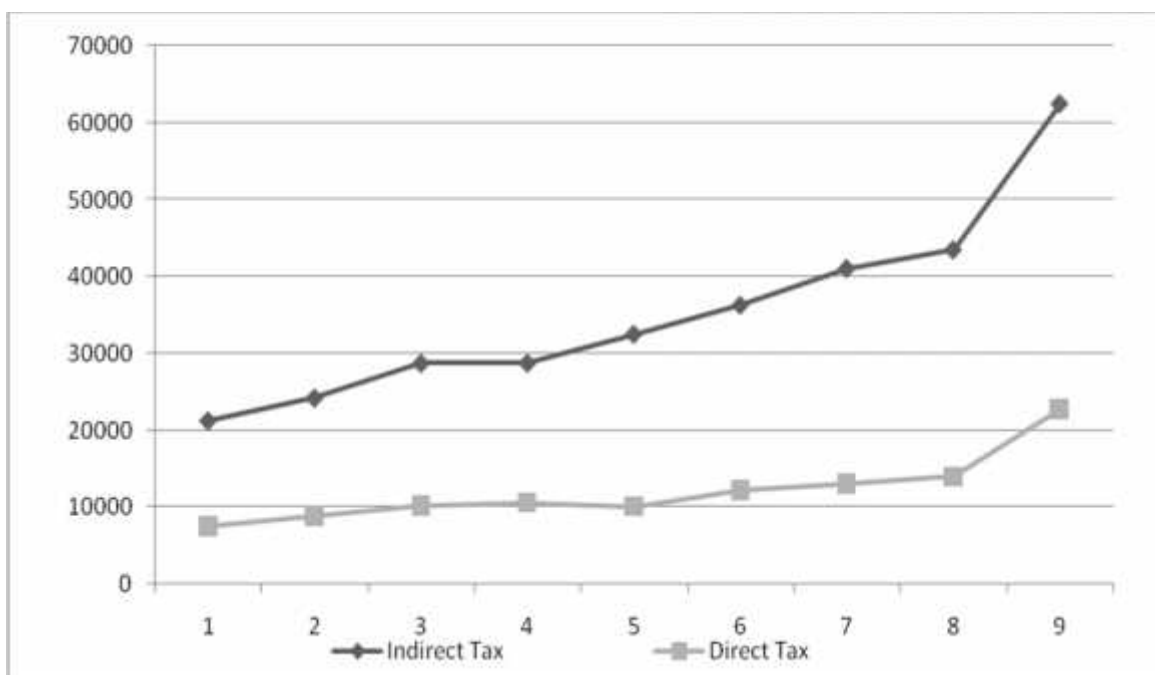
Table 4.2
Trend and Composition of Tax Revenue of Nepal from Fiscal
Year 2001/2002 to 2009/10

Fiscal Year	Total Revenue	Direct Tax		Indirect Tax	
		Amount (in million)	% total tax revenue	Amount (in million)	% total tax revenue
2001/2002	28752.9	7515.4	26.14	21236.8	73.86
2002/2003	33152.1	8915.5	27.00	24200.7	73.00
2003/2004	38865.1	10159.4	26.14	28705.7	73.86
2004/2005	39330.6	10597.4	26.54	28733.1	73.06
2005/2006	42587.0	10101.8	23.73	32481.2	76.27
2006/2007	54104.70	12213.4	25.35	36260.4	75.27
2007/2008	57430.40	13071.8	24.16	41032.9	75.84
2008/2009	71126.70	13968.10	24.32	43462.3	75.68
2009/2010	85155.54	22728.01	26.69	62427.53	73.31
Average			25.54		74.46

Source: *GON,MOF, Economic Survey, 2010*

Figure 4.2

Trend of Direct and Indirect Tax Revenue



Source: *GON,MOF, Economic Survey, 2010*

When we analyze and see the above table and trend line, we can easily say that the completely Nepalese tax structure is dominated by indirect tax revenue. However, share of indirect tax as percentage of the total tax revenue is decreasing continuously. In the similar manner, share of direct tax to total tax revenue is increasing in subsequent years. The average share of direct tax revenue in total revenue for the period 2001/2002 to 2009/10 was 25.54 percent and the share of indirect tax revenue was 74.46 percent. The volume of direct tax and indirect tax was Rs. 7515.4 million and Rs. 21236.8 million i.e. 26.14 percent and 73.86 percent of total income respectively in the fiscal year 2000/2001. The amount of direct

tax revenue is increasing every year as it increased from Rs. 7515.4 million to Rs. 18980.3 million in 2001/2002 to 2009/10. The amount of indirect tax revenue is also in increasing trend. It has increased from Rs. 2123.8 million in FY 2001/2002 to Rs. 52164 million in 2009/10. The percentage contribution of indirect tax to total tax revenue is fluctuating from year 2001/2002 to 2009/10. The contribution of indirect tax revenue to total tax revenue was minimum 73 percent, in year 2002/03 and maximum, 76.27 percent in fiscal year 2005/06. It seems indirect tax revenue is higher than direct tax revenue.

4.3 Empirical Studies

For most of the research work, empirical studies play a vital role to find out the actual status of research subject matters. There have been various empirical studies conducted before and after the implementation of VAT system in Nepal. It is viewed that this system has not been implemented effectively as expected. There was a strong opposition from the business community during the implementation period of VAT. In the beginning period of implementation, there was lack of skilled and trained manpower and officials. Administrative structure was also not set up properly. However, in present context, different informative programs, seminars and meeting are held to make the businessmen, consumers and public aware to the VAT.

For the purpose of survey, questionnaire were prepared to know the opinion of various -people from different fields including tax experts, tax officials, businessmen/traders and consumers about various aspects of VAT. The result and interpretation of the empirical studies scan be presented as follows:

4.3.1 Views on Knowing about VAT

Proper knowledge about VAT is very important to implement VAT effectively. To know whether the respondents are introduced to VAT or not, a question, “Do you know, what VAT is?” was asked. The survey provided the following results:

Table 4.3
View on What VAT is

Responses	A		B		C		total
	No	%	No	%	No	%	No
Tax Officials	-	-	12	100	-	-	12
Tax Experts	-	-	13	100	-	-	13
Businessmen/Traders	-	-	20	100	-	-	20
Consumers	7	20	21	60	7	20	35
Total	7	8.75	66	82.50	7	8.75	80

Source: Opinion Survey, 2011

Note:

A = A kind of income tax

B = A kind of sales tax

C = No idea

Survey results shows that the most of the respondents are familiar to VAT. It is revealed that 82.50% of the total respondents know about VAT as they responded saying that VAT is a kind of sales tax. It included 100% tax officials and tax experts each, 100% businessmen/traders and 60% consumers. However 8.75% of respondents are not familiar with VAT, 8.75% consumers responded that they have no idea about VAT.

It can be concluded that though majority of people are introduced to VAT, consciousness is still required for consumers.

4.3.2 Views on Introduction of VAT in Nepal

To know the respondents knowledge on the time of introduction of VAT in Nepal, a question, “When was VAT introduced in Nepal?” was asked. The survey result on this aspect can be presented below:

Table 4.4
Views on Introduction of VAT in Nepal

Responses	A		B		C		D		Total
	No	%	No	%	No	%	No	%	No
Tax Officials	-	-	12	100	-	-	-		12
Tax Experts	-	-	13	100	-	-	-		13
Businessmen/Traders	3	15	15	75	-	-	2	10	20
Consumers	6	17.14	25	71.43	-	-	4	11.43	35
Total	9	11.25	65	81.25	-	-	6	7.50	80

Source: Opinion Survey, 2011

Note:

A = Many years ago

B = some years ago

C = Recently

D= No idea

According to the field survey, in total 81.25% of the respondents were familiar with the time of introduction of VAT in Nepal as they responded saying some years ago. It included 100% tax officials and tax experts each, 75% businessmen and 71.43% consumers. Similarly, 11.25% of the respondents responded as many years ago. However 7.5%% respondents replied that they have no idea regarding the introduction time of VAT in Nepal. This result shows though majority of the people know about the introduction of VAT in Nepal, consciousness program may help to increase this percentage.

4.3.3 Views on Real Taxpayer of VAT

To know the respondents view regarding the real taxpayer of VAT the question was put, “In your opinion, who is the real taxpayer of VAT?” opinion result is summarized in the table below:

Table 4.5
Views on the Real Taxpayer of VAT

Responses	A		B		C		total
	No	%	No	%	No	%	No
Tax Officials	12	100	-	-	-	-	12
Tax Experts	13	100	-	-	-	-	13
Businessmen/Traders	15	75	5	25	-	-	20
Consumers	25	71.43	10	28.57	-	-	35
Total	65	81.25	15	18.75	-	-	80

Source: Opinion Survey, 2011

Note:

A= Consumers

B= Businessman

C= No idea

According to the above survey data, in total 81.25% of respondents were familiar with real tax payer of vat. Survey results shows that 100% tax officials and tax experts each opinioned consumers as the real taxpayer of VAT. Similarly, 75% businessmen and 71.43% consumers also provided their views on consumer as the real taxpayer of VAT. Whereas 25% businessmen and 28.57% consumer presented that businessmen are the real taxpayer of VAT. This concludes that majority of the respondents consumers are known with the real taxpayer of VAT.

4.3.4 Views on Current Rate of VAT

To know whether the respondents know the current rate of VAT in Nepal a question, “Do you know what the current rate of VAT in Nepal is?” was asked. The respondents responded as follows:

Table 4.6
Views on the Current Rate of VAT

Responses	A		B		C		D		Total
	No	%	No	%	No	%	No	%	
Tax officials	12	100	-	-	-	-	-	-	12
Tax Experts	13	100	-	-	-	-	-	-	13
Businessmen / Traders	17	85	2	10	-	-	1	5	20
Consumers	23	65.71	7	20	-	-	5	14.29	35
Total	65	81.25	9	11.25	-	-	6	7.5	80

Source: Opinion Survey, 2011

Note:

A = 13%

B = 12%

C = 11%

D = don't know

According to the above schedule, 100% tax officials and tax experts, 85% businessmen and 65.71% consumers know the current rate of VAT in Nepal as they responded the VAT rate as 13%. However, 10% businessmen and 20% consumer responded that the current VAT rate is 12%. Similarly, 7.50% of the total respondents including 5% businessmen and 14.29% consumers presented their view as no any idea about the current rate of VAT. This shows the need of consciousness programme for public.

4.3.5 Views on Introduction to Invoicing System

For the effective implementation of VAT system, the provision of issuing tax invoice at the time of sales should be understood by these four parties. With the increase in the level of knowledge on the part of consumer, businessmen and tax officials about the invoicing system will lead to the success of VAT system. To know the taxpayers level of introduction to invoicing system a question was asked, "Do u ask for the tax invoice after purchasing goods or services?" the survey result on this aspect can be presented as below:

Table 4.7
Views on Asking Tax Invoice after Purchasing Goods and Services

Responses Respondents	A		B		total
	No	%	No	%	No
Tax Officials	12	100	-	-	12
Tax Experts	13	100	-	-	13
Businessmen/Traders	15	75	5	25	20
Consumers	25	71.43	10	28.57	35
Total	65	81.25	15	18.75	80

Source: Option Survey, 2011

Note:

A = Yes

B = No

The survey result shows that 100% tax officials and tax experts ask for tax invoice after purchasing goods or services. Similarly, 75% businessman and 71.43% consumers ask for invoice while purchasing goods or services. However, 25% businessman and 28.57 consumers do not ask for tax invoice after purchasing goods and services. The outcome shows that still consciousness programmes is necessary to increase the level of taxpayers towards VAT and its invoicing system.

4.3.6 Views on Reasons behind Asking Tax Invoice after Purchase of Goods and service

To know the reasons behind asking tax invoice after purchase of goods or services a question, “If yes, why do you ask such invoice at the time of purchase of goods and services?” was asked. The respondents provided different views, which are presented follows:

Table 4.8
Views on Reasons behind Asking Tax Invoice after Purchase of Goods and services

Responses Respondents	A		B		C		D		E		F		Total
	No	%	No	%	No	%	No	%	No	%	No	%	No
Tax officials	-	-	6	50	-	-	3	25	-	-	3	25	12
Tax Experts	-	-	8	61.54	-	-	3	23.08	-	-	2	15.38	13
Businessmen/ Traders	-	-	10	50	-	-	5	25	5	25	-	-	20
Consumers	-	-	20	57.14	15	42.86	-	-	-	-	-	-	35
Total			44	55	15	18.75	11	13.75	5	6.25	5	6.25	80

Source: Opinion Survey, 2011

Note:

A = Just so

B = To get the authenticity of the seller

C = To show the price of the commodity to my family

D = To participate in Consumer Consciousness Gift Program (CAGP)

E = To show it to the auditor

F = Others

According to the above schedule, 50% tax officials and 61.54% tax experts 50% businessmen, 57.14% consumers said that they ask for tax invoice to get the authenticity of seller. Similarly, 42.86% consumers ask for tax invoice to show it to their family. Likewise, 25% tax officials 23.08% tax experts and 25% businessmen ask tax invoice to participate in CAGP. In the same way, 25% businessmen in total ask tax invoice to show it to the auditor. However, in total 6.25% respondents including 25% tax officials and 15.38% tax experts replied that they ask tax invoice after purchase of goods and services to get the money in the government treasury.

It can be concluded that 55% the respondents of the survey ask tax invoice to get the authenticity of seller. Similarly 18.75% respondents of the survey ask tax invoice to show the price of the commodity to family.

4.3.7 Views on Being Known to VAT

A question was asked to the respondents regarding how they came to know about VAT. The survey result on this aspect is presented below:

Table 4.9
Views on Being Known to VAT

Responses Respondents	A		B		C		D		Total
	No	%	No	%	No	%	No	%	No
Tax officials	-	-	-	-	-	-	12	100	12

Tax Experts	-	-	-	-	-	-	13	100	13
Businessmen	12	50	3	15	2	10	3	15	20
Consumers	20	57.15	3	8.57	6	17.14	6	17.14	35
Total	32	40	6	7.5	8	10	34	42.50	80

Source: Opinion Survey, 2011

Note:

A = From media (Radio/Television/Paper)

B = From Friends

C = From tax administrator

D = Others

According to the surveys 100% tax officials and tax officials and tax experts each presented their view that they came to know about VAT through studying laws act, rules and regulations. Similarly 15% businessmen and 17.14% consumers also viewed that they came to know about VAT studying books. In the same way, 40% of the respondents including 60% businessmen and 57.15% consumers came to know about VAT through media i.e., radio, television and paper etc. however, 7.5% of respondents including 15% businessmen and 8.57% of consumers came to know about VAT through friends and 10% of respondents including 10% businessmen and 17.14% consumers came to know about VAT from tax administrator. This concludes that most of the respondents came to know about VAT through media and studying books, rules and laws. It can be said that media is one of the most reliable means for increasing consumer consciousness among consumers.

4.3.8 Views on Whether VAT is the Extra Burden to Taxpayers and Increases Price of Goods

It has been felt that tax is an extra burden for taxpayers and it will increase the price of goods and services. Moreover, taxpayers feel that the collected tax by the government is expended on the unproductive sector therefore, Nepalese taxpayers are worried about the increasing burden of tax on them. The field survey conducted to find out-views of different respondents on burden of VAT resulted as follows:

Table 4.10
Views on VAT as the extra burden to taxpayers and increasing the price of goods

Responses Respondents	A		B		C		total
	No	%	No	%	No	%	No
Tax Officials	8	66.67	4	33.33	-	-	12
Tax Experts	7	53.85	6	46.15	-	-	13
Businessmen/Traders	14	70	6	30	-	-	20
Consumers	20	57.14	10	28.57	5	14.29	35
Total	49	61.25	26	32.5	5	6.25	80

Source: Opinion Survey, 2011

Note:

A=Yes

B=No

C = No idea

The above table shows that 66.67% tax officials and 53.85% tax experts, 70% businessmen and 57.14% consumers feel tax as the

extra burden to taxpayer and increases the price of goods and services. Similarly, 28.57% consumers feel that VAT is not an extra burden to taxpayers and increasing the price of goods and services. However, 14.29% consumers said that they have no idea regarding the question. In conclusion, most of respondent felt that VAT as the extra Burden to taxpayer and increase the price of the goods.

4.3.9 Views on Effect of VAT in Nation’s Economic Growth

During the field survey a question, “What effect will have VAT in nation’s economic growth?” was asked to know the views of respondents about the effect of VAT on economic growth of the nation. The survey resulted as follows:

Table 4.11

Views on Effect of VAT in Nation’s Economic Growth

Responses	A		B		total
	No	%	No	%	No
Tax Officials	12	100	-	-	12
Tax Experts	13	100	-	-	13
Businessmen/Traders	20	100	-	-	20
Consumers	32	91.43	3	8.57	35
Total	77	96.25	3	3.75	80

Source: Opinion Survey, 2011

Note:

A = Positive

B=Negative

The survey result shows that 96.25% of the total respondents including 100% each of tax officials, tax experts and businessmen and 91.43% consumer responded that VAT has positive effect in nation's economic growth: However, only 8.57% consumers viewed that VAT has negative effect in nation's economic growth. This concludes that majority of people have positive attitude towards VAT.

4.3.10 Views on Public Consciousness Regarding VAT

Views are collected from different respondents to know the level of consciousness regarding VAT among public. For this a question was asked, "Do you think that public are fully conscious of VAT in Nepal" the field survey resulted the following outcomes.

Table 4.12

Views of Public Consciousness Regarding VAT

Responses Respondents	A		B		C		total
	No	%	No	%	No	%	No
Tax Officials	-	-	12	100	-	-	12
Tax Experts	5	38.46	8	61.54	-	-	13
Businessmen/Traders	14	70	4	20	2	10	20
Consumers	5	14.29	25	71.42	5	14.29	35
Total	24	30	49	61.25	7	8.75	80

Source: Opinion Survey, 2011

Note:

A = Yes fully

B = Little bit

C = Not at all

From the above table, 100% tax officials and 61.54% tax experts each, 20% businessmen and 71.42% consumers feel that public is little bit aware of VAT. Similarly, 10% businessmen and 14.29% consumer feel that public is not at all conscious of VAT in Nepal.

In Conclusion, majority of people feel that public is only little bit conscious of VAT in Nepal. Hence, consciousness programme is essential for the effectiveness of VAT system in Nepal in future.

4.3.11 Views on Reasons behind being Against VAT and Non-maintaining Account

In order to know the reasons behind being against VAT and non maintaining account the next question was asked, “What are the reasons behind being against VAT and non-maintaining accounts?” the respondents were requested to rank their responses from 1 to 6 according to preference. The response received from respondents is tabulated below:

Table 4.13
Ranks of the Reason of being Against VAT and Non-maintaining Accounting

Reasons	Ranks						Total
	1	2	3	4	5	6	
Lack of knowledge of VAT	30	20	15	7	3	5	80
Difficult accounting procedures	7	5	15	20	20	13	80
Problems of billing and in voicing system	5	25	15	13	15	7	80
Problems on audit and administrative work	3	8	10	20	25	14	80
It is the extra burden of tax	5	10	8	6	10	41	80
Negative attitude towards VAT	15	15	17	15	5	13	80
	Total						80

Source: Opinion Survey, 2011

Table 4.14

Weighted Value and Mean Value of Ranks for the Reason of being Against VAT and Non-maintaining Account

Reasons	Weighted value	Mean value	Overall ranks
Lack of knowledge of VAT	188	2.35	VI
Difficult accounting procedures	320	4	III
Problems of billing and invoicing system	269	3.36	IV
Problem on audit and administrative work	338	4.225	II
It is the extra burden of tax	369	4.61	I
Negative attitude towards VAT	359	3.23	V

Source: Option survey, 2011

Form the above table 4.13 the major reason of being against VAT and non-maintaining account ranked in order of preference are as follows:

- a) Lack of knowledge of VAT
- b) Negative attitude towards VAT
- c) Problems of billing and invoicing system
- d) Difficult accounting procedures
- e) Problem on audit and administrative work
- f) It is the extra burden of tax.

In conclusion, the majority of respondents, responded that the major reason of being against VAT and non-maintaining account is the extra burden of tax

4.3.12 Views on Problems of VAT in Nepal at Present

In order to know the problems of VAT in Nepal the next question was asked, “What are the problems of VAT in Nepal at present?” The respondents were requested to rank their responses from 1 to 7 according to preference. The response received from respondents is tabulated below

Table 4.15
Ranks of the Problems of VAT in Nepal

Reasons	Ranks							Total
	1	2	3	4	5	6	7	
Problem on billing system	10	10	27	10	10	8	5	80
Problem of open boarder with India	10	20	15	13	15	3	4	80
Weak government economic policy	15	14	8	5	8	19	1	80
Difficult accounting procedure	5	7	7	16	25	10	10	80
Lack of consciousness in public	13	3	5	6	11	13	29	80
Lack of proper co-ordination between the taxpayers and tax administration	5	15	13	15	11	20	1	80
Problem on tax refund	20	20	8	6	5	20	1	80
	Total							80

Survey: Option Survey, 2011

Table 4.16
Weighted Value and Mean Value of Ranks for the views on
Problems of VAT in Nepal at Present

Reasons	Weighted value	Mean value	Overall ranks
Problem of billing system	284	3.55	V
Problem of open boarder with India	268	3.35	VI
Weak government economic policy	288	3.60	IV
Difficult accounting procedure	359	4.49	II
Lack of consciousness in public	394	4.93	I
Lack of proper co-ordination between the taxpayers and tax administration	316	3.95	III
Problem on tax refund	260	3.25	VII

From the above table 4.15, the major problems of VAT in Nepal at present ranked in order of preference are as follows:

- a) Lack of consciousness in public
- b) Problem of open boarder with India
- c) Problem on billing system
- d) Weak government economic policy
- e) Lack of proper co-ordination between the taxpayers and tax administration
- f) Difficult accounting system
- g) Problem on tax refund

In conclusion ,the majority of respondent responded that the problem of VAT is lack of consciousness in public.

4.3.13 Views on the Government Focus on to Operate VAT System Effectively

The respondents were requested to present their views on what the government should focus for effective operation of VAT system. The views of different respondents are tabulate below:

Table 4.17

Views on the Government Focus on to Operate VAT System Effectively

Responses Respondents	A		B		C		D		E		Total
	No	%	No	%	No	%	No	%	No	%	No
Tax officials	-	-	-	-	9	75	3	25	-	-	12
Tax Experts	-	-	-	-	10	76.92	3	23.08	-	-	13
Businessmen/ Traders	9	36	3	12	6	24	6	24	1	4	25
Consumers	7	23.33	3	10	16	53.34	3	10	1	3.33	30
Total	16	20	6	75	41	51.25	15	18.75	2	2.25	80

Source: Opinion Survey, 2011

Note:

A = Improve government policy

B = Reforms in law

C = Motivation to registration m VAT

D = Develop the co-ordination with private sectors

E = No Idea

According to the survey result, majority of the respondents give their opinion that the government should give more emphasis on motivation to registration in VAT, in order to operate VAT system effectively. In total 80 respondents 51.25% respondents viewed, the motivation to registration in VAT can result in effective

operation of VAT system. Similarly, 20% respondents gave emphasis on improving government policy, 7.5% gave focus on reforms in law to operate VAT system effectively. In the same way 18.75% of the respondents viewed that the government should develop the co-ordination with private sectors to operate VAT system effectively. However, 2.25% of respondents responded that they have no any ideas regarding the question. Hence, it can be concluded that the major focus of government should be on motivation to registration in VAT for the smooth operation of VAT system.

4.3.14 Views on New Programme to be Launched by Government for Increasing Consciousness Regarding VAT

This research was intended to identify the education level of taxpayer concerning VAT. So attempt was made to collect views from different respondents regarding programme to be launched by the government for increasing consumer consciousness in VAT. The opinions on this aspect are presented as under:

Table 4.18

Views on New Programme to be launched by Government for increasing Consciousness Regarding VAT

Responses	A		B		C		D		E		Total
	No	%	No	%	No	%	No	%	No	%	
Tax officials	3	25	2	16.67	2	16.67	3	25	2	16.66	12
Tax Experts	4	30.77	2	15.38	2	15.38	4	30.77	1	7.70	13
Businessmen/ Traders	10	50	3	15	3	15	4	20	-	-	20
Consumers	15	42.85	5	14.29	5	14.29	10	28.57	-	-	35
Total	32	40	10	12.50	12	15	23	28.75	3	3.75	80

Source: Option Survey, 2011

Note:

A = Inclusion of Tax Education from school curriculum

B = Organize seminars and workshop on VAT matters for tax

C = Organize different types of information campaign

D = Disseminate information through media

E = Others

The field survey shows that, 40% of total respondents viewed that government should bring the program of including TAX education from school curriculum to increase consumer consciousness in VAT. Similarly 12.5% respondents focused on organizing seminars and workshop on VAT matters for taxpayers and 15% respondents focused on organizing different information campaign to increase consumer consciousness. In the same way, 28.75% of the respondents presented their view to disseminate information through media. Remaining 3.75% focused on promotion of tax education in Nepal in order to increase consumers' consciousness. Then we can conclude that stakeholders consciousness programme is necessary to increase concerning VAT in Nepal either it is through the inclusion to tax education from school curriculum, organizing seminars and workshop or information campaign, or disseminate information through media. However, the major focuses of respondents are on tax education from school curriculum and next on disseminate information through media.

4.4 Analysis of Secondary Data

4.4.1 Trend of VAT Registration

The operation of VAT in Nepal starts with addressing the sales tax registrants to register in the VAT department according to VAT act, these with an annual transaction above the VAT threshold must be registered in VAT but not those required registering with VAT but they can join in VAT voluntarily.

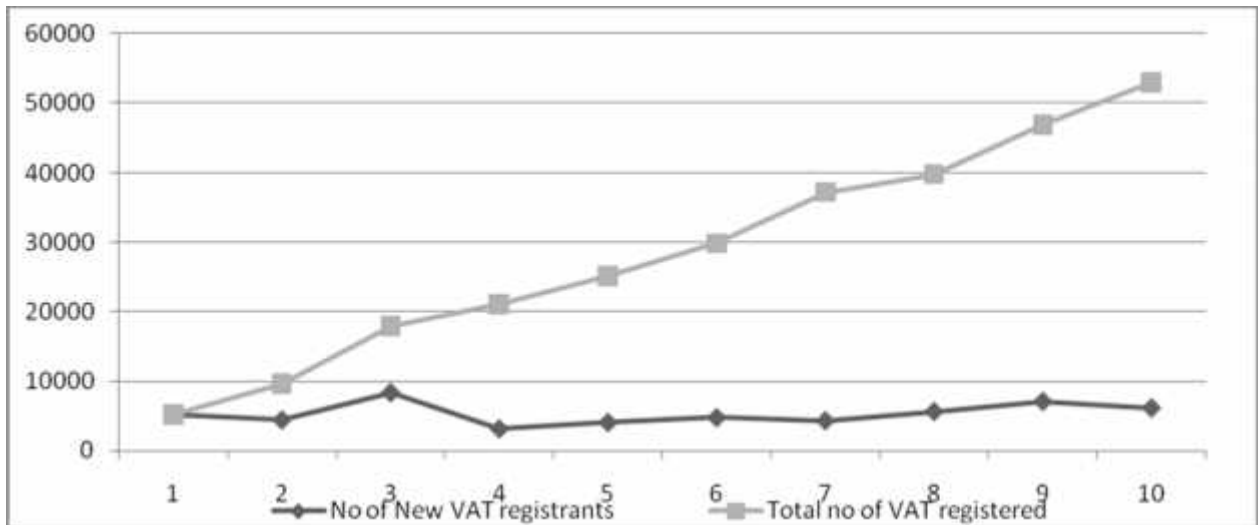
When VAT was introduced in 1997/98, there was strong opposition from the business community. However, during the 10 years of VAT implementation, a number of stakeholders consciousness programme have been launched. Massive taxpayer information has been published and aired through media and newspaper. Because of these efforts, there is increasing trend of VAT registration every year. The trend of the VAT registration is shown in the following table.

Table 4.19
Trend of VAT Registrants

Fiscal Year	Number of new VAT registrants	Total number of VAT registrants	Growth Percentage
2000/2001	5237	5237	-
2001/2002	4405	9642	84
2002/03	8305	17947	86
2003/04	3146	21053	17
2004/05	4056	25149	19
2005/06	4723	29872	18
2006/07	4302	37174	14
2007/08	5602	39776	16
2008/09	7055	46831	18
2009/10	6134	52965	13
Average Growth			28.50

Source: MOF, IRD, Annual Report, 2010, Kathmandu

Figure 4.3
Trend of VAT Registrant



The above table and diagram shows that the total number of VAT registrants in 2000/2001 was 5237 and it reached 9642 in the fiscal year 2001/2002. During the ten years period, the number of VAT registrants increased

From 5237 in the fiscal year 2000/200 1 to 52965 in the fiscal year 2009/10 by more than 10 folds. This shows that the trend of VAT registration is satisfactory though the average growth rate is only 28.5 percent.

4.4.2 Composition of VAT Revenue

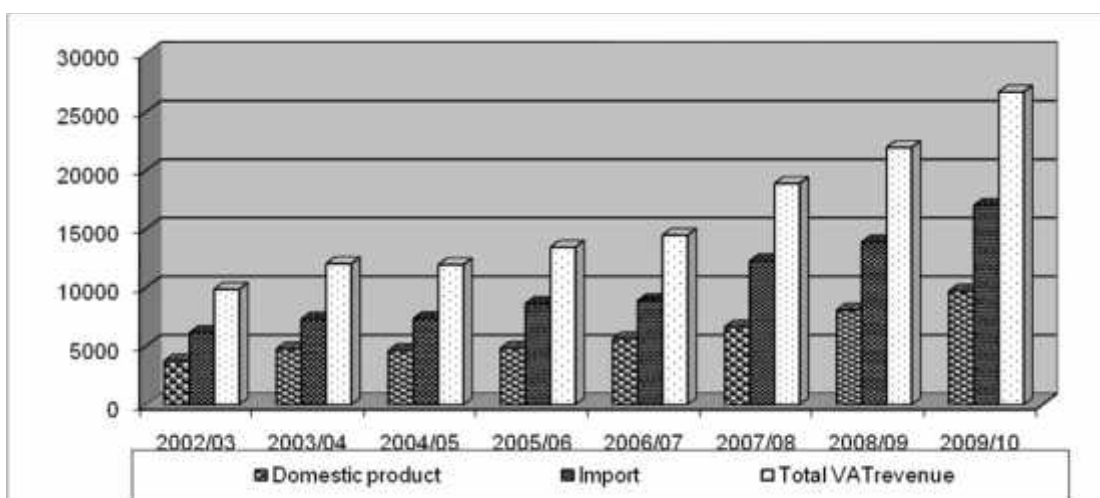
The total VAT collection can be divided into two parts: domestic and imports. The current trends show that about one-third of total VAT revenues come from domestic products and two-third from imports. The following table represents the composition of VAT revenue:

Table 4.20
Composition of VAT Revenue (Rs. In Millions)

Fiscal	Domestic Product		Import		Total VAT revenue
	Amount	Percent	Amount	Percent	
2002/03	3720.0	37.77	613.03	62.23	9850.0
2003/04	4744.4	39.38	7303.1	60.62	12047.8
2004/05	4608.4	38.57	7339.6	61.43	11948.0
2005/06	4819.6	35.84	8629.5	64.16	13449.1
2006/07	5604.1	38.71	8874.8	61.29	14478.9
2007/08	6624.3	35.06	12270.3	64.94	18894.6
2008/09	8075.4	36.77	13888.6	63.23	21964
2009/10	9690.0	36.29	17074.2	63.71	26704.2

Source: MOF, IRD, Annual Report, 2010, Kathmandu

Figure 4.4
Composition of VAT Revenue



According to the above table and figure, the share of domestic products and imports in total VAT revenue in the fiscal year 2002/03 was 37.77 percent and 62.33 percent respectively where as 39.39 percent and 60.62 percent respectively in fiscal year 2003/04. Similarly, in fiscal year 2004/05, the share of domestic products and imports was 38.57 percent and 61.43 percent respectively and 35.84 percent and 64.16 percent in fiscal year 2005/06. Likewise, in the fiscal year 2006/07, the contribution of domestic products and imports to the total VAT revenue was 38.71 percent and 61.29 percent respectively. Also fiscal year 2008/09, the contribution of domestic product and imports to the total VAT revenue was 36.77% and 63.23% respectively. In fiscal year 2009/10 was 36.29% and 63.7% share of domestic products and imports in total VAT revenue. It seems that the imports revenue to the total VAT revenue was greater than domestic product.

4.4.3 Trend of Revenue collection from VAT

VAT is as essential tool of revenue collection in Nepalese economy. It is the best form of sale tax, which will generate more revenue with less distortion because of its broad coverage, neutrality, and transparency, fairness. The trend of revenue collection from VAT in different fiscal year is presented in table below:

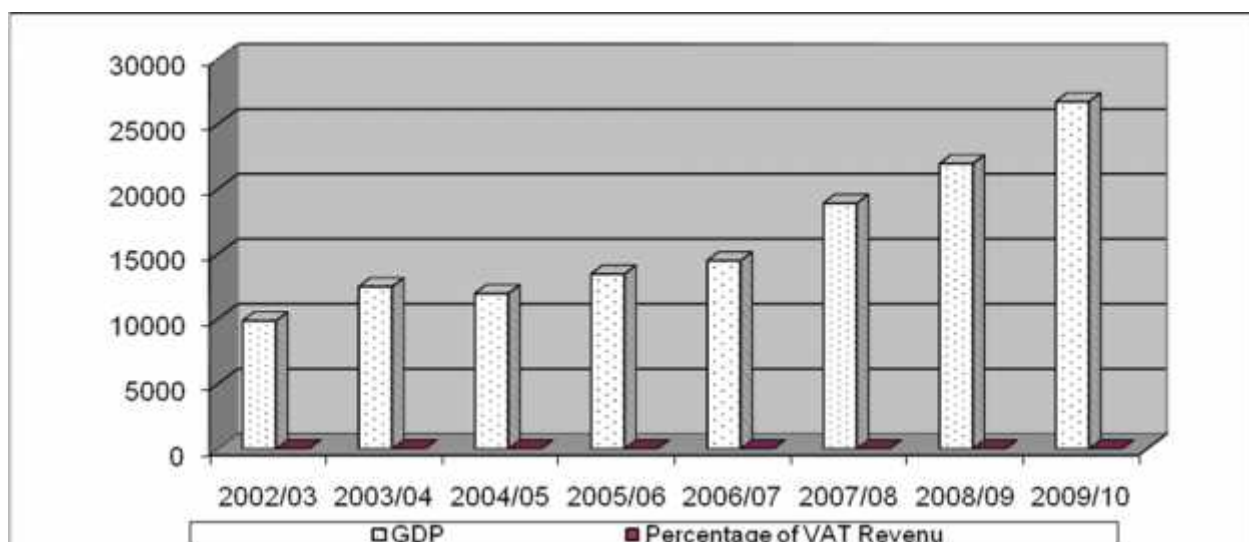
Table 4.21: Trend of Revenue Collection from VAT (Rs in million)

Fiscal Year	Revenue Collection	Percentage Change
2002/03	9850	
2003/04	12477.80	26.68
2004/05	1134.8	4.25
2005/06	13449.1	12.56
2006/07	14478.9	7.66
2007/08	18894.6	30.50
2008/09	21946.0	16.14
2009/10	26704.2	21.6

Source: MOF, IRD, Annual Report, 2010, Kathmandu

Figure 4.5

Trend of Revenue Collection from VAT



The above table and diagram shows that the amount of VAT collection in fiscal year 2002/2003 was 9850 million. Similarly, it

increased by 26.68 percent and reached 2477.8 in the fiscal year 2003/2004. Likewise, revenue collection from VAT in fiscal year 2004/2005, 2005/06, 2006/07, 2007/08, 2008/9 and 2009/10 Rs. 11948 million, Rs. 13449.1 million, 14478.9 million Rs. 18894.6 million, Rs. 21946.0 million and Rs. 26704.2 million respectively. The trend of VAT collection decreased 4.25 percent negatively in fiscal year 2004/2005 it increased by 12.56 percent of previous year in fiscal year 2005/06. Similarly, it has been increasing in decreasing trend from fiscal year 2007/08 to 2009/010 but has increased from Rs. 21946 million in fiscal year 2008/09 to Rs. 26704.2 but has increase from Rs. 21946 million in fiscal year 2008/09 to Rs. 26704.2 million in fiscal year 2009/10. Despite of various difficulties in the implementation of VAT, the trend of revenue collection through VAT is not so bad. Since, Vat is broad based tax, it will prove to be stable base of revenue to the government. However, it can be expected that more and more revenue can be generated in coming days, if implemented effectively and efficiently. For this, the major focus should be directed towards stakeholders consciousness programme.

4.4.4 Contribution of VAT to Government Revenue (GDP)

VAT has been playing a vital role in government revenue (GDP) of Nepal since its implementation it is the best tax than sales tax. The contribution of value added tax (VAT) to government revenue (GDP) can be presented in table below:

Table 4.22

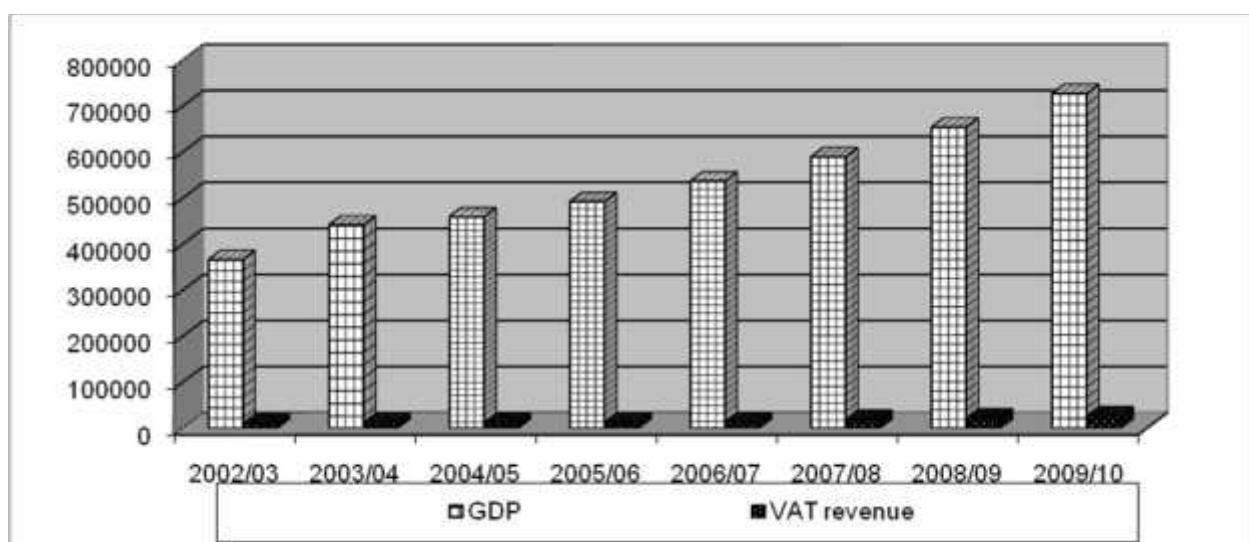
Contribution of VAT to Government Revenue (GDP)

Fiscal Year	GDP	VAT revenue	Percentage of VAT revenue to GDP
2002/03	366251	9850.0	2.69
2003/04	441519	12047.8	2.73.
2004/05	459443	11948.0	2.60
2005/06	492231	13449.1	2.73
2006/07	536749	14478.9	2.70
2007/08	589412	18894.6	3.21
2008/09	654055	21946.0	3.36
2009/10	727089	26704.2	3.67

Source: *GON,MOF, Economic Survey, 2010*

Figure 4.6

Contribution of VAT to Government Revenue (GDP)



According to above table and figure, it is clear that the share of value added tax in GDP in Nepal is very low and it is below 3

percent throughout the period. The share of VAT in GDP of Nepal in fiscal year 2003/2004, 2004/05, 2005/06, 2006/07, and 2008/09 respectively.

From the fiscal year 2002/03 to 2006/07, it has increased from 2.69 percent to 3.21 percent. After then, it is increased to 3.67 percent. To increase government revenue the VAT consciousness programme should be implemented.

4.4.5 Share of VAT Revenue in Total Tax Revenue

The contribution of VAT revenue in total tax revenue can be presented in the table below:

Table 4.23

Share of VAT Revenue in Total Tax Revenue (in Rs. Million)

Fiscal Year	Total Revenue	VAT Revenue	% Total Tax Revenue
2002/03	33152.2	9850	29.71
2003/04	38865.0	12047.7	31.0
2004/05	39330.6	11948.0	30.38
2005/06	42486.9	13449.1	31.65
2006/07	48173.0	14479.0	30.06
2007/08	54104.7	18894.6	34.92
2008/09	57430.4	21946.0	38.21
2009/10	71126.73	26704.2	37.55

Source: *GON, MOF, Economic Survey, 2010*

Figure 4.7

Share of VAT Revenue in Total Tax Revenue

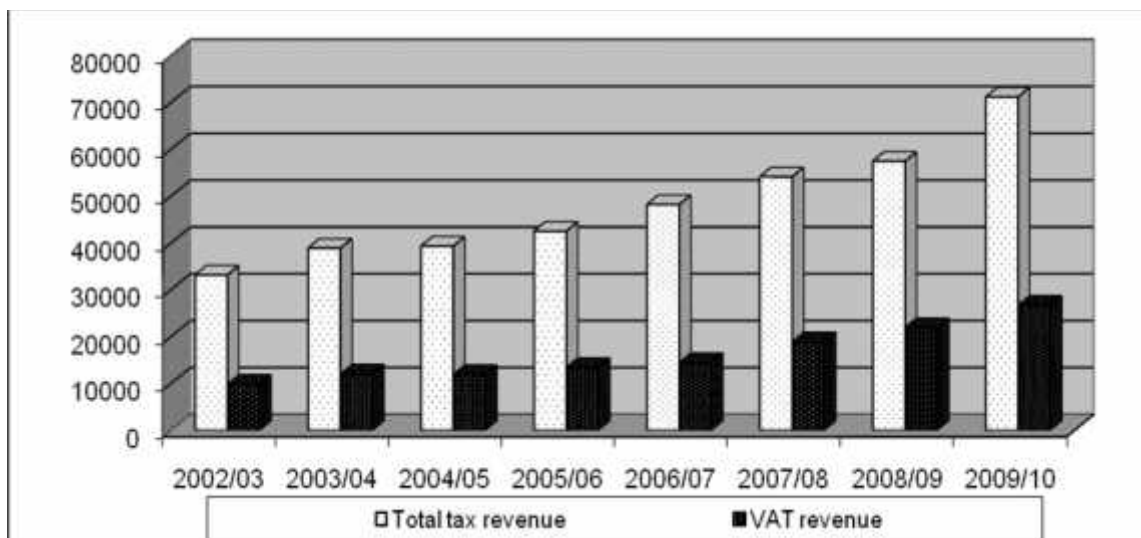
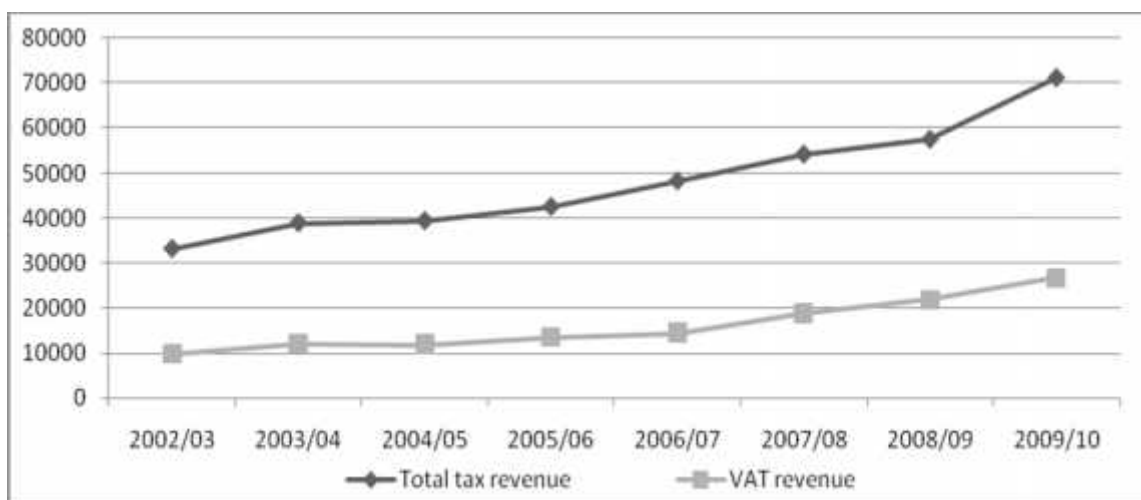


Figure 4.8

Share of VAT Revenue in Total Tax Revenue



According to the above table and diagram, VAT revenue was 29.71 percent of total tax revenue in fiscal year 2002/03. During the study period of eight years, the percentage trend of VAT revenue to the total tax revenue has increased from 29.71 percent to 37.55 percent in fiscal year 2002/03 to 2009/10. But in fiscal year 2004/05, it has decreased to 30.38 percent. Similarly, in FY 2008/09, the share of VAT revenue in total tax revenue has been increase to 38.21

percent while decreased to 37.55 percent in FY 2009/10. So, in overall, the VAT revenue with comparison to total tax revenue has been increasing through fluctuating some years.

4.4.6 Share of VAT Revenue in Total Indirect Tax Revenue

The contribution of VAT revenue in total indirect tax revenue is presented in the table below:

Table 4.24

Share of VAT Revenue in Total Indirect Tax Revenue

Fiscal Year	Total indirect tax Revenue	VAT revenue	% of total indirect Tax Revenue
2002/03	24200.7	9850	40.70
2003/04	28705.7	12047.7	41.97
2004/05	28733.1	11948.0	41.58
2005/06	32481.2	13449.1	41.41
2006/07	36065.25	14479.0	40.15
2007/08	41032.9	18894.6	46.05
2008/09	43462.9	21946.0	50.49
2009/10	52146.43	26704.2	51.21

Source: *GON, MOF, Economic Survey, 2010*

Figure 4.9

Share of VAT Revenue in Total Indirect Tax Revenue

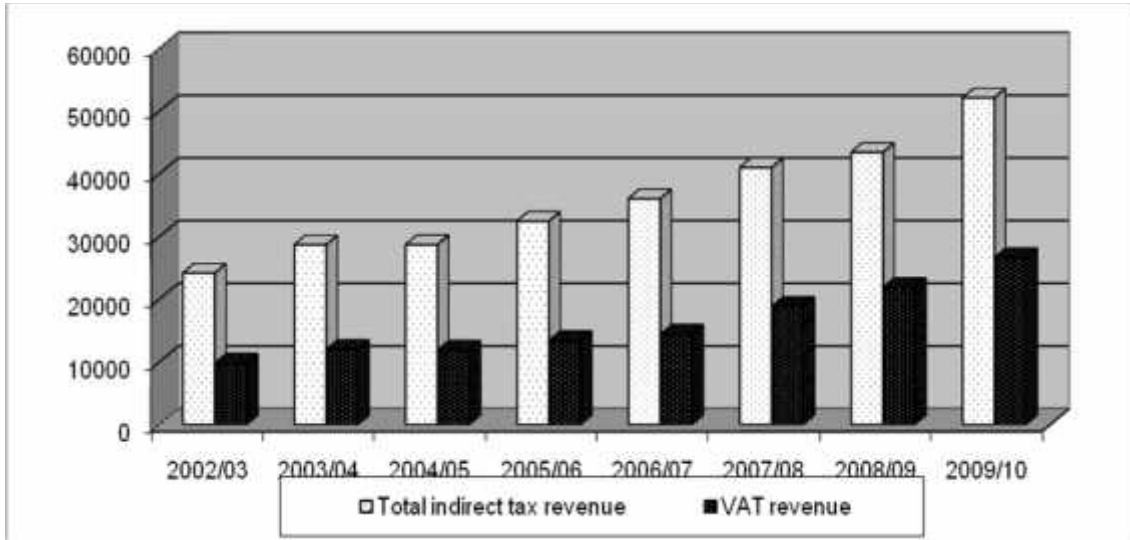
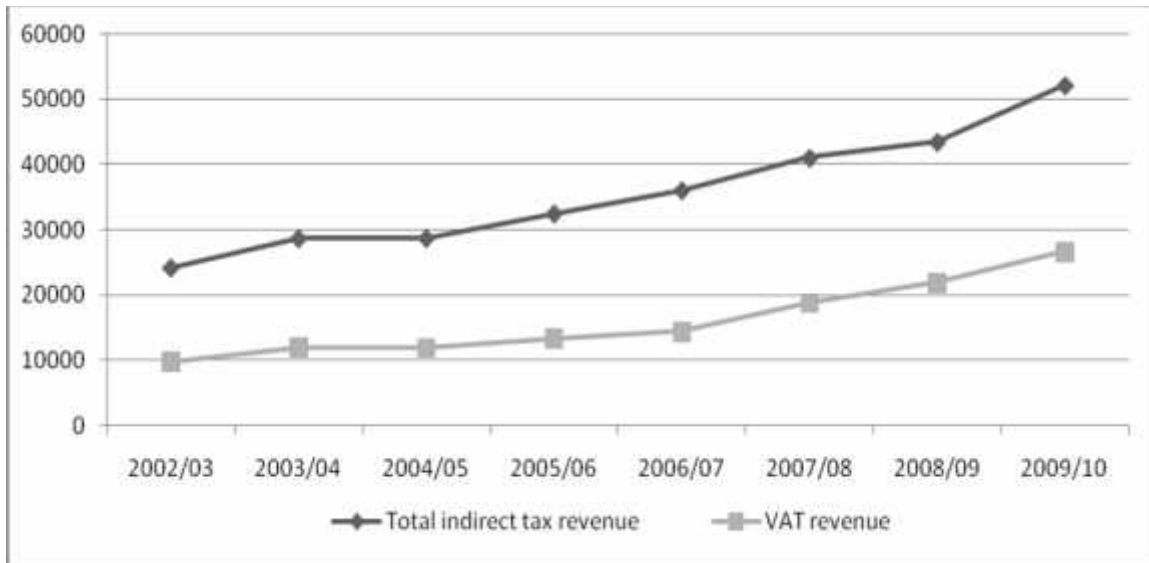


Figure 4.10

Share of VAT Revenue in Total Indirect Tax Revenue



According to the above table and diagram, VAT revenue was 40.70% of total indirect tax revenue in fiscal year 2002/03. During the study period eight years, the percentage trend VAT revenue to the total indirect tax revenue has increase 40.70%to 51.21% in fiscal year 2002/03to 2009/10. Some year the share of VAT revenue in total indirect tax has been same. While increased to 46.05% in FY

2007/08. So in overall, the VAT revenue with comparison to total indirect tax has been increasing.

4.5 Major Findings of the Study

Based on previous chapters and data presentation and analysis, some important findings can be drawn. The major findings are presented below:

-) VAT has been the most essential choice as ingredient of tax reforms of developing countries like Nepal, which leads to revenue enhancement and sustainable economic development. There is tremendous scope for increasing the revenue from VAT and sound implementation of VAT will obviously increase its contribution in coming days.
-) The trend of VAT registration over the study period has been increasing day by day, as it has increase from 5237 registrants FY 2000/01 to 52965 registrants in FY 2009/10, by almost 10 folds. Though the average growth rate is only 28.5%, the trend can be expected for more growth in future. The trend of VAT collection over the study period of 2002/03 to 2009/10 is also in increasing trend except in the fiscal year 2003/04. It has increased from Rs. 9850 million in FY2002/03 to Rs. 26704.2 million in FY 2009/10. So it is satisfactory.
-) The contribution of VAT to government revenue (GDP) on Nepal is very low with comparison to other developed countries. The contribution of VAT revenue as a percentage of GDP remained 2.69, 2.73, 2.60, 2.73, 2.70, 3.21, 3.36 and 3.67 from the FY 2002/03 to 2009/10 respectively.
-) The contribution of VAT revenue to the total tax revenue is in

increasing trend, though it is fluctuating percentage wise. It is beneficial for sound economic development. Despite the various difficulties on the implementation of VAT, the collection trend of revenue through VAT is not so bad. It is expected to generate more and more revenue in coming days. VAT generated about Rs. 9850 million revenue in FY 2002/03. It has reached up to Rs. 26704.2 million in FY 2009/10, which is 171.11% increased in comparison to FY 2002/03.

-) Though ten years have passed, since the introduction of VAT in Nepal, still people are not fully conscious of Vat. However, the majority of public are introduced to Vat as. 82.5% of respondents view VAT as a type of sales tax. Similarly, 81.25% respondents know the introduction period of VAT and about 81.25% & respondents know the current rate of VAT in Nepal as 13%.
-) More than 81.25% respondents are aware enough to ask tax invoice after purchasing goods or services. Most of them opinioned that they ask for tax invoice to get the authenticity of sellers.
-) About 40% respondents came to know about VAT from media while 42.5% respondents came to know about VAT by studying books, law, rules, act etc, which include majority of tax experts and tax officials.
-) Similarly, 61.25% respondents feel VAT as extra burden to taxpayers and opinioned that it increases the price of goods and services.
-) Majority of respondents supported that VAT will have positive effect on Nepal's economic growth.

-) About 61.25% respondents feel that public are only little bit conscious of VAT in Nepal. Most of them suggested for inclusion of tax education from school curriculum and focus on disseminate information through media and organize different consciousness programme to increase public consciousness regarding VAT.
-) The main reasons behind public being against VAT and non-maintaining account are lack of knowledge of VAT, negative attitude towards VAT, problem on billing, and invoicing system, difficult account procedure etc.
-) Lack of consciousness in public, problem of open border with India, problem on billing system, weak government economic policy, lack of proper co ordination between the taxpayers and tax administration etc. are the major problems of VAT in present context of Nepal.
Government should give major focus on motivation taxpayer to be registered in VAT, organizing different programme for the effectiveness of VAT in future.

CHAPTER-5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Taxes are the lifeblood of every government's revenue but it cannot be over emphasized that the blood is taken from the arteries of taxpayer and therefore the transfusion has to be accomplished in accordance with the principles of justice and fair play. Taxes are levied primarily to raise revenue for government expenditure. On the basis of its nature, tax can be classified broadly into direct and indirect tax. VAT can be taken as good example of indirect tax.

VAT is a twentieth century innovation in the tax system. It is levied on sales of all goods and services excluding those that have been explained by the law. Since VAT is levied only on the value addition made at each stage in the process of production and distribution, this tax system is more neutral, elastic and fair and is said to-be an improved version of sales tax.

A good tax system is one which is as little burdensome to people as possible, simple and clear tax laws, sound and effective VAT administration, tax consciousness on general public, appropriate policies. But VAT has been facing a lot of problems since its implementation such as problem of open boarder with India, problem on billing system, lack of proper co-ordination between the taxpayers and tax administration etc. However, the major problem is lack of VAT consciousness in public. The level of knowledge and consciousness about VAT is more than 50% during the period of 10 years of its implementation. Out of 80 respondents some percent were still not familiar with VAT. VAT system can get effectiveness

only if all the taxpayers are conscious of VAT and have positive attitude towards VAT.

Lastly, the consumers are the defect taxpayer. They pay for the government in the name of tax, charges, and donation. To encourage the taxpayers concerning VAT, it is very important that the money paid by the consumer to the Government in the name of taxation should be accounted in the exchequer of the nation and collected amount should be utilized appropriately for their benefit. The taxpayer should be made conscious through proper tax education. There is positive relationship between the taxpayer education and VAT collection. This provides' that the government should launch an intensive education and consciousness campaign in major economic and commercial centre first and gradually all over the country. The target group could be consumer. The government needs to train its officials about the well functioning of the system. Finally, the benefit of taxpayers should be equally considered while formulating or improving tax law. The convenience of both the administration and taxpayers should be equally considered.

5.2 Conclusions

Nepal being one of the least developed countries in the world has always suffering from the social and economic problems. Due to poor performance on internal revenue, she successfully and properly cannot tear the curtain built from massive poverty, hunger, diseases, unemployment, heavy dependence on agriculture, lack of adequate industries, low income level and socio-political and geographical constraints. For developing countries like Nepal, Value Added Tax is best model of taxation.

However, practically the system is not effective even today. Most of the problems concerning the operation of VAT in Nepal have been identified. The major problem or reason behind all the problems is lack of taxpayers' consciousness concerning VAT. Empirically, VAT is found to be the best source for reducing economic inefficiencies of the nation and contributes greatly in revenue potential of nation. Hence, the main point to be considered is that there is positive relationship between the taxpayers' consciousness and revenue collection of nation i.e. increasing number of taxpayers would of course contribute in increasing revenue potential of the nation. This puts forward the need of encouraging taxpayers for voluntary compliance and any reforms of tax administration should also aimed on motivation taxpayers on it. The government needs to take necessary steps to sort out emerging problems in success of VAT implementation. For this taxpayers consciousness programme and tax education plays prime role.

VAT must be successful and this largely depends upon the public consciousness, honesty, faith and morality of tax officials and business community. There is need for willpower and action. Unnecessary hindrance to economic activities must be avoided. The government needs full cooperation from the tax administration, the taxpayers and businesspersons as well as consumers in its effort to generate more revenue. Apart from this government is required to learn from what she did earlier need to streamline the working procedures of the system. It is equally important that the government should justify the rationality of its policy and make consumer more assured about the policy that she introduced for the benefit the people not by saying but by its deed.

5.3 Recommendations

While studying on the VAT and its consciousness in stakeholders, it can be expected that the trend of stakeholders consciousness would increase resulting in VAT registrants and hence increasing contribution to GDP of Nepal. Based on such circumstances, major findings and conclusions, following recommendation have been made:

-) It is necessary to make arrangement for training, seminar and VAT programme through media for the consciousness of general people about VAT.
-) Many businessmen having taxable capacity are still beyond the tax net. Here, taxpayer education and taxpayer service is a key function of a modern tax administration to facilitate the voluntary compliance.
-) Strong political commitment is necessary for the effective implementation and modernization of the income tax system.
-) The existing exemption limit should be adjusted according to inflationary situation of the country.
-) A regular information program should be launched to explain tax laws, tax program & tax benefit.
-) Consumers should be well informed to take real bills which they have to pay and strict warning should be given to business who issue false bills invoice.
-) The government and their professional organizations should initiate and campaign the consciousness programme to educate the vendors on the part of invoicing system and also to make people more competent, rational, choosy and able for policing the malpractice of vendor.

-) Government institutions as well as private institutions should arrange for training in respect of accounting and legal matters of taxation.
-) Money paid by consumer to the government in the name of taxation should be accounted in exchequer of the nation.
-) There must be an easy and encouraging environment for paying tax so that the taxpayer could feel paying taxes.
-) All VAT registrants should be required to display their registration certificate prominently which has been found in increasing trend at present. However, this needs to be monitored regularly by the tax officials.
-) It is necessary to develop effective and efficient auditing, investigation and monitoring system, there should be the provision of strictly penalizing those who do not follow the rules.
-) Many rules and regulations that are related to VAT are only limited in papers . Therefore, it is necessary for strict practice of all rules for effective revenue creation.
-) There should be reward system for voluntary registrants and honest taxpayers.
-) The principle of taxpayer education and service should be accurate and easy to understand, fair and balanced; timely, minimal cost to taxpayer and accountability
-) Government needs to train its officials about the well functioning of the system.
-) Taxpayers should develop an organized civil society to check the domineering and exploitative behavior of the business community and the monopolistic behavior of the state.

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Appendix1

Questionnaires

- 1) What is VAT?
 - a) A kind of Income Tax
 - b) A kind of Sales Tax
 - c) No Idea
- 2) Do you know when the VAT Introduce in Nepal?
 - a) Many year ago
 - b) Some Year
 - c) Recently
 - d)No Idea
- 3) Who are the Real Taxpayer of VAT?
 - a) Consumers
 - b) Businessmen
 - c) No Idea.
- 4) What is the current Rate of VAT?
 - a) 13%
 - b) 12%
 - c) 11%
 - d) Don't Know
- 5) Do you ask tax invoice after purchasing goods and services?
 - a)Yes
 - b)No
- 6) Why do you ask Tax Invoice after purchase of good and services?
 - a) Just so
 - b) To get the authenticity of the seller.
 - c) To show the price of the commodity to my family.
 - d) To participate in consumer consciousness program (CAG)
 - e) To show it to the auditor.
 - f) Others'
- 7) How do you know about VAT?
 - a) From media (Radio/ Television/ Papers etc)
 - b) From friends
 - c) From Tax Administrators.
 - d) Others.
- 8) Do you think VAT is Extra burden to Taxpayers and increasing the price of goods?
 - a) Yes
 - b) No
 - c) No Idea
- 9). What is the Effect of VAT in Nation's Economic growth?
 - a) Positive
 - b) Negative
- 10) Are the public conscious about VAT?
 - a) Yes fully
 - b) Little bit
 - c) Not at all

11) Please, Rank the reason at being against VAT and non maintaining accounting.

- a) Lack of knowledge of VAT
- b) Negative attitude toward VAT.
- c) Problems of billing and invoicing system.
- d) Difficult accounting procedures.
- e) Problem on audit and administrative work.
- f) It is the extra burden of tax

$$\text{Mean}(X) = \frac{x}{n}$$

12) Please, Rank the problems of VAT in Nepal.

- a) Lack of consciousness in Public
- b) Problem of open border with India
- c) Problem on billing system.
- d) Weak Government economic policy.
- e) Lack of proper co-ordination between the taxpayers and tax administration.
- f) Difficult accounting system.
- g) Problem of tax refund.

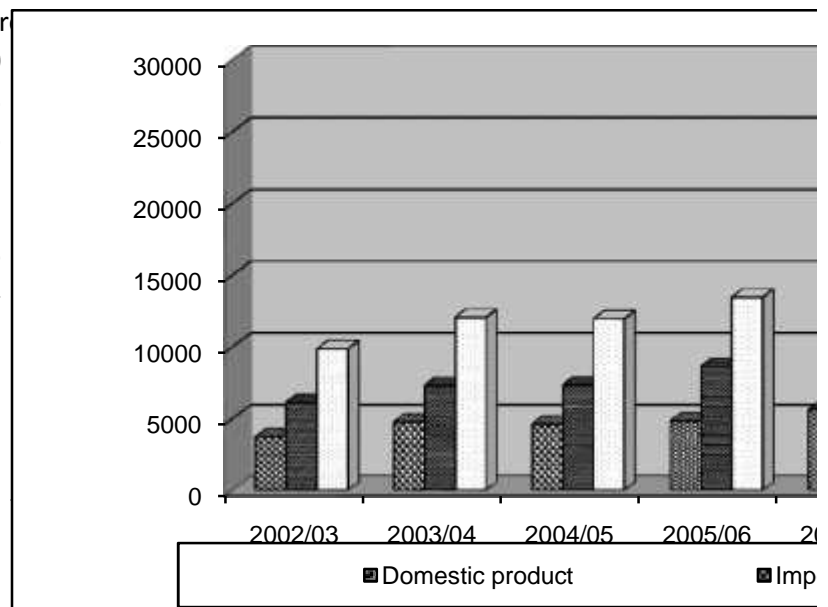
13) How to government focus to operate VAT system effectively'?

- a) Improve government policy
- b) Reforms in law.
- c) Motivation to registration in VAT
- d) Develop the coordination with private sectors
- e) No Idea.

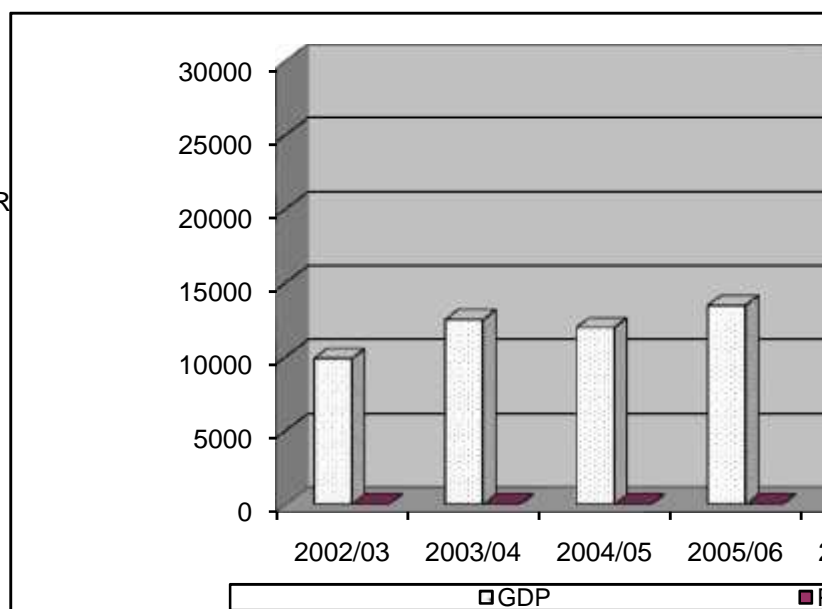
14) What program to be lunched by government for increasing consciousness regarding VAT?

- a) Inclusion of tax education from school curriculum.
- b) Organize seminars and workshop on VAT matters for tax.
- c) Organize different types of information campaign
- d) Others.

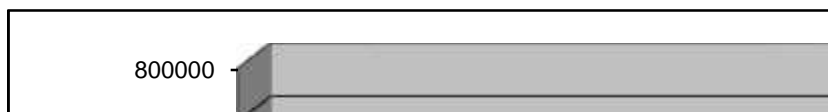
	Domestic	Import	Total VAT R
2002/03	3720	6130	9850
2003/04	4744.7	7303.1	12047.8
2004/05	4608.4	7339.6	11948
2005/06	4819.6	8629.5	13449.1
2006/07	5604.1	8874.8	14478.9
2007/08	6624.3	12270.3	18894.6
2008/09	8075.4	13888.6	21964
2009/10	9690	17014.2	26704.2



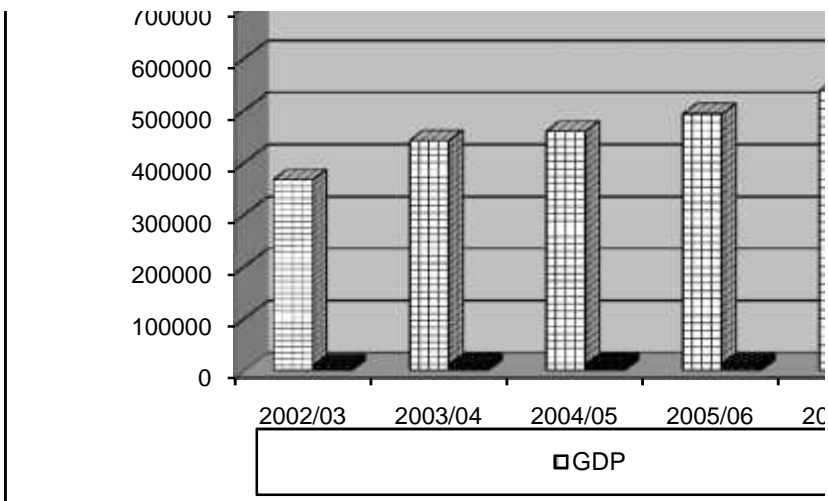
	GDP	Percentage of VAT R
2002/03	9850	0
2003/04	12477.8	0
2004/05	11948	0
2005/06	13449.1	0
2006/07	14478.9	0
2007/08	18894.6	0
2008/09	21946	0
2009/10	26704.2	0



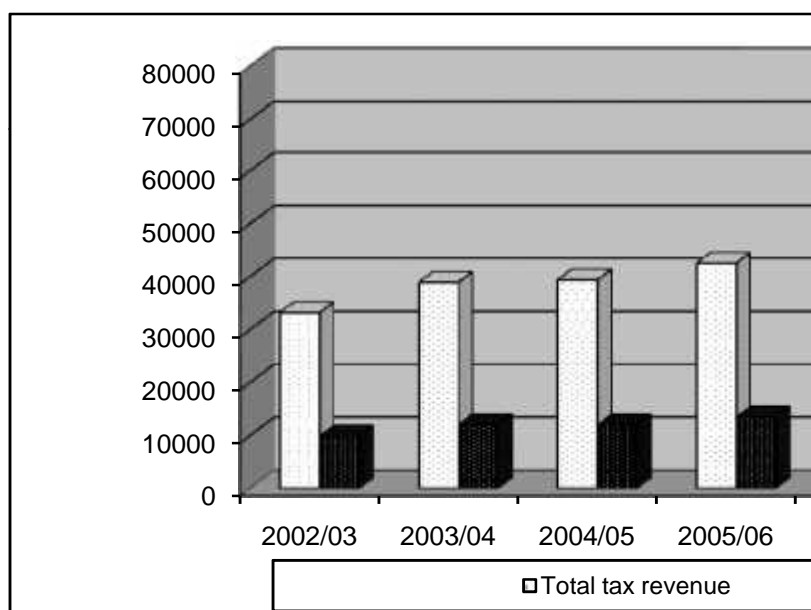
	GDP	VAT revenue
2002/03	366251	9850



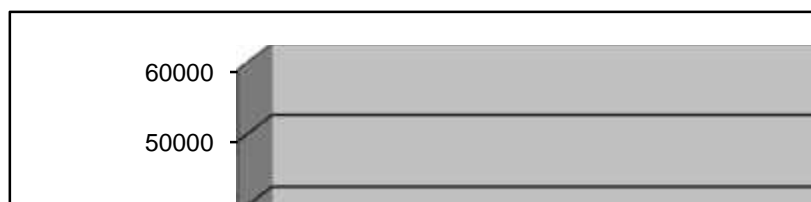
2003/04	441519	12047.8
2004/05	459443	11948
2005/06	492231	13449.1
2006/07	536749	14478.9
2007/08	589412	18894.6
2008/09	654055	21946
2009/10	727089	26704.2

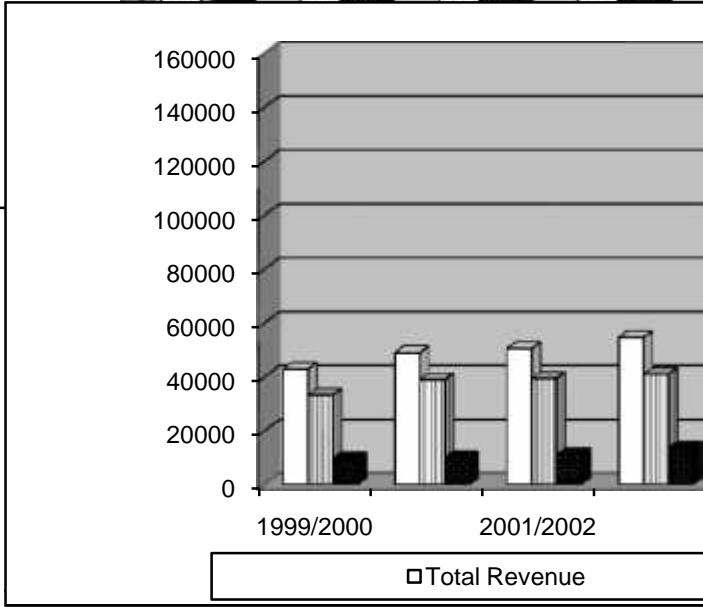
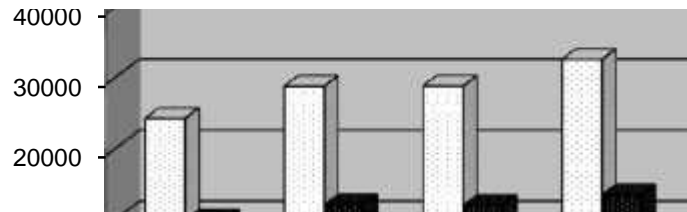


Total tax revenue		
2002/03	33152.2	9850
2003/04	38865	12047.7
2004/05	39330.6	11948
2005/06	42486.9	13449.1
2006/07	48173	14479
2007/08	54104.7	18894.6
2008/09	57430.4	21946
2009/10	71126.73	26704.2

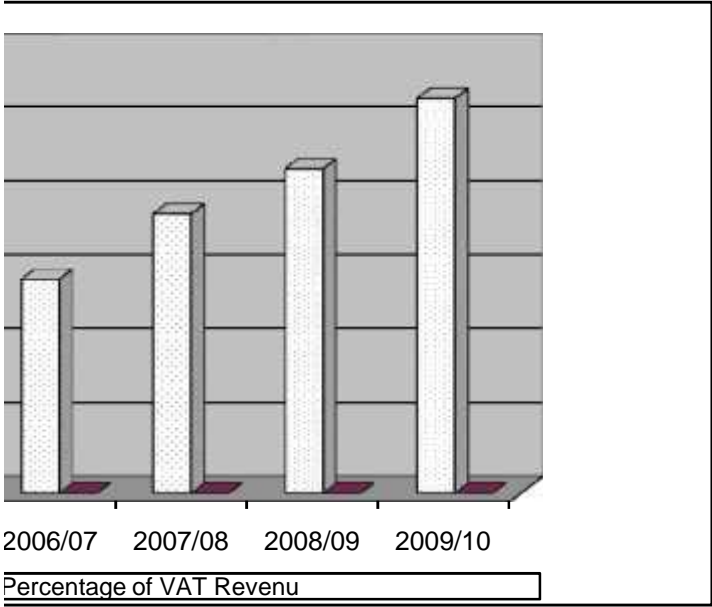
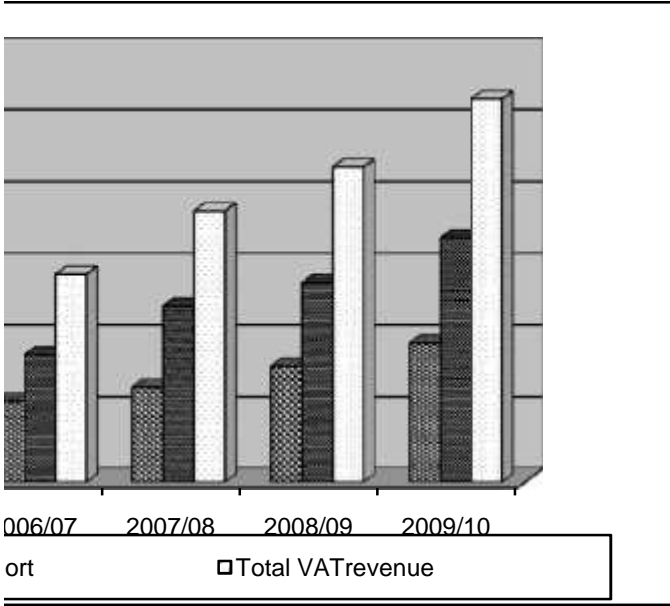


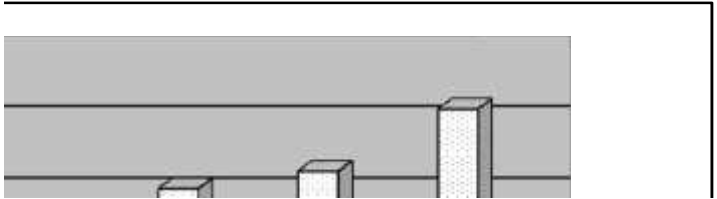
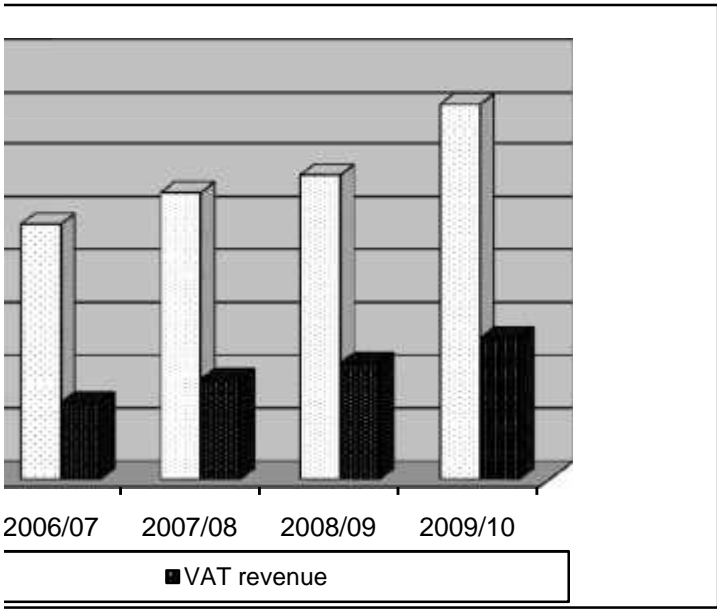
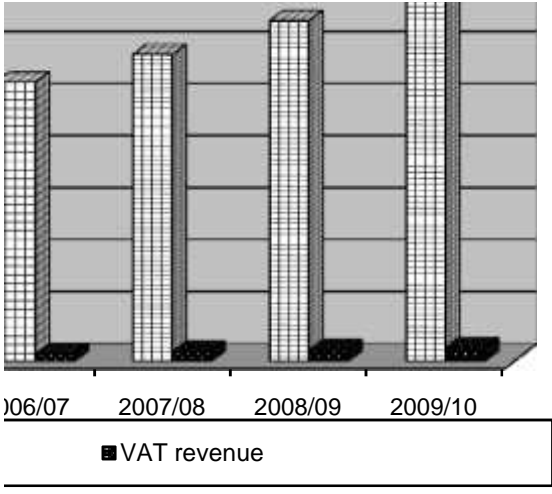
Total indirect VAT revenue		
2002/03	24200.7	9850
2003/04	28705.7	12047.7
2004/05	28733.1	11948
2005/06	32481.2	13449.1
2006/07	36065.25	14479
2007/08	41032.9	18894.6
2008/09	43462.9	21946
2009/10	52146.43	26704.2

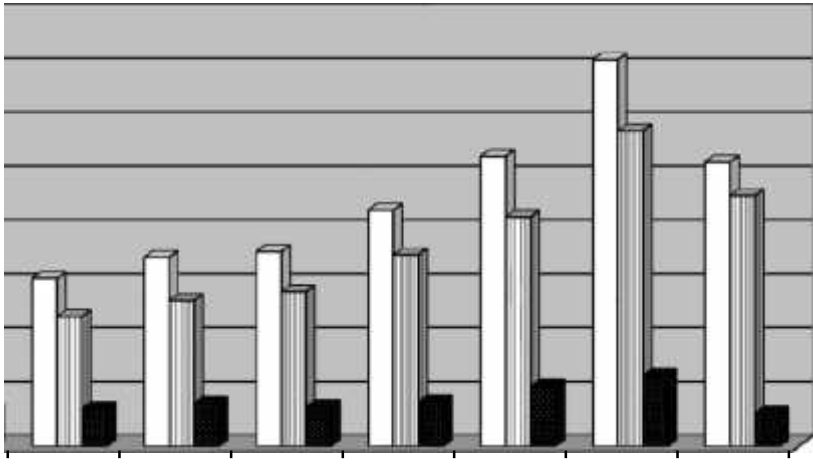
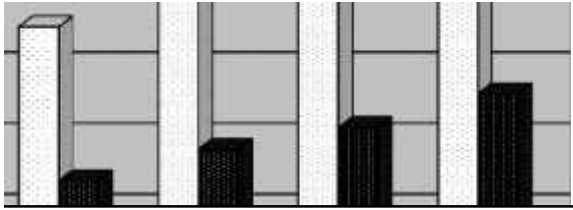




	Total Revenue	Tax Revenue	Non-Tax Revenues
1999/2000	42866.7	33152.1	9741.6
2000/2001	48893.8	38865	10028.8
2001/2002	50447.4	39330.6	11116.8
2002/2003	54538.8	40896	13642.9
2003/2004	62331	48173	14158
2004/2005	70122.7	54104.7	16018
2005/2006	72285.6	57434	14851.6
2006/2007	87712.2	71126.7	16585.5
2007/2008	107672.5	85155.5	22467
2008/2009	143474.5	117051.9	26422.6
2009/2010	105464.3	93080.5	12383.8







2003/2004

2005/2006

2007/2008

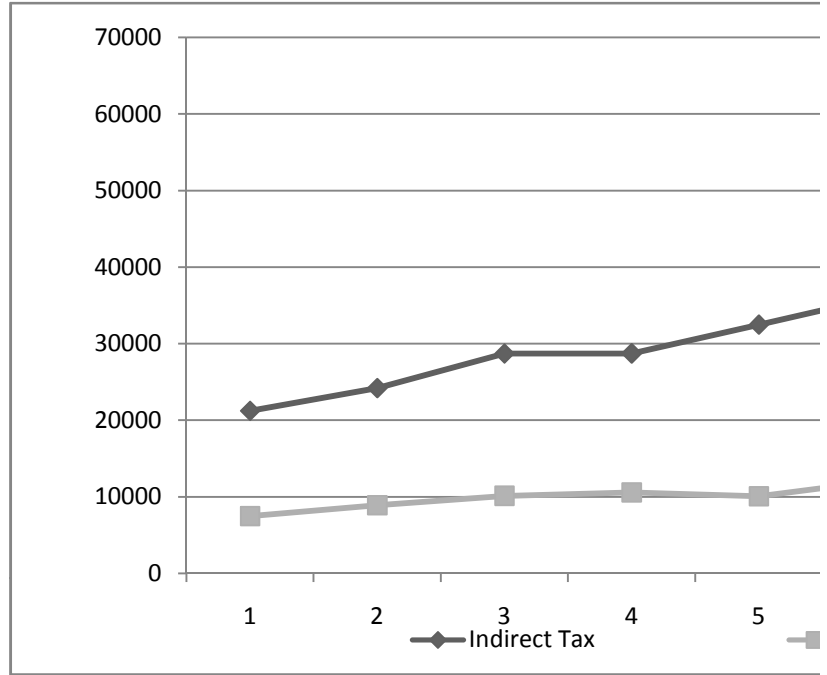
2009/2010

■ Tax Revenues

■ Non-Tax Revenues

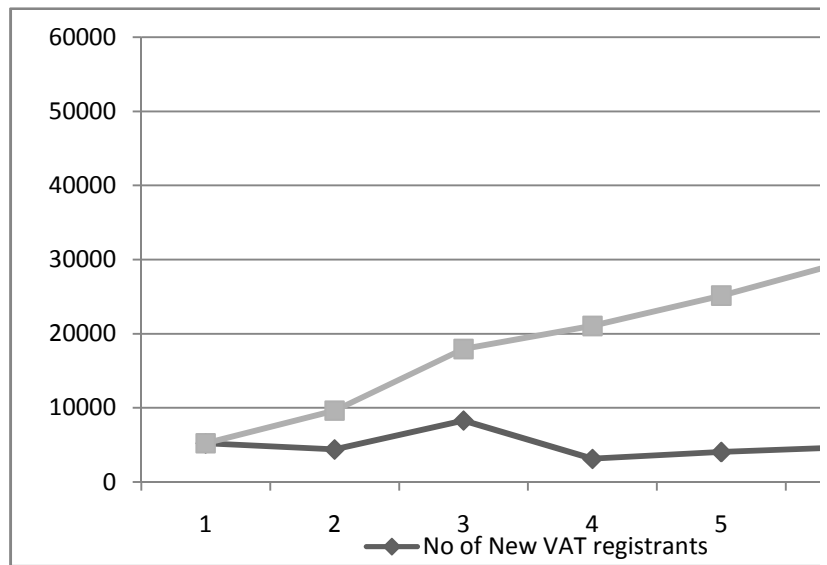
Indirect Ta Direct Tax

21236.8	7515.4
24200.7	8915.5
28705.7	10159.4
28733.1	10597.4
32481.2	10101.8
36260.4	12213.4
41032.9	13071.8
43462.3	13968.1
62427.53	22728.01

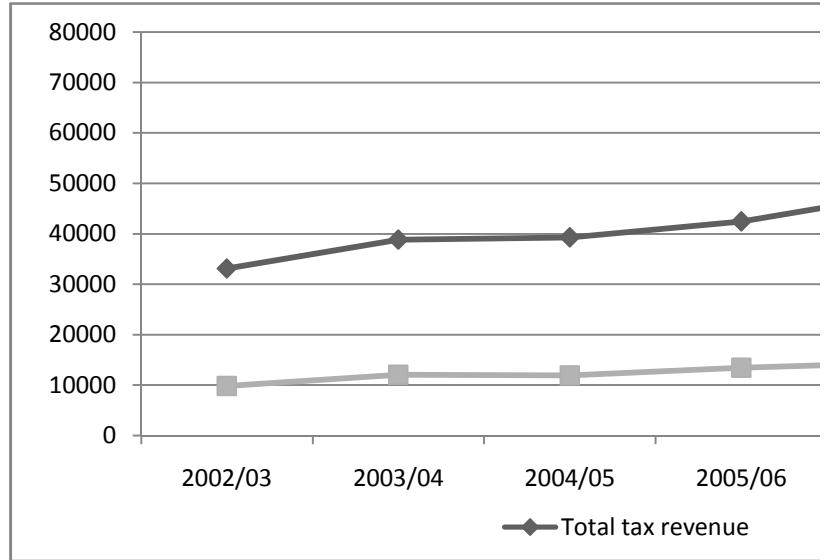


No of New Total no of VAT registered

5237	5237
4405	9642
8305	17947
3146	21053
4056	25149
4723	29872
4302	37174
5602	39776
7055	46831
6134	52965



	Total tax revenue	
2002/03	33152.2	9850
2003/04	38865	12047.7
2004/05	39330.6	11948
2005/06	42486.9	13449.1
2006/07	48173	14479
2007/08	54104.7	18894.6
2008/09	57430.4	21946
2009/10	71126.73	26704.2



	Total indirect VAT revenue	
2002/03	24200.7	9850
2003/04	28705.7	12047.7
2004/05	28733.1	11948
2005/06	32481.2	13449.1
2006/07	36065.25	14479
2007/08	41032.9	18894.6
2008/09	43462.9	21946
2009/10	52146.43	26704.2

