

CHAPTER-I

INTRODUCTION

1.1 Background of the study

The Nepalese economy is an agro based developing economy. The agriculture sectors provide employment to nearly 91.0% of total population. The output per head in the agriculture sector is very low in comparison to that of developed countries. The balance of payment is not positive in every year imports of goods is export of goods. It has also been commonly know that the gap between expenditure and Revenue that is called "Resource gap" is incensing in each year".

Therefore the resource gap has been a serious bottleneck, in the process of economic development of developing countries like Nepal. Therefore to raise government revenue it is necessary to raise its source of government revenue.

Among the various source of Revenue tax is the most important source of government revenue now days. The price concern of every nation of the world is repaid economic development and Nepal is no exception to this ever continuing process aimed at the battement of her people capital plays a vital role in the economic development program to solve the various socio-economic problems.

The constitution of Nepal has clearly directed Nepalese government for a self-reliant economic system, encouragement to national enterprises. Prevention of economy exploitation as well as upgrading the standard of the people for self reliant economic system and sound infrastructure for the development the government should generate sufficient government revenue.

Income tax is charged on person's income. It is common belief that income in excess of a persons minimum requirement for his/her living should he taxed therefore. Income tax should not be levied up to an in come required

to meet the general expenditure to maintain the living of income is also called subsistence level of income. The subsistence level socio-economic factors.

The declaring Countries of the world are facing a serious problem of discrepancy between the resource mobilization and expenditures policies of their government. Nepal is not an exception. It is due to rapid increase in government expenditure as compared to revenue from internal sources.

Internal sources have no designation towards the third party and less risky compared to the external fund. The government is not obliged to pay back the mind and only has to look the needs to its economy and the interest of its resident while mobilizing.

Internal resources it is the best sources to fund the development activities and can play a vital role in developing countries. Which are facing difficulties a raising fund from internal sources? It is seen that developing countries having low. Per-capita Income highly depends on the indirect tax than direct tax. The share of income tax is much low tax paying capacity due to low level of income of the resident.

The developing countries like Nepal are in need of huge capital investment of development purpose. The government has to make heavy spending on the social ores heads in which the private sectors is not willing to invest. Despite infrastructure development, the government also has the need to run several development projects. The expenditure required to fund these development activities could be obtained from two sources external and internal. The external financing depends up the interest and the condition of the funding countries to the funding organs and no discretions can be used to spend the fund available.

The present study has been designed to a study income of insurance companies on income tax to government revenue of Nepal. The primary function and field of the insurance company will be to provide the insurance against the uncertainties in here tent on the society individual life or in the

business risk every where. Growing Industry sector like Nepal may face more perits and disaster, losses than other developing countries. There fore Insurance becoming popular now a days. To get the indemnity of heavy risk insurance contract in done. In the modern world it is impossible to side the insurance sector from society. Nepalese organized insurance has very short history despite of being existence of community insurance since primitive era. Society used to compensate the victim contributing as their capacity al member of society. In Nepal after fifty's Insurance companies were established. In Rara Regime united insurance, oriental insurance and so like Indian companies were insuring Nepalese people and their business. After democracy established in 1950. The concept of Nepalese insurance companies was made by Government. In initiation and investment of Nepal Bank Limited in B.S. 2004, insurance companies were established in Nepal. After that a branch office of oriental insurance company of India was established Nepal. Later in 2004, Rastrya Beema sansthan was established which stared its life business in 2029 B.S.

Scenario of the existing insurance companies in Nepal.

Table 1.1
Insurance Companies

S.N.	Name of Company	Establishment Date	Life/General Insurance
1	Nepal Insurance Co. Ltd.	2004-06-08	General Insurance
2	The Oriental Insurance Co. Ltd.	2024-05-30	Branch of the oriental Insurance co. ltd. translating General Insurance
3	Raystriya Beema Sansthan	2025-09-01	Government owned corporation translating life and General Insurance
4	National Insurance Co. Ltd.	2030-09-17	Branch of the National Insurance Co. Ltd. India Translating General Insurance
5	National Life Insurance Co. Ltd.	2044-09-29	Life insurance
6	Himalayan Insurance Co. Ltd.	2050-04-06	General Insurance
7	United Insurance Co. (Nepal) Ltd.	2050-07-06	General Insurance
8	Primier Insurance Co. Ltd.	2051-01-08	General Insurance
9	Everest Insurance Co. Ltd	2051-02-17	General Insurance
10	Neco Insurance Co. Ltd.	2053-03-17	General Insurance
11	Sagarmatha Insurance Co. Ltd.	205303-12	General Insurance
12	Aliance Insurance Co. Ltd.	2053-04-04	General Insurance
13	Nepal life Insurance Co. Ltd.	3069-01-04	Life Insurance
14	N.B. Insurance Co. Ltd	2057-10-20	General Insurance
15	American Life Insurance Co. Ltd.	2058-04-18	Branch of the American Life Insurance Company USA, Translating life Insurance
16	Life Insurance Corporation Nepal Ltd.	2058-04-29	Life Insurance
17	Prudential Insurance Co. Ltd.	2059-01-10	General Insurance
18	Shikhar Insurance Co. Ltd.	2061-07-02	General Insurance
19	Lumbini General Insurance Co. Ltd.	2062-05-31	General Insurance
20	NLG Insurance Co. Ltd.	2062-06-23	General Insurance
21	Siddartha Insurance Ltd.	2064-12-06	Life Insurance
22	Prime Life Insurance Ltd.	2065-02-22	Life Insurance
23	Asian Life Insurance Ltd.	2064-12-21	Life Insurance
24	Gurans Life Insurance Ltd.	2064-02-17	Life Insurance
25	Surya Life insurance Ltd.		Life Insurance

Tax Revenue through insurance business is one of the good internal Sources of government revenue. Insurance business is the burning service business all over the world. Nepalese government also has known it's value to economic development. So government has adopted policy and strategy for the development, improvement and expansion of insurance business. It is fact that smooth operation of any economic activities with out the provision of insurance can not be possible. Insurance business generates employment, income and revenue. It explores re-investment opportunities. The insurance sector has not only attracted the attention of foreign investor but also Nepalese insurance business is accessible to foreign insurance market, after the membership of W.T.O. Therefore, Insurance business could be one important source of government revenue.

Insurance has widened its market in the overall financial market in the last few years. In the first eight months of F.Y. 2008/09. There are 16 non life insurance companies. 7 life insurance companies and one company covering both life and non life and non life insurance. Thus there are altogether 24 insurance companies. If credit insurance company insuring loans in the priority sectors, Deposits and credit insurance corporation is also included then there are 25 insurance companies out of these there are 3 companies under foreign investment and other 3 under joint venture.

1.2 Focus of the Study:

The main focus of the study is to analyze Income from Insurance Business to grass domestic product and government revenue, Income tax total tax Revenue direct tax and corporate tax from private bodies and tax stricter of insurance business.

1.3 Statement of the problem:

Neal has been facing serous problem of resources gap and high dependency on foreign loan and donation. The resource gap is widening continuously with the increment of total expenditure in respect to total revenue collection.

To meet the growing national expenditure, government manages its funds from internal sources and external sources such external sources are uncertain, inconvenient and not good for a healthy development in case of high dependency. But internal sources of revenue constitute tax and non tax revenue the examples of tax revenue are fees, royalty, administrative and business Income etc. Tax Revenue is the important source of government revenue. Taxation is regarded as an effective instrument. It monitors various economic activities of a country custom daily, exercise, value added tax, corporate and personal income tax are the example of source of tax revenue Amount collected through taxation is spent for common interest of the people.

Now insurance business is growing up in Nepal and it is burring business because of privatization, Liberalizations and globalization. Insurance companies constitute one of the most important components of financial stricture. They play dual role in the economy safeguard the insured against the risk of the losses of life and property and intermediak scare resources. In spite of its significant role as an agent for safeguarding against the risks and intermediating founds. The evaluation has not been done yet in Nepal. In order to systemize regularize develop and regulate the insurance business, we have to evaluate the contribution of this sector on income tax to government revenue.

1.4 Objectives of the study

This study has been carried out with some specific objectives. The main objective of the study is to analyze the effectiveness of insurance business to generate income tax revenue in Nepal.

The specific objectives of the study are as follow:

- a) To analyze the income tax revenue collection form income of insurance business in Nepal.
- b) To analyze the effectiveness of insurance business on income tax.

- c) To analyze the impact of income tax system on insurance business in Nepal.

1.5 Limitation of the Study:

This study is mainly condemned on income from insurance business of income tax in Nepal. It is comprise a part of tax system therefore; it is not a complete study of income tax system of Nepal. So the limitation of the study would be as follows.

1. This study focuses only income tax revenue collation of income from insurance business on income tax from the view-point of income tax.
2. This study is based on the availability of reliable data and information.
3. This study has ignored all other factors than financial factors.
4. Data used in this study primary as well as secondary sources.

1.6 Organization of the study:

Every study should be prepared in a specific format and style. The style and format has been as like senior researchers. This study has been divided into five major chapters.

Chapter - One :-	Introduction
Chapter - Two :-	Review of literature
Chapter - Three:-	Research Methodology
Chapter - Four:-	Data Presentation and analysis
Chapter - Five :-	Summary, Conclusion and Recommendation

The First chapter gives some information about general background of study, Introduction about tax, brief history of insurance limitation and statement of problems, objectives of the study organization of the study.

The second chapter is about literature review related to books, previous thesis, articles; core literature in the subject matter is presented in this chapter.

The third chapter is about how research is performed i.e. the methodology of research, tools of research, data collection procedure and types of data which are presented there.

The Fourth chapter is related to data presentation and analysis. Which is the core part of this study. Available data and information are processed using different tools and techniques for getting results findings.

The fifth chapter is about summary, Conclusion and recommendations.

At the end of the study bibliography, appendixes and curriculum vitae have also been incorporated.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Conceptual frame work Related to Insurance Business

2.1.1 Concept of Insurance:

It is quite to define insurance with satisfy every view point of insurance. insurance may be defined as a system of combining many loss exposures, with the cost of the losses being shared by all of participants. (Crane. 1980:8). It may be an economic system of reducing the risk through transfer and pooling the losses. A legal method of transferring risk in a contract of indemnity. A business institution providing many jobs in a free enterprise economy a social device in which the losses of few are paid by many: or an actuarial system of applied in mathematics."(Bickelhupt,1983). Some generic term Insurance is regarded as". Co-operative risk carrying." "Transform of specializing risk Carrying". "Re-distribution of actual loss". etc. "As a business institution. Insurance has been defined as a plan by which large no of people associate them selves and transfer to the shoulder of all, risk that to an individual (H. Mage, 1959:2) insurance a device for landing risk will include the transfer aspect of risk as well as control aspect of risk in some extent and can be regarded as risk landing device, Which deals with risk control. And financing viz. reducing uncertainties appearing due to risk class and providing planned financing technique.

Insurance as a tool of risk management is after misleading concept. "The word insurance some times is applied to a fund accumulated to meet certain losses, as well as to a simple transfer of risk. But the accounted definition of insurance must include either accumulation of fund or the transfer of risk butyric necessarily both (Mehr,1986:37). In practice, insurance involves spreading loss over more than one entity with in a present period. In fact" insurance distributed the cost of the risk over a large group of individuals

subjected to the some risk in order to reimburse the few who actually suffer from risk (Ackermen: 1951:3)

Insurance more formally as well as from institutional viewpoint is regarded as cooperative risk transferring device expressed as contractual agreement between to parties i.e. insurance and insured where insured will be the party desiring security a giants certain unpredictable loss upon the economic aspect of life or the property and liability and insurer will be the party willing to provided assurance or insurance to the insured against some specific cost i.e. the premium for the desire of some benefits i.e. Surplus it will be a risk transfer agreement under which a insurer agrees to accept Financial burden from loss. Thus it can be said that insurance is multitasked matter. Insurance for the insured will be risk financing as wall as controlling tool. Where as for insurer it will be the legal business arising from contractual agreement of landing risk on behalf of others against some benefit.

2.1.2 Importance of the Insurance:

Insurance contributes to society by favorably affecting the apportionments of factor of production engaging in loss preventing activities, indemnifying losses, serving as a basis of the credit structure, eliminating worry and providing a channel, for Invest able funds Robert I. Meher and Emerson Commack outlined the insurance, as insurance, policy is written by business organization called insurer" in order to function properly there insurance must have large number policy holders, who are obtained either by Aired representation or through agent (Robert and Emerson, 1972:12)

He again stated "insurance" is a technical business invoking the skills of statisticians, financial analysis, engineers, physicians, economist, lawyers and others contracts must be drafted, under writing restriction must be determined, rates must equitably established and funds must be prudently.

invested since insurance is affected with the public interest it is closely regulated.

The essence to the insurance scheme is that, it is social device that it involves the accumulation of funds, that it involves a group of risks and that each person or firm who becomes a member of the group transfer his risk to the whole group.

The purpose of insurance is to reduce the uncertainty and worry caused when it be comes aware of the impossible the economic burden of losses among members of the group. Insurance doesn't prevent loss but it relieves the financial burden.

Insurance has become the usual instrument in the modern economic activities; we can not imagine the smooth aeration of economic activities without the provision of insurance. Insurance is such a measure in the society which relives a person from various anxieties.

The following chart shows the importance of insurance to individuals, business and society.

Importance of Insurance

Importance to Individual	Importance to Business	Importance to society
<ul style="list-style-type: none"> - Provide security - Peace of Mind - Eliminating of dependency - Encourage saving - Profitable investment - Fulfill the needs of person - Increase self respect 	<ul style="list-style-type: none"> - Protection from uncertain losses - Increase efficiency - Facility for Foreign trade - Business Continuities - Basic of credit - Welfare of employees 	<ul style="list-style-type: none"> - Economic growth of country - Reduction in Inflation - Reduction in social evils

2.1.3 Development of Insurance Business in Nepal:

Insurance in a newly emerged business for Nepal. Although there were some social and businesses providing security to customer from ancient time, mordent insurance business started by some. Indian insurance companies in the early times. They were mainly focused in providing insurance facilities especially for import, export business increased in India. Therefore, the history of insurance business is definitely very short in Nepal.

As the first insurance company, Nepal Malchalani Tatha Beema Company Ltd. was established in 2004 B.S. This insurance company can be taken as the first step of mile stone of Nepalese insurance history, with authorized, capital of five lakes. It was later converted in to Nepal insurance and transport company Pvt. Ltd. in 2016 B.S. This was again reamed as Nepal insurance company Ltd, in 2048 B.S. Basically the company is concerned in nonlife insurance business. Before the establishment of that company, there were some branch of Indian insurance companies operating to provide insurance.

As a private insurance company with limited capital, the Malchalani Tatha Beema Company ltd. was not successful to provide all types of insurance facilities all over the country foreign large insurance companies were doing well business in Nepal through agape. United India insurance Hindustan general insurance, starting insurance. Ruby General Insurance, oriental fire insurance had branches in Nepal to provide insurance facilities until 2024 B.S.

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Considering the role of insurance business in the expansion of economic activities and alarming outflow of money from the country the government of Nepal left the need of large and well organized insurance company with in the country then immediately government established Rastriya Beema Sasthan under the insurance Act 2025. This insurance company is totally finance by the government to provide all types of insurance perils which is assessorial for economic development. This insurance company has alone provided various types of insurance facilities for about 2 decades in Nepal.

After establishment of democracy Nepal also implemented the policy of privatization on and economic liberalization and globalization as the country was following economic liberalization and globalization.

As the country was following economic liberalization the previous acts wee amended and new insurance act 2029 B.S. was introduced. Some of the key features of the acts are minimize paid capital of Nrs.5 corer, arrangement of service change from insured arrangement of tariff brand, classification of life and life insurance polices, etc. as a result number of insurance companies have been established after this period and can be considered as the golden period in the insurance business history of Nepal after ward a number of modern insurance companies were established from private sector contributing a lot in economic growth of the country. According of data provided by Insurance based 2066. There are 25 Insurance companies established in the country.

Table 2.1

Market Structure of Insurance company

Ownership	Nature of Company		Composite	Total
	General	Life		
Government Owned	-	-	1	1
Private sector	13	5	-	18
Joint Venture	2	1	1	3
Total	16	8	1	25

Among 25 Insurance companies, only 8 operate in life Insurance business 16 operate in non-life Insurance business and 1 operate both life and non-life Insurance business.

In order to systematize develop and regulate the insurance business Beema Samiti insurance board is formed as an autonomous regulatory body under the insurance act of 1992. Function, duties and power of the insurance board are as follows.

1. Provide suggestions to government to formulate necessary policy for systematizing developing and regulating the insurance business.
2. Set out guidelines for insures to invest their funds and prescribe the priority sectors for such investment.
3. Register and renew the insurer, insurance agent survey or barker and to cancel or causes to cancel such registration.
4. Arbitrate in the dispute which arises between the insurer and insured.
5. Make decision on the complaints field by insurer regulating to the settlement of liability of the insurance.
6. Formulate necessary basis for the protection of interest of the insured.

7. Do or cause to do necessary function regulating insurance business.(Insurance news and views 2066)

2.1.4 Problems of Insurance in Nepal

Any occupation, business and industry do have positive and negative aspects. Similarly, for any business to have future bright, it should not have any problems. We can see, in any business from small to big problems. It is undisputable facts the insurance business is an important business in Nepal. Though development in Nepal is not long, it has made some good advancement in a short time, but some problems have been appeared in insurance business, such problems are as follows.

- Lack of Proper Consciousness on people.
- Insurance education is not compulsory.
- Lack of training about insurance business.
- Lack of skillful and competent officials
- Small market of insurance in Nepal.
- Lack of experience on the part of underwrites agents, brokers and surveyors.
- Lack of provision of compulsory insurance the problems of unemployment.
- Weak economic condition of the most of the people
- Lack of re Insurance Company in Nepal.
- No habit of making insurance.
- Lack of healthy competition among the insurance companies.
- Slowness in the calming procedure and insurance payment.
- Ambiguous and limited Insurance acts and rules.
- Insurance companies not be capable to insure all type of risk.

- No effective inspection, Supervision and monition by the concerned authority
- Not environment of trust in the Insurance business sector.(singh,2009)

2.1.5 Government policy and strategy on Insurance sector

The globalization of market is resulting in complex and competitive environment for carrying out business activities in Nepal. Nepalese economy has been facing throat cut competition from other developing countries to attract more forging investment. In the wake of liberalization and reforms the privatization the Insurance sector is not only intended to meat the fundamental securities needs of various sections of the society but also the overall development of the country (Sharma, 2002:19)

The government has adopted the following policy and stagy for the development and expansion of insurance insularly.

Policy

- a) Execute the field level and non field level inspection and supervision of insurance with primary importance and take necessary action in issues raised during this process.
- b) Mediate the dispute raised between insurer and insured and decide competition field by the insured against insurer as quick as possible.
- c) Conduct training programs and subject matter of insurance as basic level medium level and higher level for the improvement or efficiency of manpower working in this industry and establish an insurance academy for this purpose.
- d) The insurer, performing life and non life insurance business as a separate agency as per the insurance regulation 1992. This separating life and non life insurance business functioning with in the country as two separate to insurance entitled.

- e) Make insurance business people oriented by making qualitative improvement in the functioning of insurance surveyor and agents by making them follow the code of conduct.
- f) Prepare the substantive and suitable investment policy and fix the priority areas for investment of amount received from insurance.
- g) Make insurance business as trust worthy priority the investment of life insurer.
- h) Check capital out flow through insurance business.

Strategy

- a) To develop as a strong for the mobilization of financial savings.
- b) Strengthen it as a means of economic and social security.
- c) Develop and expand it as a competitive and trust worthy sector of investment.
- d) Promote long term capital mobilization required for development projects.

(Insurance News and Views. 2002)

2.1.6 Prospects of Insurance Business in Nepal

Insurance business in Nepal doesn't have long history but it is a true fact that insurance business has developed gradually. Insurance can't flourish in a small market. The signs of world wide liberalization in economic sector and the functions of public welfare have appeared in Nepal too. All the signs are favorable conditions for the development of insurance business. Insurance business has both positive and Negative aspects but in comparison, the positive aspects are stronger. Than the negative one insurance business has a good prospect in Nepal because the insurance business has many positive aspects. The insurance act 1992 has provided favorable legal environment to insurance business. After the membership of WTO Nepalese insurance

business is accessible to foreign insurance market. The perfect of insurance business in Nepal is a following.

- Establishment of new industries and factories.
- Growing the number of trade companies.
- Growing of awareness in people
- Creation of risky environment.
- Growth of population.
- Nepal being a developing country.
- Provision of compulsory insurance.
- Adoption of public welfare policy
- Search of new sectors for the insurance business
- Show of interest by both sides the government and the people in insurance.
- Possibility of reinsurance company to be opened in Nepal.
- Increase in the quality of new risk day by day.
- Increase in the number insured due to the growth of the local insurance companies.
- Positive attitude and good will of all towards insurance business.
- To arrange the training by the insurance board and insurance companies (Singh, 2007)

2.1.7 Legislations Relating to Insurance in Nepal

It is well known fact that any business needs law every business is directed and controlled by the legislation and regulation similarly, the insurance too is governed by the insurance act 2049 (1992) and rules 2049(1992). The Rastriya Beema Sansthan and other more than 24 insurance companies from private sector are running now. The Rastriya Beema Sansthan is governed

by Rastriya Beema Sasnthan Act 2025 and insurance Act 2049 (1992) and the rules 2049 (1992) and the insurance companies opened from private sector are run by the company Act 2053 (1996) contract Act 2059 (1999) and insurance 2049 (1992) and the Rules 2049 (1992) initiation to it the insurance companies should follow their own memorandum article of association and memorandum of understanding they should obey the policy instruction and the circulars issued by the insurance board from time to time.

Different types of business are run by separates special acts not appropriate to disobey the policy and directions issued by the office of the company resister. All acts and rules help and control in every activities of insurance business.

Though the history of Insurance business is not very long in Nepal. The following are the acts and regulations related with the insurance activities in Nepal.

1. Rastriya Beem Sansthan Act 2025 (1968)
2. Insurance Act 2049 (1992) with amendment.
3. Insurance Rules 2049 (1992) with amendment.
4. Company Act 2053 (1996)
5. Contract act 2056 (1999)

2.2. Conceptual frame work and legal previsions of Income Tax

2.2.1. Concept of Tax

Nepal is one of the least developed countries. Nepal can't successfully and properly tear a curtain built from massive poverty, hunger, diseases, unemployment heavy dependence on agriculture lack of adequate industries, low income level and social. Political and geographical constraint over years of planned development. Yet, net Nepalese economy is suffering from inefficient and effortless plan, program and policy of development and is

also fighting against what eve's bottlenecks identified before the starting of planned period (Dahal 1996:2:3)

Now a day, the prime concern of every nation of the world is rapid economic development and Nepal is no exception of this ever continuing process Nepal aims for self reliant economic system to upgrade its living standard of people. Thus a lot of money has to be spent to achieve maximum national objectives.

The government needs money to perform its role effectively. So government collects revenue from various sources. The sources of government revenue are classified into two groups. They are external sources and internal sources.

External sources of government revenue are foreign loan, grants, external borrowing etc. they are uncertain. In convenient and not good for healthy development of nation. Internal sources of government revenue are tax revenue and non tax revenue. Fees, fines, Royalty administrative and business in come are the examples of non tax revenue. Tax revenue is the major sources of the government Revenue. Without taxes, government could not maintain the stability of a country's economy.

Tax is the compulsory payment to the government by taxpayer without any expectation of some retune. It is a legal duty of every people of nation amount collected through taxation in spent from common interest of the people and it is collected through natural and artificial person.

"According to Seligman Tax is compulsory from the person to the government to defray the expenses Incurred in the common interest of all without reference to special benefits."

According to Finally shires, "Tax is a compulsory contribution to public authorizes to meet the general expresses of the government which has-been Incurred for the public good and without reference to special benefits."

According to Plehn "Taxes are general contribution of wealth levied upon persons, Natural or corporate to defray expenses incurred in conferring common benefit upon the resident of states."

According to father of economic Adam smith a tax is a contribution from citizens for the support of the states.

It is clear that a tax is compulsory levy and those who are tax have to pay it without getting corresponding benefit of service or goods from the government the tax payers do not have any right to receive direct from the tax paid. Government collects the tax with the permission of laws. Account collected through taxation is spent for common interest of the people.

Tax is classified in two groups, direct tax and Indirect tax. Indirectly tax. Indirect taxes imposed on one person but paid partly or wholly by another the example of indirect tax is custom, excises contract and value added tax. Direct tax is really paid by the some person on whom it is legally imposed. Income tax Interest tax, vehicle tax paid according to the income or properly earned by a person. Income tax is direct tax. Incase of Nepal, income tax is the major source of diet tax revenue.

2.2.2. Concept of Income Tax

Taxes on income is the most important single sources of revenue for government of developed and also developing countries either if contribute more or less. The first problem encountered in establishing an income tax is the definition of income. Income as the economic gain received by the person during the particular periods it is most satisfactory defined by hennery Simons as the algebraic sum to items.

1. The person's consumption during the period and
2. The net Increase in the Individual's personals weather during the period.

Symbolically:

$$y = C + \Delta W$$

Where, Y = Income

C = Consumption and

ΔW – in change in wealth

It is very difficult to define income precisely and clearly, so income is exemplified rather than defined income tax laws of various countries. For examples sec 2 of the Indian income tax act 1961 keeps profit and gains dividend, voluntary contributions received by charitable trust, value of any perquisite or profit on lieu of salary and capital gain winning from lotteries cross ward puzzles etc under the head of income.

According to income tax Act 2058, sec 2 (ch) "income means a person Income from any employment, business or Investment and the total of that Income as calculated in accordance with this act."

From the above definition, income tax is direct tax levied on net income derived after deducting all allowable deduction from the total income tax is levied on the Incomes derived from business, employment and investments.

Generally, income tax can be classified into two types: Individual income tax and corporate income tax individual income tax, individual income tax is a tax on person's earning. The corporate income tax is tax on the profit on a corporation.

Economists classify three types income tax system: Progressive regressive and proportional In a progressive tax system the tax rate is great her the laugher incomes with a regressive tax system people who earn less pay a large of their Income in taxes then the people who earn more in a proportional tax system, all people pay the some percentage of their earning in taxes.

There is a special provision of income tax for insurance business according to our existing income tax act 2058. According to this act "A Person's activities in conducting a general insurance business shall be treated as business from any other activities of the person and person's income or less from the business for income year shall be calculated separately. Income tax rate is 30% for insurance business. (Income tax act, 2058, 60).

2.2.3 Income Tax in the International Context:

Income tax was first introduced in Great Britain in 1799 in order to finance wars with France only after 1980. It was accepted as a permanent tax. In United States of America first federal income tax was imposed in 1862 to finance civil expenditure. However it becomes permanent features only in 1913 after 16th Amendment to U.S. constitution. In neighbor country India, at first income tax was introduced in 1860 after introducing Income tax act 1885 in 1886 it was imposed as a permanent. Italy adapted income tax in 1864. Nether lands in 1891 Australia in 1951 and Canada in 1971 after First World War, the income tax becomes an important source of tax revenue in many developed countries by 1939 and had made appearance in a number of developing & nations (Agrawal, 1978:113)

From the first world war decade income tax has shown as important sources of revenue in developed country. In the beginning of introducing time it was generally levied at flat rate. Only after 1909, the principle of progression was introduced from U.K. and New Zealand.

2.2.4. Legal Provisions of Income Taxation in Nepal

No reliable records are available about taxation in ancient and medieval Nepal at that time tax, was lived to them Mesh ants and travelers. Though land tax was major source of revenue there where also imitational and religious monuments preservation tax in the time at king insurer of Nepal. There were taxes for pacification of caste and cremation of the dead. In the

Lichchhavis regime there were three taxes called "Trikar" i) "Bhaga" II) "Bhoga" and III) "Kava" agriculture tax was called "Bhaga" animals husbandry was called "Bhoga" and "Kara" Was in general the Business tax and custom, the tax was payable according to the ability of the payer (Bhattarai 2005:17)

During the period of 1846-1968 different types of taxes. Where levied to generate maximum revenue. The major sources of revenue were Brita and Kipat, taxes on land monopolies Customs, transit and market duties, mines and mints and the export of forest product, birds and animals and various levies and local levies. During the period the various taxes were imposed primarily on occupation and economies activities not in Income and or properly there was no taxation of income in the modern sense of income tax (Dahal, 2003:: 10)

In Rana Regmi there was no formal provision to impose and collect of taxes. There was no difference between personal income of prime ministry and state treasury. The surplus of revenue over expenditure was considered the personal income of the Rana. prime minister in that time the main source of revues were land tax, custom and excise duties in the form of lump sum contracts royalty on forest, supply of porters and soldiers and other business activities. There was no proper tax administration for collection of revenue.

There were four categories of agencies to select revenue Rajya, Birta, Ghuthi and Kipt.

"Salami" and land tax were only the direct taxes in the country. Land tax was collated on a contractual basis, government employees paid out of their salaries at very small percentages (Bhattarai 2002:20)

2.2.5. Income Tax in modern Nepal:

Although the taxes were collected in various forms in ancient era, the history of modern income tax is not very old in Nepal. The idea of Introducing Income tax in Nepal originated in the only 1950 when a multi party democratic political system was introduced. In 1951 them the finance ministry in his budget speech declared the intention of the government to levy and income tax.

The first elected government in 1959 finally introduced business profits and remuneration tax act, 1960 (2017 B.S.) in Nepal at that time income tax was levied only on business profit and salaries. After about three years experience of income tax, the government replaced the prevailing tax act by income tax Act (2031) was enacted. The act enumerated income source into five groups.

- a) Agriculture
- b) Industry trade profession or occupation
- c) Remuneration
- d) House and compound rents
- e) Other sources.

However agriculture, income was kept outside the tax net except few years through the finance act.

To enhance revenue mobilization through effective revenue collection procedure for the economic develop. Went of the nation and to amend and integrate the laws regaling to income tax, the parliament of Nepal. Enacted income tax, Act. 2002. This Act has replaced income tax Act. 1974, (2031), which was amended for eight times and existed for a period of 28 years. Nepal government framed income tax rules 2059 in 2059 to help clarifying the Act. follows.

Business Profit and Remuneration Act: 1960 (2017 B.S.)

In Nepal. Income tax was first introduced in the fiscal year 1959/60 as the form. It "Business profit and remunerations tax act. It has 22 section feature of this act are on follows:

- a) Tax in remuneration was t be deducted at source.
- b) The coverage of income tax was too narrow. Only business profit and remuneration income were subject to tax.
- c) The Income of the current year for remuneration and the profit of the proceeding fiscal year for business profit were the basis for calculating tax liability.
- d) There was provision of fines ranges from Rs. 500 to Rs. 5000 in case of defaults.
- e) The tax officer was empowered to assess tax on best judgment estimation only incase of false statement or in absence of income tax return.
- f) Salary of foreign citizen dividend of shareholders, profits to be spend in religious. or public welfare activity crop form own land, allowances granted by Nepal government to monitors, assistant ministers. Chairman, speakers, deputy speakers, leaders of opposition, amount drawn from provident or sawing found was exempted from tax.
- g) Profits from Industries were granted a rebate of 25% and profit from small Industries were granted a rebate of 50%.

Income Tax Act, 1962 (2019 B.S.)

The "business profit and Remuneration Tax Act 2017" was too narrow and vague. It has many loop holes for the Income liters and inadequate provisions in the act. Because of this reason income tax act 2019 was introduced. Income tax act, 1962 has 29 sections it was expansion of previous act. It was amended in 1972, The additional features of this amended act were as follows.

- a) Income was defined as all kinds of Income such as profit from business, profession remuneration and occupations house and land Income from agriculture and Insurance business agency and other sources.
- b) The basis of tax assessment was specified on the best judgment estimate of the tax officers.
- c) Provision was made for the Installment basis of tax for the first time.
- d) Provision was made for reassessment tax Industries for a period of not exceeding ten years.
- e) The residential status of the taxpayers for the tax purposes was defined.
- f) Deductible expenses as well as materials of calculation of tax able Income were specified.
- g) The act granted the power to constitute the income assessment committee.

Income Tax Act 1974 (2031 B.S.)

Income tax act 1962 (2019 B.S.) could not fulfill the needs of time the changing socio-economic environment of the nation had forced to change the tax act. Because of this reason, Income tax act was introduced its basic framework had been derived from previous act. It has 66 sections. This act as amended in 1977, 1979, 1984, 1985, 1986, and 1992 to make it more practical and to eliminate confusing terms. Some of the points of the act with amendment use as follow:

- a) This Act clarified the definitions about income tax, taxpayer and income year, personal status of tax payers, non-resident taxpayer net income and soon.
- b) Five sources of income had been specified they were i) Agriculture ii) Industry trade profession or occupation iii) Remuneration iv) House and Compound rents and v) others.
- c) Carry forward of losses is allowed within subsequent three years.

- d) It had made provision for self assessment of tax for the first time in Nepal.
- e) Methods of computing the taxable income from each head has been specified with deductions allowable.
- f) Deduction was allowed for life insurance premium.
- g) Tax payers were required to keep accounts and records of the income and to be preserved for six years.
- h) Provision was made to make agreement for avoidance of double taxation with foreign governments.
- i) Provision was making relating to reassessment or additional assessment of tax.
- j) Although ITA 1974 (2031) was for a head than the prevails act, yet it had used many vague or unclear words like "reasonable appropriateness" etc. It had also provided high discretionary power to the tax officer in the matter of tax assessment.

Income Tax Act 2002 (2058 B.S.)

ITA 2058 has been implemented, 19/12/2058 B.S. This act has replaced the ITA 1974 2031 often act related to Income tax.

Government enacted in Income tax rules 2059 B.S. In accordance with the authority given under section 138 g) ITA 2002 B.S. has 143 section amended ITA 2058 has dismissed the section 66. The act is broad. Scientific and international standard level. The differences of this act with previous act are made clearly by its salient features, which are given below.

- a) ITA 2058 B.S. has classified income into three heads i) Business ii) Investment iii) Employment
- b) This act has included all the previous relating to income tax. It is a law of Income tax code.

- c) Provision has been made for the deduction of all expenses relating to income earnings.
- d) Provision has made to impose tax to all income sources uniformly.
- e) This act has given the action for husband and wife as a separate natural individual until they don't accept as a couple.
- f) Provision has been made for the deduction of all expenses to each income in accumulation from taxpayer's income.
- g) Carry forward of loss is allowed for the period of four subsequent years. This limit is extended up to five years for banking and insurance.
- h) Provision of tax incentives has continued for infrastructure instruction electricity projects and special industries and also carry forward of losses is allowed for the period of seven years to infrastructure the and electricity projects.
- i) It has clearly included the rights and duties of taxpayers.
- j) Provisions have made to claim for deduction of pollution control device, research and development expenses, repair of maintenance expenses and donation.
- k) It has classified the tax payers into natural person and entity includes company, partnership for trust and soon.
- l) The inland revenue department is responsible for the and imprisonment.
- m) This act has determined the rate of income tax itself for the first time which used to be act determined by the finance acts in the previous year.
- n) A person has been determined as a resident as a resident whose place of abode is in Nepal and who lives in Nepal at any time or who lives for 183 days or more within the income year who is an employee of government posted abroad during the income years.
- o) The income of an approved retirement fund is free from tax. But retirement payments in the hands of employees are taxable

- p) Donation about can be deducted a 5% of adjusted income or Rs.100000 or actual paid amount which ever less.

2.2.6 Legal provisions Relating to Insurance Busies under it Act 2058.

See 59 to 62 of the income Tax Act 2058, has made the provision related to banking and insurance business. According to see 59, a banking or general banking or investment insurance business of a person should be treated as a separate business. It mean & such business should not be mixed with other business and the income or loons of banking general insurance and investment insurance should be separate from other businesses.

The other provisions in this regard are as follows:

1. As stated in see 59, the person running the banking business would be provided to deduct at the most 5% of the contingency amount as expenditures. If such expenditure is shown, bad debts can't be shown in profit and loss account as expenditure. If the amount in contingency fund is capitalized or dividend in distributed it should be shown as income in the year of the capitalization. The loss from banking business cane carried backward for 5 years however if contingency fund is utilized to show as expenditure, the carry backward facility is not allowed. The condition to be fulfilled while carrying backward the loss is that the loss will not exceed any income denied from the business for the particular preceding income year and it will not in total exceed the amount of the loss. Another condition is that is considered an unrelieved loss. In the respect, banking business means a bank which is authorized carry banking transactions.
2. As stated in see 60 and 61, for the purpose of calculating the income of a general insurance an investment insurance business one should include income along with the amount required being included under other provisions of this act:

.The amount of premiums in respect of insurance including premiums on re-Insurance.

.Amounts derived during the year under any contract or re-insurance, guarantee, security, or indemnity in respect of payments as Insurer

The allowable expenses in this respect are:

- Payments made during the years as insurer in conducting the business and
- Premiums returned to an insured during the year in calculating income from the business of the year or a previous year.

The loss from general insurance can be carried backward for 5 years. The condition to be fulfilled while carrying backward the losses are: the loss will not exceed any income derived from the business for the particular preceding Income year and it will not in total exceed the amount of the loss. Another condition is that the carry back ward can be only to reduce the amount of loss that is considered an unrelieved loss. In this respect general insurance means a general business registered as per the prevailing laws and varying general insurance transactions. As regards to the benefit from investment insurance the Insured person should be tax in the form of a final withholding in case resident person pays the proceeds, and it will be included in calculating the income of insured in case where not resident person pay the proceeds.

2.3 Reviews of Relates Studies:

Since the period of introduction of income tax in Nepal, many individuals as well as some institutions have made efforts on study of taxation for finding the ways for the improvement of income taxation. Many books, research reports and articles have been written and published in this respect. The researcher had consulted books thesis, and some article concerning with

Income taxation during the thesis writing some of them represented in brief below:

2.3.1 Reviews of Books:

While reviewing the books, it was found that most of the books were syllabus oriented and some of them had described the problems and prospects of income tax system and a path for reform of income tax. Though the books are descriptive these are not analytical on the topic of tax contribution from insurance business in Nepal. Determination of income from insurance business for tax purpose is not as similar as other manufacturing, trading as service oriented business. Again finding of chargeable incomes and admissible expenses for the purpose of income of life and non life insurance business is different in itself. Tax rate for life and nonlife insurance is different. The income tax act, 2058 has also stated different provisions for set off, carry forward and carry back of losses for life and non life business. Nevertheless, some books are more important and relevant for these studies.

Kamal Deep Dhakal (2001): Write a book entitled "income tax and house and Compound tax laws and practice" Dhakal has described the various provisions under ITA 1974. This is divided into four parts. He has described about tax, income tax in Nepal, house and compound tax and value added taxes etc. This book is used on BBS and MBS syllabus it is useful for information about income tax, property tax and VAT.

On New income tax Act 2058 (2002), Some other books have also been written and published "Income tax law: past and present" has been written in Nepali by Bishwo Deep Adhikari in 2059". Modern income tax system of Nepal. has been written in Nepali by Bidlayadhur Mallik in 2000 and "modern tax system of Nepal:

Principle and practice" by Chandramandi Adhikari 2060. These books are useful to understand the laws and provision at new income tax act 2058.

In these books the respective authors have tried to describe the laws and provisions in descriptive manner with examples. Various numerical examples are also given to understand the treatment of special provision in income tax assessment process. These books have also included the evaluation of income tax system in Nepal.

Pushpa Raj Kandel (2004), Published a test book entitled "Tax laws and tax planning in Nepal". The book was designed to fulfill the needs of MBS and BBS level under T.U. This book was very useful to the student and teachers to know the legal provision of income tax Act 2058. The book has attached unofficial translation the tax laws both Acts and Rules related to value added tax and income tax. This book was more informative rather than analytical.

In 2004, Mr. Surendra Keshar Amayta, Dr. Bihari Binal Pokharel published a book entitled "Taxation in Nepal (income tax, Property tax value added Tax") This book has exclusively been designed for the subject taxation in Nepal" as per the syllabus prescribed by the faculty of management, Tribhuvan university for 3rd year of bachelor of business studies (BBS). Unlike other books available on this subject, this book makes an in depth approach to study of income tax, property tax and value added tax in Nepal in order to meet specific requirements of those student who are studying taxation as concentration subject at B.B.S. 3rd Year. This book was very useful to know the legal provision of income tax act 2058 and value added tax act 2052. Theoretical aspects as well as numerical problems of income tax and value added tax are shrewdly presented in this book however, the book was failed to analyzed legal provisions with numerical examples on the topic of Income taxation of insurance business.

Their book entitled "Income tax theory and practice" written by Mr. Jagdish Agrawal published in 2004 served all the concerned people like tax practitioners, chartered accountants, registered auditors accountant and other

Managerial personnel in big enterprises, CA student, student of law having taxation as one of the subject etc. The author has tried to present to the extent possible real life problems relating to income tax in the books. Mr. Rup Khadka 2005 presented a book named modernizing tax administration in Nepal". It has really most useful book to conduct whole research it gave through idea about tax administration to conclusions and recommendation. The writer focused on the human resource development of tax administrators. He also gives new ideas on tax administration to reform it such as computerization and autonomous revenue improvement of tax administration in Nepal.

Mr. Jit Bdr. K.C. (2007) has published a book in reused edition 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 the third part, he described VAT in Nepal and at the last, he described tax planning. This book has presented practical as well as theoretical aspects the book is useful to the student, tax administrator auditor and others who are involved in tax. This book is useful to research work also.

Extent possible real life problem relating to income tax in the books. However the book was failed to explain in detail regarding legal provisions for taxation of income from insurance business.

In 2004, Mr. Ishor Bhattraai and Mr. Girija Prasad Koirala published a book entitled "Tax laws and Tax planning" This book has been written to fulfill the master degree course of Tribhuvan University. The book has been organized in 20 chapters. In this book the writers have described the provisions related to income tax assessment and tax planning they have also presented an overview of relevant tax laws. Income Tax Act 2058 and

value added included numerical problems in the regarded of income tax assessment. This book is informative and descriptive rather than analytical.

2.3.2 Review of Articles

There are many articles relating to income tax of Nepal written by professionals. The administrative, legal and procedural aspects of income taxation where agreeably found in some of the articles, the articles also presented some suggestions that have to be implemented immediately for the Improvement and betterment of taxation in Nepal. Some articles have been presented below in brief.

Mr. N. Krishnaswamy (2004) has presented few instances of arbitrary tax assessment in his articles named " Anomalies in income Tax Act 2058" through the Chartered Accountant, journal of the institute of Chartered Accountants of Nepal. As per the article when the new income tax act was introduced it was assured by the D.G. that the now act, has provided for self tax assessment and the discretion of the tax officer has been reduced and If they have to make an add back they have to submit proof of evidence for the same. But still the tax officer have not grown out of the old thinking and still continue to make addition for the sake of enhancing the income and tax there on some instances strictly against the concept of accounting have been presented by the author. These are:

- a) In one case the assesses has accounted on the 15th July goods receive him but the supplier gave the goods one received it snood be accounted for even through the purchase is accounted the same has been including in the closing stock there by equalizing the purchase This there was no serious misrepresentation of income for tax pager But the tax officer added the purchases accounting for on 15th July of 14 Lakhs to income as expenses relating to the next year and claimed wrongly as expenses in the year ending 16th July. The purchases are never claimed as expenses when the stock is created in the profit and loss A/C.

- b) The Supreme Court has held that in cases of non deduction of advance tax, only advance tax has to be collected according to law and no addition of the amount on the advance to be collected should be added to income of assesses. The tax officer can only insist on payment of deduction of tax and can't add to the income of assess. If the department wants a fair play with the taxpayer.

The author has extremely suggested that income tax laws should be with asking and not collecting and assesses should be giving willingly and not paying forcefully.

Mr. Anil Kumar Sinha has presented his article named "Taxation legal I legality in Dec 2005 through the chartered accountant Journal of the institute of chartered accounts of Nepal. The article deals that clear words for that purpose. Article 73 of the constitution of Nepal 2047 and section 8 of the citizen rights act. Nagarik Adhikar Ain 2012) provides cooling provision by which all are constitutionally, legally and theoretically protected against undue an illegal tax collection or taxation with out proper authentic of law. The question of what is legally taxable and what is not has always been a widely talked issue and in many instances those are subject to interpretation the tax authority uses the provisions of laws to the best or worst of their ability whereas minimization of tax is the right of taxpayers there is no equity on a tax. There is no presumption to tax. Nothing is to be read in nothing is to be implied only can only look fairly at the language used.

The complexity of this new income tax act is evident from the wordings and phrasing used in various clauses and the great degree of compliances required by the taxpayers, failure to which the fine and other liabilities are exorbitant.

In country there is hardly effective provision to make the tax authorities accountable for their acts or actions causing sense of skepticism among the taxpayers.

The taxpayers have been encouraged by the tax officials themselves to go to the courts over the complaints of their wrong doing because the authority is totally, convinced that no immediately solution can be expected from the court of tribunal in short span of time as long as they are in partition. One of the Major suspicious on the independency and role of revenue tribunal is the procedure. Where by the decision of the don of the IRD has to be reviewed through appeal by the tribunal.

2.3.3 Reviews of Thesis and Dissertations:

There are many studies relating to income tax of Nepal undertaken by various individuals and some institutions. They all are concerned mostly on the administrative, legal and historical aspects of income taxation. Most of the dissertations presented by previous postgraduate students have focused about the trend of income tax collection and contribution of income tax with GDP, research on the topic of a study on "Income tax revenue collection from income of insurance business" has not been found by any research the previous research has not been found to deal on the procedural aspects of determination of income from insurance business for the purpose of income tax. To fulfill this gap this study has been contemplated on procedural aspects of the determination of income from insurance business for tax revenue collation on government revenue Analysis of imposition if income tax on income insurance business and problems facing by from Insurances and insured due to imposition of tax. This study is significantly different from other research study. However some dissertations have been taken as reference of this dissertation which has been presented below in brief.

In 1995 Mr. Shahu has prepared a Master Degree thesis in the topic contribution of Income Tax in National revenue of Nepal. He has found that

0.35% of total population come under categories of taxpayers during his study period main objectives of his study was to study Nepalese tax structure role and contribution of income tax in National revenue. He has identified that income tax has been gradually increasing and was in the fourth place in the tax structure of Nepal. He has not discussed the major aspects of income tax clearly and analytically so, it is if in competent study and all things mentioned in it are not also fully relevant today because it was made twelve years ago.

In 1996 Mr. Shree Prasad Gelal work a thesis entitle 'A comparative Financial Analysis of Nepal of Nepal Insurance Company Ltd. and General Insurance Company limited". His study has recommended that insurance premium fund should be invested in different sector than government bonus in other to enhance the life standard of people there by increase the insurance premium and to expand insurance activities in rural area by the establishment of branches or by appointment of agents according to its Potentiality. He had advised to Nepalese insurance companies to minimize the risk level by reducing debt participation and increasing equity proportion even through it is risk oriented instrument.

In 2001 Miss Bibha Pradhan wrote a thesis entitled "Contribution of income Tax from public enterprises to public Revenue of Nepal with reference of Nepal Telecommunication Corporation." She had analyzed the contribution of income tax from public enterprises to public revenue of Nepal. Examined the revenue collection from public enterprises, shown the contribution of income tax and total tax revenue of Nepal. And analyzed the effectiveness from Nepal Telecommunication corporation. She had found that the contribution of income tax from public enterprises in Nepal isn't satisfactory due to poor achievement weaknesses on government economic policy and deficiency in legislation existing corporate tax rate was found suitable self assessment of tax was more appropriate public enterprises remained in the second place on total income tax revenue of Nepal. Nepal

Telecommunication corporations contribution to total corporate income tax is high she found that the average share of NTC to corporate income tax was 25.67 during ten years period i.e. from fiscal year 1989/90 to 1998/99.

A thesis report entitled " A comparative study on Income Tax collection from Joint venture and Non Joint venture commercial Bank in Nepal. : has been submitted by Basundhard Acharaya in 2006. In her study she has explained evolution of income tax in Nepal development of corporate tax in Nepal, structure of Nepalese government revenue, contribution of income tax to total tax revenue and total revenue contribution of corporate tax on total income tax and total revenue contribution of corporate tax on total income tax and total revenue and contributes of Joint venture and non joint venture commercial bank to total income tax and total revenue she found that contribution in the corporate tax by joint venture commercial banks is more than by non joint venture commercial banks because of newly established and regional establishment of non joint venture commercial banks based on her data presentation and analysis for the period from 1999/2000 to 2004/2005 joint venture commercial banks contribution on total tax revenue was 6.67% to 10.05% whereas non joint venture commercial banks contribution as 0.28% to 2.42% furthermore she identified ways of maximization of corporate tax collection from banking sector that where providing additional facilities and incentives to the commercial bank sector motivating the tax payers to pay tax on their incomes and emphasized self tax assessment system. She also mentioned problems being faced by commercial banks that were Lange provisions of tax law and order tax assessment by tax authorities.

In 2006, Mr.Hari Prasad Neupane Submitted a dissertation named "An Analysis of income Tax collection from finance companies". In his study, he explained corporate tax structure in Nepal tax incentives, tax evasion and tax avoidance and tax administration in Nepal. He found that finance

companies plays significant role in the contribution to total income tax, total government revenue total GDP by way of Corporate tax from his data presentation and analysis, it was found that National Finance Company has paid the light income tax of Rs 41.87 millions among finance companies under the study from 1998/99 to 2003/004. Second highest comes NIDC capital Market to pay income tax of Rs31.87 millions. Third highest comes Kathmandu Ltd. Third highest comes Kathmandu finance ltd. Paying income tax of 18.20 million fourth comes goodwill finance co. ltd. Paying income tax of Rs18.20 millions and last comes Nepal share Market Ltd. to pay income tax of Rs13.69 millions further money. He recommended that finance companies should be provided more and more facilities and incentives according to their contribution in terms of tax paid. A healthy environment should be created for finance companies to carry on their activities effectively and efficiently Government should provide finance companies a good environment of free competition finance companies located at distant and less developed places should be provided more facilities.

Mr. Kul Chandra Bhandari (March 2008) Submitted a master level thesis entitled "Tax Avoidance and Anti Avoidance Rules in Nepalese prospective. it is conclusions for the tax avoidance were as follows:

- Narrow tax base
- Not clarification on the assessment Procedure.
- Highly corruption
- Wide spread of I legal business activities.
- Poor development of in termed diaries
- Unlimited convertibility of Indian currency.
- Unnecessary interference by influential persons.
- Lack of information.

- The provision of see 35 is vague and creates uncertainty.
- Harassment to the taxpayers.
- Lack of public wariness towards the taxation.

CHAPTER-III

RESEARCH – METHODOLOGY

The research method designed to achieve the objective of this thesis contains research design, population and sample, data collection procedure tools or analysis and methods analysis presentation respondent's profile.

3.1 Research Design:

The research design is a plan structure and strategy investigation can receive so as to obtain answers to research question and to control variance. (Kerlinger, 2002, 301) This research is concerned with past phenomena both numerical as well as opinions. This study is both descriptive and analytical. The primary data and information is also used when unnecessary.

3.2 Population and Sample:

The population for this study is comprised the entire person belonging to income tax of Nepal. They are Income tax administrator, income tax payers and tax experts.

In order to fulfill the objectives of the study 30 sample sizes from Kathmandu valley has been selected, person included in the sample are carefully selected by consultation with experts and best judgment of the researcher. The respondents can be divided into three groups. The following table shows the group of respondents and the size of samples.

Table 3.1

S.N.	Group of Respondents	Sample Size
1	Income tax administrators	10
2	Tax Experts	10
3	Tax Payers	10
	Total	30

3.3 Nature and source of Data:

Necessary data and information for this study were collected from primary and secondary sources.

3.3.1 Primary Data:

The source of primary data was the opinion survey. Primary data are collected through questionnaires distributed but only 30 responses are received. Tax administrators were selected from various tax offices. The tax experts were the lectures, auditors. Chartered accounts etc. Tax payers were Insurance companies.

3.3.2 The secondary Data:

The secondary data and other related Information were collected from the following sources.

- a) Published and unpublished annual reports of insurance compares and Insurance board.
- b) Published and unpublished reports, articles and dissertations on the concerned subject.
- c) Publications of Nepal Government Ministry of Finance, Budget speech and Economic surveys of various fiscal years.

- d) Published documents of National planning commission, Nepal, Rastra Bank Central Bureau of statistics and etc.
- e) Books Journals and Publications related to the data and information.
- f) Websitites.

3.4 Data Collection Procedure:

Data and information used in this study were collected from primary and secondary source. To get primary data a set of questionnaires were developed and distributed to the selected respondents who were familiar to the income tax and insurance business.

3.5 Data Analysis Tools:

Various statistical descriptive tools are used for the collection, tabulation, presentation and interpretation of data for the statistical tools percentages, average, charts and diagrams are used for the comparative study of data of various period.

3.6 Methods of Presentation

The collected data (both from primary and secondary sources are tabulated and presented to make these data clear and more informative such data are presented in figure like bar diagram, trend line and pie-chart, which ever is relevant to explain the data effectively, on the basis of the nature of data. After presenting these data they are analyzed by voting various statistical and mathematical tools and techniques.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA:

This chapter entitled "Presentation and Analysis of Data" has been organized to present the data and analyzed them accordingly this chapter covers presentation and analysis of secondary data, as well as primary data and major findings there.

4.1. Presentation and Analysis of Secondary Data:

Tabular as well as graphical presentations have been used in order to analyze contribution of Income tax of insurance business to government revenue.

4.1.1 Existing Scenario of Insurance companies:

Present Market scenario has large number of Insurance companies operation. Nepal Insurance Company the first insurer in Nepal, Which awash established in 2004/06/04 B.S. before the enactment of Insurance act, 2049, there was only 5 Insurance companies in Nepal. The insurance Act. 2049 and insurance regulation, 2049 are the main guidelines for the administration of the insurance industry in Nepal. Now in Nepal, there are 25 insurance companies working in the insurance market out of 25 companies government owned 1 private sector 18, foreign 3 and joint venture 3, Nature of those companies are general (non-life) 16, life 8, and composite -1, The table shows the market structure of insurance companies.

Table 4.1
Existing scenario of Insurance of Nepal

S.N.	Name of Company	Business	Established
1	Nepal Insurance Company	Non-life	2004-6-8
2	The Oriental Insurance Ltd.	Non-life	2024-5-30
3	Rastriya Beem Sansthan	Life+Non	2025-9-1
4	National Insurance Co. Ltd.	Non-Life	2030-9-17
5	National Life Insurance	Life	2044-9-23
6	Himalayan General Insurance	Non-Life	2050-4-6
7	United Insurance Co.)Nepal)	Non-Life	2050-7-6
8	Premier Insurance Ltd.	Non-Life	2051-1-8
9	Everest Insurance Co. Ltd.	Non-Life	2051-2-17
10	Neco Insurance Co. Ltd.	Non-Life	2053-2-17
11	Sagarmatha Insurance Co. Ltd	Non-Life	2053-3-12
12	Alliance Insurance Co. Ltd.	Non-Life	2053-4-4
13	N.B. Insurance Co. Ltd.	Non-Life	2057-10-10
14	Nepal Life Insurance	Non-Life	2058-1-4
15	Life Insurance Corp. Nepal	Non-Life	2058-1-23
16	American Life Insurance Ltd.	Non-Life	2058-1-18
17	Prudential Insurance Co. Ltd.	Non-Life	2059-1-20
18	Shikhar Insurance Co. Ltd.	Non-Life	2061-3-31
19	Lumbini Insurance Co. Ltd.	Non-Life	2062-3-31
20	NLG Insurance Company	Non-Life	2062-6-23
21	Siddhartha Insurance Company	Non-Life	2062-2-23
22	Surya Life Insurance Co.	Life	
23	Prime Life Insurance Co.	Life	
24	Asian Life Insurance Co.	Life	
25	Gurans Life Insurance Co.	Life	

Source: Annual Report of Insurance Board

4.1.2 Premium Income of Nepalese Insurance Market:

Insurance Income collection From life and non-life business has been presented in the following table. For the purpose of study 10 Years data from fiscal year 2055/56 to 2064/065 has been considered and presented Though Insurance premium was small in the initial years. It was found in Increasing trend both in life and non-life business. Minimum premium Income of life and non-life business 44.94 million and 116.63 million respectively in fiscal year 2055/056. The maximum premium Income of life and non-life Insurance 378.56 million and 340.63 million. In fiscal year 2064/065 the share of premium of life Insurance in total premium Income is lower than the share premium of non-life insurance premium up to fiscal year 2060/061 but the share of premium of life Insurance premium up to fiscal year 2060/06/ but the share of premium of life Insurance in total premium is higher than non-life Insurance in fiscal year 2061/062, 002.003, 063/064 and 064/065.

The percentage share of premium life Insurance in total premium is Increasing trend except in fly 2056/57. The percentage share of premium of non-life Insurance share premium of non- life insurance in total premium of non-life Insurance in total premium is decreasing.

The percentage of share of premium of life Insurance lies between 27.84% and 52.63% but the percentage share of premium of non-life Insurance lies between 47.36 and 75.01 of the percentage of Insurance premium collection is increasing trend.

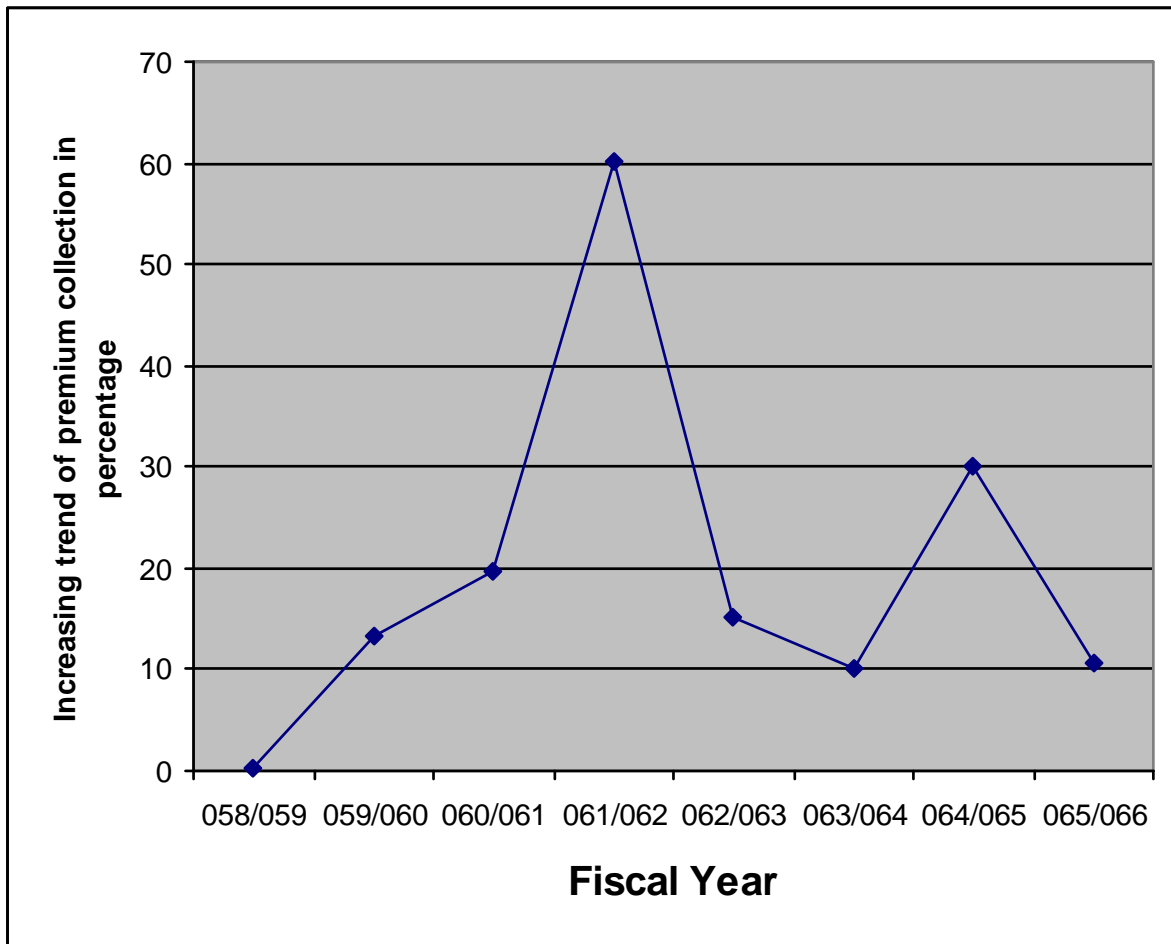
From the table, annual % of Increasing Insurance premium from fiscal year 2055/56 to 2063 % 0.20, 13.76, 19.71 %, 60.20, 15.06, 10.81%, 30 % 10.71%.

Table No. 4.2
Premium Income of Nepalese Insurance Market

(In 10 million NRS)

Fiscal Year	Life		Non Life						Non Life Total		Grand Total	Increasing trend of Premium Collection in %
	Amt	% of total premium	Fire	Maize	Aviation	Motors	Contract or all risk and eng	Miss.	Amt.	% of total Premium		
058/059	44.94	27.81	29.62	10.66	25.32	21.73	10.83	18.47	116.63	72.19	161.57	0.20
059/060	49.43	29.99	31.96	14.57	29.80	24.95	10.01	22.43	133.72	73.01	186.15	13.36
060/061	65.46	29.86	38.60	16.13	34.20	30.91	8.69	25.26	153.79	70.14	219.25	19.71
061/062	136.26	38.79	48.27	17.26	69.71	39.27	13.42	27.07	215	61.21	351.26	60.20
062/063	172.61	42.71	47.38	18.42	70.08	50.23	11.33	34.07	231.54	27.29	404.15	15.06
063/064	208.38	46.79	57.65	21.33	50.08	71.99	9.88	34.10	236.93	53.21	445.31	10.18
064/065	291.78	50.38	69.60	25.99	48.60	79.17	19.74	36	287.35	49.62	579.13	30
065/066	329.56	51.40	76.86	28.30	46.74	91.71	21.72	44.25	311.63	48.6	641.19	10.71

Figure No 4.1
Percentage of Increasing premium collection



The trend line of percentage increasing premium collection in different fiscal years has been shown in the figure. It was found that the insurance business in Nepal is growing and increasing trend.

4.1.3 Contribution of Insurance Business in GDP

Gross domestic product indicates the value of goods and services produced within the nation. For the purpose of the study, contribution of insurance business in GDP has been presented in the following tables.

Table : 4.3**Ratio of Insurance Premium and GDP (Nrs. 10 Million)**

Fiscal year	GDP (from non agricultures sectors)	Total Insurance Premium	% of insurance premium on GDP
058/059	19764.5	161.57	0.82
059/060	22112	183.15	0.83
060/061	24299.3	219.25	0.90
061/062	24599.4	316.24	1.29
062/063	26644.2	372.78	1.40
063/064	29077.2	446.50	1.54
064//065	31081	579.13	1.86
065/066	34504.2	641.19	1.86
Total	212081.8	2919.81	-
Average	26,510.225	364.98	1.38

Source : 1. Economic survey 2065/066, MOF
2. Annual reports of insurance board

The data reveals that contribution of insurance business in GDP from non agriculture sector only as well as was in increasing orders. The percentage share of premium income in GDP lies between 0.82% and 01.86% during the study period. The contribution of premium income to GDP is in increasing trend. The minimum contribution is 0.82% in Fiscal year 2058/059 and maximum contribution 1.86% in fiscal year 2065/066. The average contribution during the study period is 1.38%. Total premium income is Rs. 2919.81 in and average premium income is Rs. 364.98m during the period.

4.14 Income tax from insurance companies in Nepal

The following table shows the income tax and special fees of insurance companies individually over eight years. Income tax of Rastriya Beem Sansthan is not

available because it has done. Audit from last many years. The amount of income tax in taken from the profit and loss account of the insurance companies. Some unclear

Table : 4.4

Income Tax from Insurance Companies in Nepal. (nearest rupee)

S. N.	Name of Company	2058/059 Income Tax	2059/060 Income Tax	2060/061 Income Tax	2061/062 Income Tax	2062/063 Income Tax	2063/064 Income Tax	2064/065 Income Tax	2065/066 Income Tax
1	Nepal Insurance Company	6875815	8117326	8330933	10327090	8106320	10357408	4815977	2696514
2	Oriental Insurance Company	-	20550100	27228537	-	-	-	-	-
3	National Insurance Company	3753074	3264445	4624115	1466400	15745322	15230832	9429703	12529142
4	National Life and General Insurance Company	1240522	940607	2985144	2323956	4923869	3192573	2025723	8207249
5	Himalayan Insurance Company	1760913	2455928	2573428	3323174	4874644	5037296	4302026	4569156
6	United Insurance Company	794834	986828	2296556	2438712	1563991	3003775	4181362	449177
7	Premier Insurance Company	1374127	1746433	24521644	3333567	2079477	2726244	5671564	5556424
8	Everest Insurance Company Ltd.	2216801	3662143	4860136	6801594	6704724	6435674	36666122	4553743
9	Neco Insurance Company	2318105	3681500	4385337	4649884	3201180	2270504	1116579	2873610
10	Sagarmatha Insurance Company		989558	2081388	4308584	3870591	5772765	6691038	6426754
11	Alliance Insurance Company		1859141	2312288	5076127	4607163	5387422	2068315	7178988
12	N.B. Insurance Company			91071	79311	4661747	7882651	8515621	458165
13	Nepal Insurance Company			86290577	1303603	2510540	5043799	6922287	7829029
14	Life Insurance Company (Nepal Ltd.)				236313	337175	2281061	4282623	5576680
15	American life Insurance				71575	140765	463888	954292	1870712
16	Prudential Insurance				144644	389938	882225	1564639	3759861
17	Shikar Insurance Company							159208	2157168
18	Lumbini Insurance Company								186446
19	Siddhartha Insurance Company								138475
Total		20334191	48254709	64221577	45884534	63717446	75968117	99367079	77017293

Source : 1. Economic survey 2065/066, MOF

2. Annual reports of insurance board

In above table the Amount of Rastriya Beema Sansthan has be include.

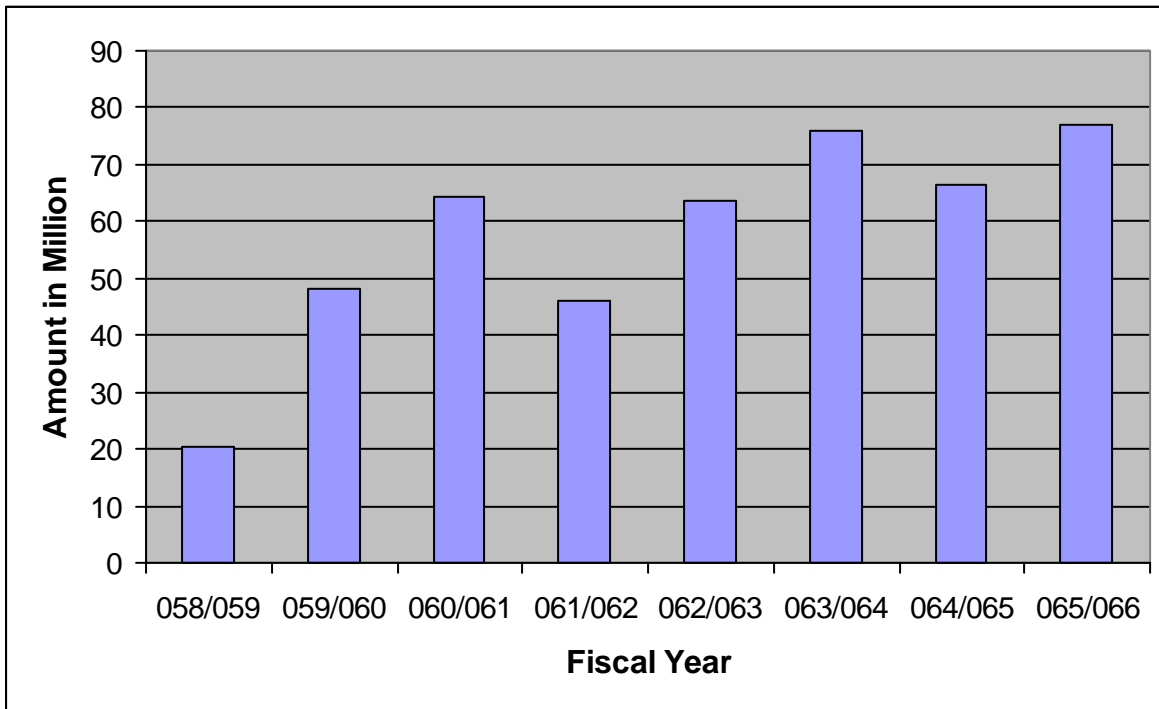
Table: 4.5

Total Amount of Income Tax from Insurance Companies

Fly	Income Tax	
058/059	20334191	20.33 million
059/060	48254709	48.25 million
060/061	6422,1577	64.22 million
061/062	4588,4534	45.88 million
062/063	63717,446	63.72 million
063/064	75968117	75.97 million
064//065	66367079	66.37 million
065/066	77017293	77.02 million
Total	461,764,946	461.78 million
Average	57,720618.25	57.72 million

The following figure shows the income tax from tax from insurance business contributed in government revenue. The average contribution of insurance company on income tax is 57.72 million per year.

Figure : 4.2



4.1.5 Contribution of Income Tax form insurance

Business to GDP

The contribution on income tax from insurance companies to Gross Domestic product (GDP) of Nepal is presented in following table.

Table : 4.6**Contribution of Income Tax form Insurance Companies to GDP**

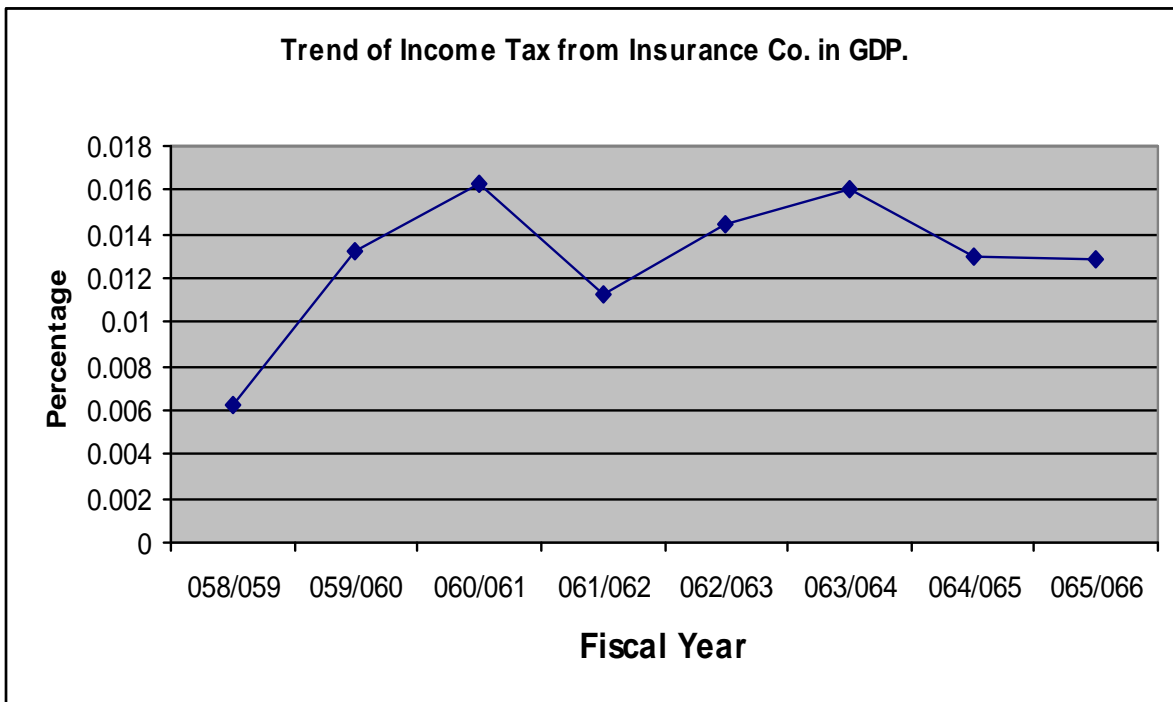
(Rs. in 10 Million)

F.Y.	GDP	Income Tax from Insurance companies	% of Income tax from Insurance co. in GDP
058/059	330018	20.33	0.0062
059/060	366251	48.25	0.0132
060/061	394052	64.22	0.0163
061/062	406138	45.88	0.0113
062/063	437546	63.72	0.0145
063/064	474919	75.97	0.0160
064//065	508651	66.37	0.0130
065/066	505786	77.02	0.0128
Total	3423361	461.76	0.152
Average	427920.13	57.12	0.0135

Source : 1. Economic survey of various year, MOF, Nepal.
2. Annual reports of insurance companies.

From the above table shows the contribution of income tax from insurance companies to GDP is increasing trend. The minimum percentage of income tax contribution trend. The minimum percentage of income tax contribution from insurance business is 0.0062 in fiscal years 058/059 and maximum contribution is 0.0163 in fiscal year 059/060. It has been that percentage share of income tax from insurance companies to GDP is very low, but the growth and development of insurance business is gradually growing and its contribution is also increasing. The prospect of insurance business is emerging in Nepal. The trend of income tax from insurance companies to GDP is shown in the following figure.

Figure 4.3



4.1.6 Contribution of Income Tax from Insurance Business to Government Revenue in Nepal.

Income Tax is a main part of government revenue in Nepal. Government enterprises, public limited companies and private companies are the main source of income tax of Nepal. The contribution of income tax from insurance business to government revenue is presented in following tables and figure.

Table : 4.7**Contribution of Income Tax form Insurance Companies to Government Revenue**

(Rs. in 10 Million)

F.Y.	Government Revenue	Income Tax from Insurance Business	% of Income tax from Insurance company to government revenue.
058/059	37251	20.33	0.0546
059/060	42894	48.25	0.1125
060/061	48894	64.22	0.1313
061/062	50446	45.88	0.0909
062/063	56230	63.72	0.1133
063/064	62331	75.97	0.1218
064//065	70123	66.37	0.0946
065/066	80998	77.02	0.0951
Total	449167	461.76	-
Average	56146	57.12	0.1028

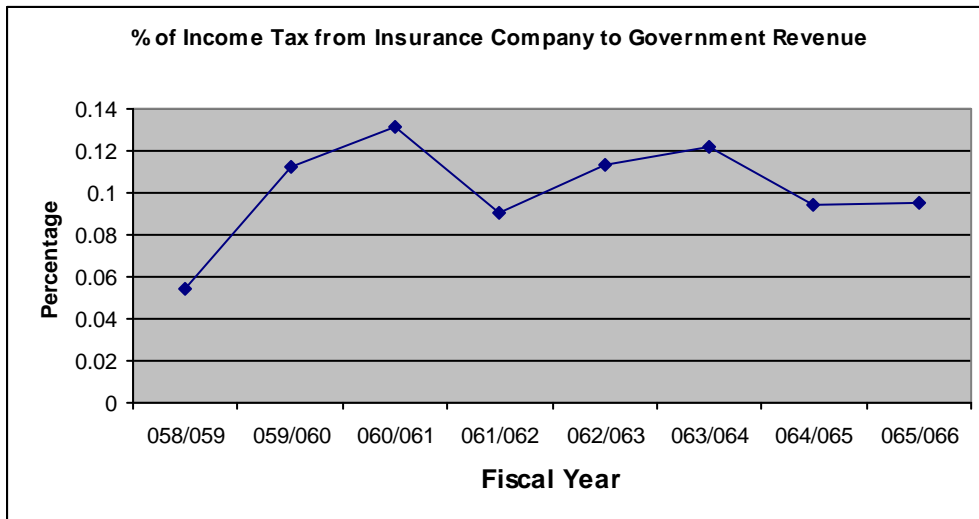
Source : 1. Economic survey of various year, MOF, Nepal Government.

2. Annual reports of insurance companies.

The table shows the government revenue and the income tax from insurance companies both are continuously increasing. In the fiscal year 058/059, income tax from insurance companies was 20.33 million. But in fiscal 065/066, the amount of income tax form insurance business is increased to 77.02 million. This is nearly four times higher than fiscal year 2058/059, where government revenue is 2.17 times

higher. So the contribution of income tax from insurance business to government revenue is in increasing trend. The percentages share of income tax from insurance companies to government revenue lies between 0.05% and 0.13.13 during the study period. The average contribution of income tax from insurance business is 0.1028%.

Figure : 4.4



4.1.7 Contribution of Income Tax from Insurance Business to Total Revenue is Nepal

The following table shows the income tax contribution from the insurance business to tax revenue.

Table : 4.8**Contribution on Income Tax Contribution from Insurance Business to Tax Revenue**

(Rs. in 10 Million)

F.Y.	Government Revenue	Income Tax from Insurance Business	Income tax from Insurance Business as % of tax revenue.
058/059	28753	20.33	0.0707
059/060	33152	48.25	0.1455
060/061	38865	64.22	0.1652
061/062	39331	45.88	0.1166
062/063	42587	63.72	0.1496
063/064	48173	75.97	0.1577
064//065	54105	66.37	0.1227
065/066	66079	77.02	0.1166
Total	351045	461.76	
Average	43880	57.12	0.1315

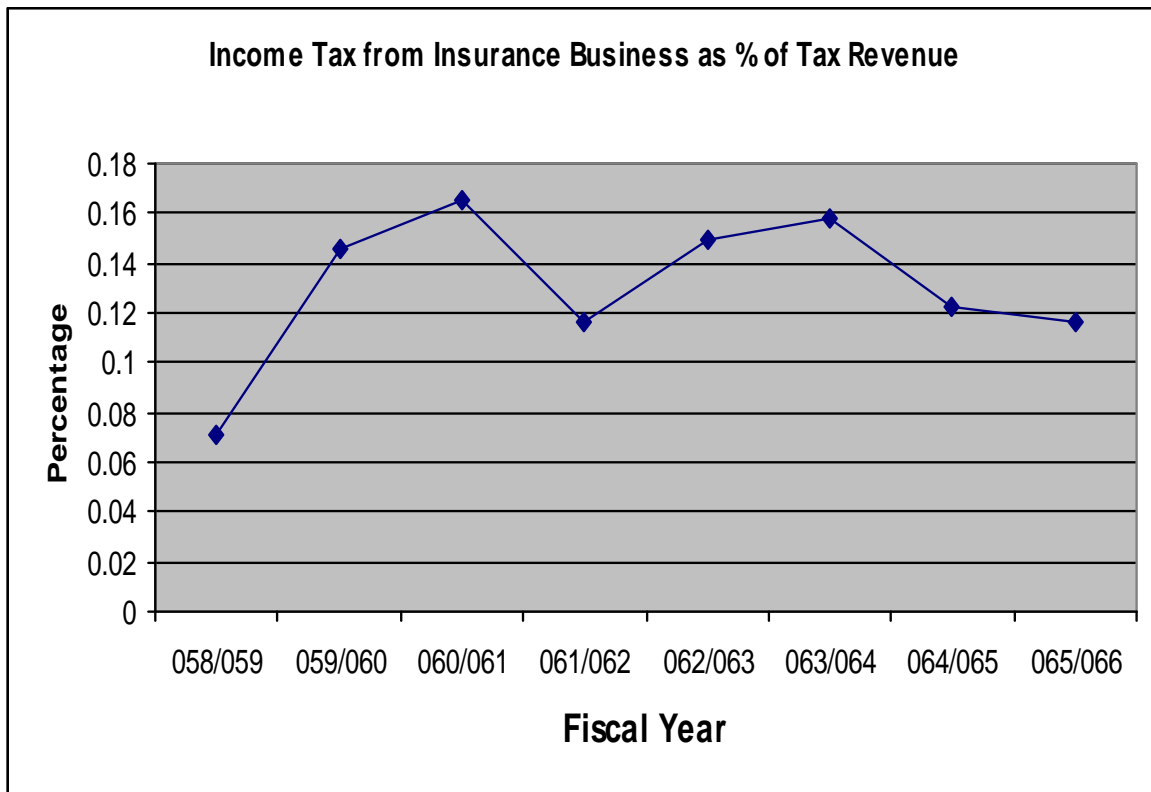
Sources : 1. Economic survey of various year, MOF, Nepal Government.

2. Annual reports of insurance companies.

The table shows the revenue and income tax from insurance business is continuously increasing per year. The percentages income tax from insurance companies to tax revenue lies between 0.0707% and 0.1652% during the study period. The average contribution is 0.1315% to total tax revenue of Nepal. The percentages share of income tax from insurance business in total tax revenue of Nepal is very low, but it is slightly higher than the percentage contribution to GDP and government revenue. Although income tax from insurance business is continues increasing, the percentages income tax from insurance companies to tax revenue trend up to fiscal year 060/061, then after it is fluctuating slightly. It is because the ratio of income tax revenue is higher than ratio of income tax from insurance companies.

The contribution of income tax from insurance business to tax revenue also presented in following figure. The trend line show the percentage of income tax from insurance companies to tax revenue is increasing maximum in 060/061. In aggregate, it is concluded that the income tax contribution business is increasing trend.

Figure : 4.5



4.1.8 Contribution of Income Tax form Insurance Business to Direct Tax Revenue of Nepal

The following table shows the contribution of income tax from insurance companies to the direct tax revenue.

Table: 4.9**Contribution of Income Tax from Insurance Business to Direct Tax Revenue in Nepal**

(Rs. in 10 Million)

F.Y.	Total direct tax	Income Tax from Insurance Business	% of Income tax from Insurance to direct tax
058/059	37251	20.33	0.2705
059/060	42894	48.25	0.5412
060/061	48894	64.22	0.6321
061/062	50446	45.88	0.4329
062/063	56230	63.72	0.6305
063/064	62331	75.97	0.6377
064//065	70123	66.37	0.5077
065/066	80998	77.02	0.5133
Total	449167	461.76	–
Average	56146	57.12	0.5290

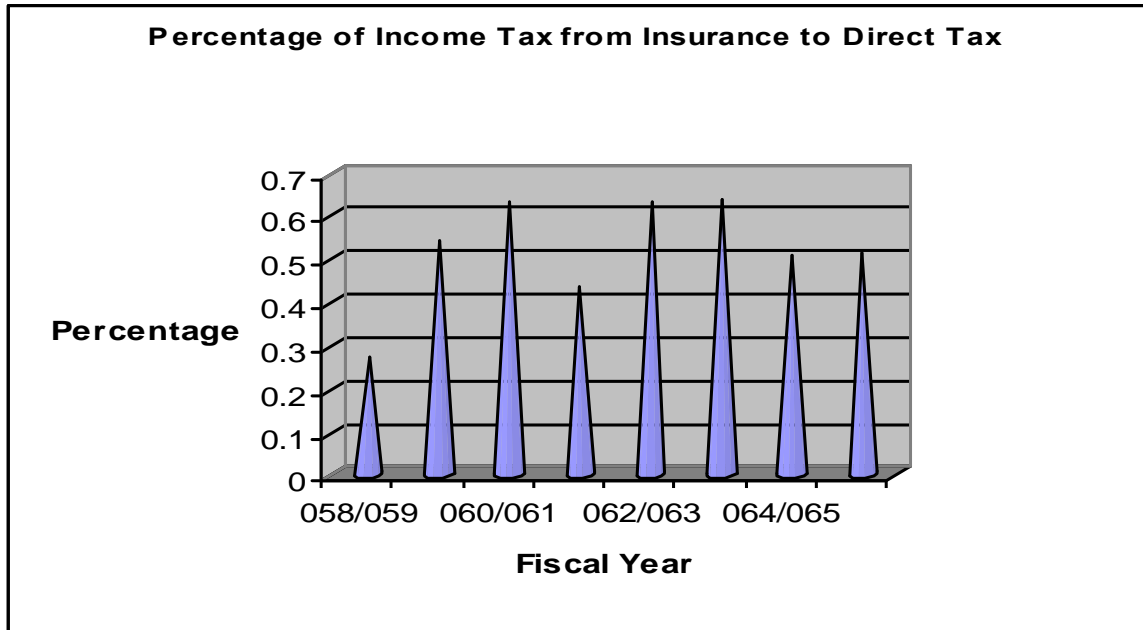
Source : 1. Economic survey of various year, MOF, Nepal Government.
2. Annual reports of insurance companies.

Note :- Total direct tax revenue includes:

- I. Tax on property, profit and income.
- II. Land revenue and registration fees.

The above table shows the percentage income tax from insurance business to direct tax revenue lies between 0.2705% in fiscal year 2058/059 and 0.6377 in fiscal year 063/064 then it is slightly decline in fiscal year 064/065 and 065/066. The average percentage contribution during the study period is 0.5290%. It is higher contribution in GDP, government revenue and total tax revenue. In aggregate, the contribution of income tax from insurance business to total direct tax revenue is increasing trend. It has also presented in following figure.

Figure: 4.6



4.1.9 Contribution of Income Tax from Insurance Companies to total income tax in Nepal.

Contribution of income tax from insurance companies to total income tax in Nepal is presented in table. To make clear it is also presented in figure.

Table:4.10
Contribution of Income Tax from Insurance Companies to
Total Income Tax in Nepal

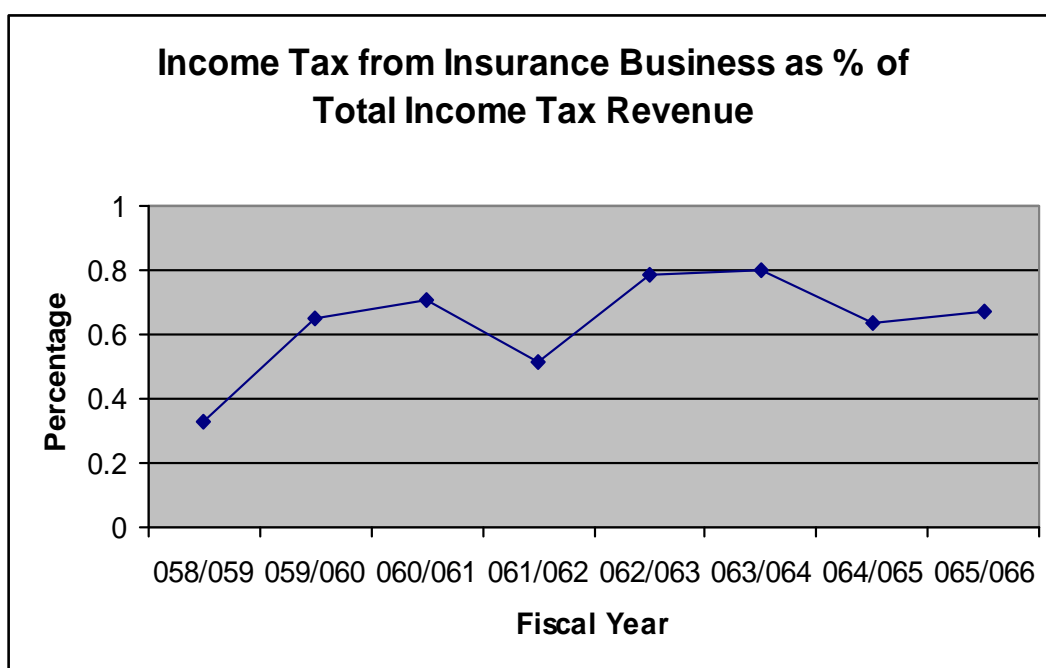
(Rs. in 10 Million)

F.Y.	Total income tax	Income Tax from Insurance Business	Income tax from insurance Business as% of total income tax revenue.
058/059	6170.3	20.33	0.3295
059/060	7420.6	48.25	0.6502
060/061	9114.0	64.22	0.7046
061/062	8903.7	45.88	0.5153
062/063	8132	63.72	0.7835
063/064	9514.5	75.97	0.7985
064//065	10466.1	66.37	0.6341
065/066	11478.7	77.02	0.6709
Total	711999.9	461.76	-
Average	8899.98	57.12	0.6485

- Source :
1. Economic survey of various year, MOF, Nepal Government.
 2. Annual Reports of insurance companies.
 3. Annual Reports of Insurance Board.

The above table shows the percentage income tax from insurance business to total income tax of Nepal government revenue lies between 0.3295% in fiscal year 058/059 and 0.7985 in fiscal year 063/064. The averages percentage contribution during the study period is 0.6485%. It is higher contribution than contribution in a GDP, government revenue, total tax revenue and direct tax revenue of Nepalese government. In aggregate, the contribution of income tax from insurance business to total income tax revenue is increasing trend. It has also presented in the following figure.

Figure: 4.7



4.1.10 Contribution of Income Tax from Insurance Business to Income Tax from Private Corporate Bodies in Nepal

The contribution of income tax from insurance business to income tax from private corporate bodies is presented in following table.

Table:4.11**Contribution of Income Tax from Insurance Business to Income Tax from Private Corporate Bodies in Nepal**

(Rs. in 10 Million)

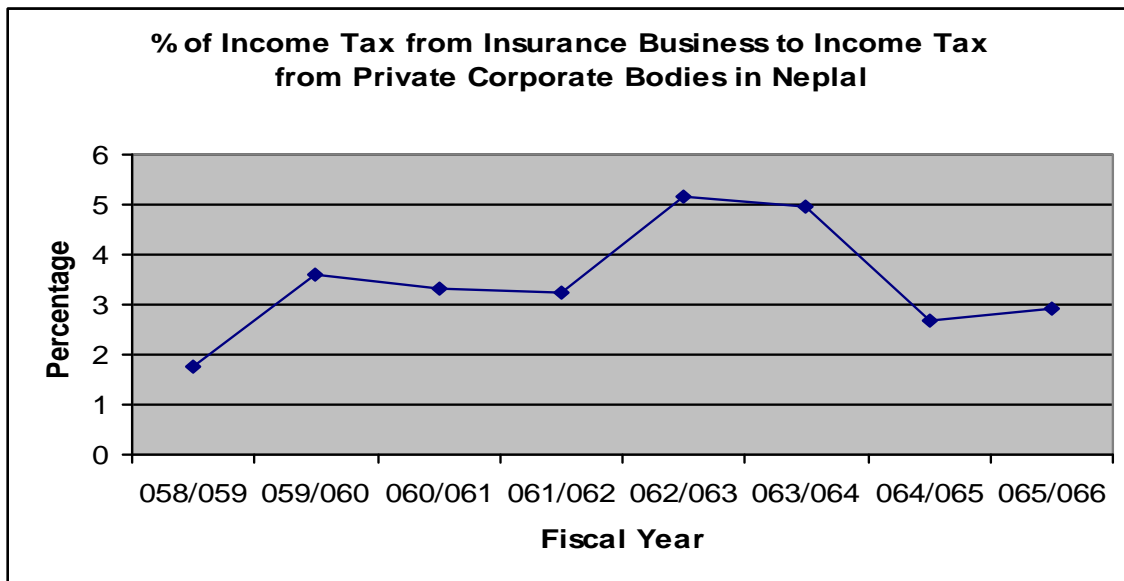
F.Y.	Total income tax	Income Tax from Insurance Business	% of Income tax from insurance business to income tax from private corporate bodies.
058/059	1155	20.33	1.76
059/060	1339.5	48.25	3.60
060/061	1924.3	64.22	3.34
061/062	1412	45.88	3.25
062/063	1236.3	63.72	5.15
063/064	1531.3	75.97	4.96
064//065	2467.8	66.37	2.68
065/066	2613.4	77.02	2.94
Total	13679.6	461.76	-
Average	1709.95	57.12	3.38

Source : 1. Economic survey of various year, MOF, Nepal Government.

2. Annual reports of various insurance companies.

From the above table, income tax from insurance business is lies between 1.76% and 5.15% during in the study period. The contribution of income tax from insurance business to corporate income tax from private bodies is higher than GDP, government revenue tax revenue tax revenue income tax revenue. It is also shown in the following figure.

Figure: 4.8



4.2 Presentation and Analysis of Primary Data

Primary information has been collected through a schedule questionnaire and direct interview in order to find out various aspects of income tax of insurance business in Nepal. The opinions were collected from 30 respondents representing tax administrators, tax experts/policy makers and tax payers. Tax administrators are selected from various Inland Revenue Department and tax experts are from the lectures, auditors, chartered accountant etc. Tax payers are insurance companies.

The responses received from various respondents have been arranged, tabulation and analyzed in the proper way in order to facilitate the descriptive analysis of the study.

The respondents were requested to response on questionnaire by four ways.

- They were requested to response simply by yes or no response.
- They could response by ranking the choice starting from 1 to most important as per number of choice.
- Respondents had also option to put their views by writing wherever necessary.

4.2.1 Income Tax as a Suitable Means of Rising Domestic

Resources

In order to know whether income tax as suitable means of raising domestic resource, a question was asked, "In your option, is the income tax a suitable means of raising domestic resource, a question was asked, "In your option, is the income tax a suitable means of raising domestic resources in Nepal ?" The responses received from respondents are tabulated as follows.

Table: 4.12

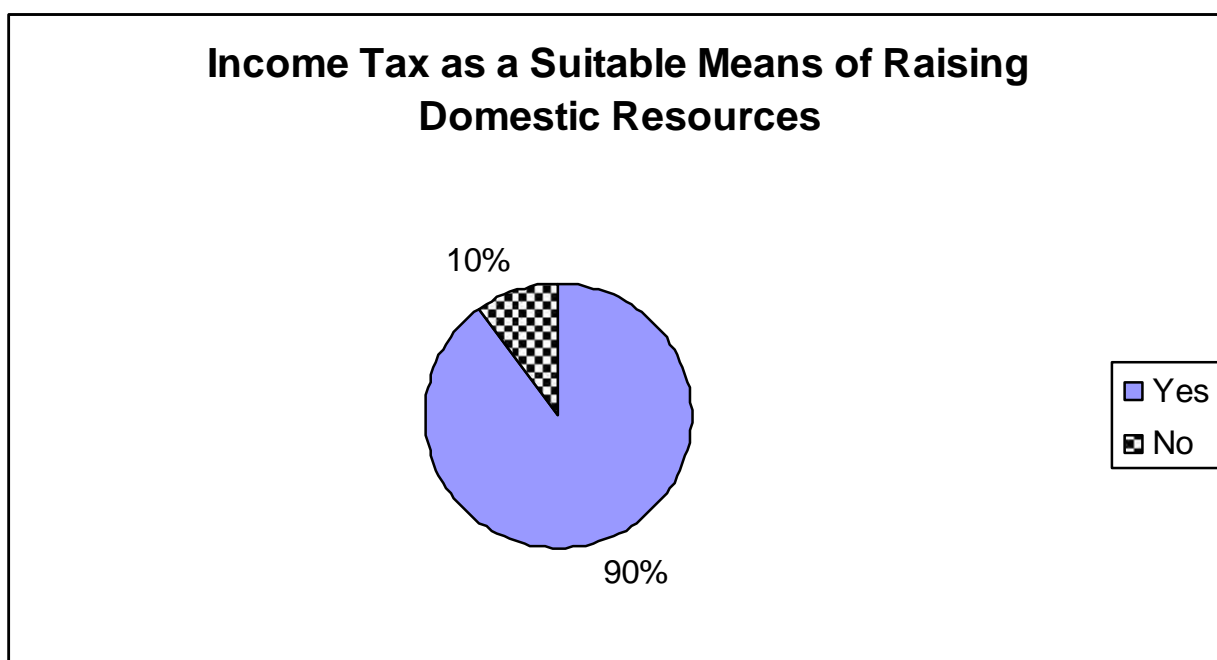
Income TAX as a suitable Means of Raising Domestic Resources

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	10	100%	-	-	10	100%
Tax Experts	8	80%	2	20%	10	100%
Tax payers	9	90%	1	10%	10	100%
Total	27	0.90	3	0.10	30	100

Source : Opinion survey, 2009

The question was received from all respondent, 90% of total respondent accepted the income tax, as a suitable means of domestic resource and only 10% of total respondent do not recognize income tax a suitable means of domestic resources mobilization. Thus the conclusion can be drawn that the income tax is a suitable means of raising domestic resources in Nepal.

Figure : 4.9



4.2.2 Objectives for Collecting Income Tax

In order to know the objectives for collecting income tax in Nepal, respondents were requested to rank their responses. The question was asked "which of the following objectives consider to collect income tax in Nepal ?" The following table gives the break down of responses;

Table : 4.13

Opinion Towards Objectives of Income Tax

S. N.	Goals of Income Tax	Total Points received			Total	Percent	Rank
		Tax administrators	Tax exports	Tax payers			
a	Enhance the revenue of government	32	30	37	99	33.67	2
b	Promote distributive Justice	35	34	33	102	34.69	1
c	Promote private sector Investment	33	29	31	93	31.64	3
	Total				294	100	

Source: Opinion survey, 2009

From the above table the objectives of collecting income tax in Nepal are ranked in order of preference.

- I) Promote distribution Justice
- II) Enhance the revenue of the government.
- III) Promote private sector investment.

4.2.3 Soundness and effectiveness of Income Tax System in Nepal

The most effective part of Income tax system is its effectiveness and soundness. To know about the soundness and effectiveness of Income tax system, a question was asked "Do you think that Income tax. System of Nepal is sound and efficient ? The responses received from respondents are tabulated as follows.

Table:4.14
Soundness and Effectiveness of Income Tax System in Nepal

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	7	70%	3	30	10	100%
Tax Experts	8	80%	2	20	10	100%
Tax payers	2	20%	8	80	10	100%
Total	17	56.67	13	43.33	30	100%

Source : Opinion survey, 2009

There was 100% response received from the respondents. Majority of the respondents are agreeing with the sound and effectiveness of income tax system of Nepal. 56.67% of total respondents are satisfied only 43.33% are not satisfied with the sound effectiveness of income tax system of Nepal. As the corollary to the earlier question was asked, "what is the major problem on income tax system of Nepal? (Please rank) ? "The opinions of the respondents are presented in the following table.

Table:4.15

Major Problem of Income Tax System of Nepal

S.N.	Problems	Rank
a	Complexity in income tax policy, rates and regulation.	2
b	Inadequate government economic policy.	1
c	Lack of honest, trained and competent tax personal.	3
d	Lack of appropriate assessment procedure.	4

From the above table, the major causes of unsatisfactory of soundness and effectiveness of income tax system in Nepal are ranked in order of preference.

- 1) Inadequate government policy.
- 2) Complexity in income tax policy, rates and regulation.
- 3) Lack of honest, trained and competent tax personal.
- 4) Lack of appropriate assessment procedure.

4.2.4 Contribution of Income Tax from Insurance Business to Government Revenue

The average contribution of income tax from insurance business to government revenue is 0.1028 from the 8 years study period. This is very low level. A question was asked to the respondents "Do you think that contribution of income tax from insurance business to government revenue is satisfactory? The responses of the respondents have been presented in the following table.

Table: 4.16

Satisfaction Towards Contribution of Income Tax from Insurance Business to the Government Revenue

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	4	40	6	60	10	100
Tax Experts	6	60	4	40	10	100
Tax payers	8	80	2	20	10	100
Total	18	60	12	40	30	100

Source : Opinion survey, 2009

In this opinion survey, 60% of the respondents expressed that contribution of income tax from insurance business to government revenue is satisfactory level and 40% of the respondents express not satisfactory. The most to the respondents thought that the insurance business is just growing up in Nepal. And they agreed that the insurance business is contributing to the government revenue gradually.

There are 40% respondents who are expressed that the contribution of income tax from insurance business to government revenue is unsatisfactory. In case of unsatisfaction, the researcher has requested them to rank the related causes of unsatisfaction with the help of a question. "If no, what are the causes of unsatisfactory? Please rank. In this regard the opinions of the respondents are as follows:

Table: 4.17

Causes of Unsatisfactory with Contribution of Income Tax from Insurance Business to Government Revenue

Major cause	Ranks
a) Defective Income tax policy, rules and regulation.	4
b) Inadequate government economic policy.	3
c) Small size of Insurance business.	1
d) Lack of stable political condition	2

From the above table, the major causes of unsatisfactory contribution of income tax from insurance business to government revenue are ranked in order of preference.

- I) Small size of insurance business.
- II) Lack of stable political condition.
- III) Inadequate government economic policy
- IV) Defective Income tax policy rules and regulation.

4.25 Congenial Environment to Insurance Business in Income Tax Paying Process

The responses of the respondents of the question, "Do you think Nepal government is providing a congenial environment to insurance business in income tax paying process?" Have been presented in the following table.

Table: 4.18

Satisfaction Towards Contribution of Income Tax from Insurance Business to the Government Revenue

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	10	100	-	-	10	100
Tax Experts	6	60	4	40	10	100
Tax payers	3	30	7	70	10	100
Total	19	63.33	11	36.67	30	100

Source : Opinion survey, 2009

In the opinion survey, 63.33% respondents' response that the government is providing a congenial environment to insurance business in income tax paying process. But 36.67% respondents are not satisfied with the environment providing by government to insurance company in income tax paying process.

4.2.6 Corporate Tax Rate for an Insurance Business

The following table is related to the responses of respondents for the "question what should be the corporate tax rate for an insurance business?"

Table: 4.19

Soundness of Existing Corporate Tax for an Insurance Business

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	10	100	-	-	10	10
Tax Experts	8	80	2	20	10	100
Tax payers	4	40	6	60	10	100
Total	22	73.33	8	26.67	30	100

Source : Opinion survey, 2009

In the opinion survey, the table is clear that 73.33% of the respondents are in favor of present corporate 30% and 26.67 % of the respondents suggested that the present corporate tax is high. they also paid VAT, so the corporate tax should be prescribed to 20%.

4.2.7 Necessity of Similar Income Tax Rate for Insurance Business and Other Corporate Bodies

In order to know whether corporate income tax rate for the insurance business and other company should be same, a question was asked "Do you agree that corporate income tax rate for the insurance and other company should be same"? The response was as presented in the following table.

Table: 4.20

Opinions as Similar Tax Rate to all the Companies

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	1	10	9	90	10	100
Tax Experts	3	30	7	70	10	100
Tax payers	8	80	2	20	10	100
Total	12	40	18	60	30	100

Source : Opinion survey, 2009

From the table it is clear that 40% respondents are in favor of the corporate income tax of insurance business and other company should be same and 60% of respondents express their views that the corporate income tax of insurance business and other company shouldn't be same.

4.2.8 Major Factors Which Increase the Contribution of Income Tax from Insurance Company

In order to know the major factors which increase the contribution of Income tax from insurance business a question was asked "what factor should be initiated to increase the contribution of income tax from insurance business |" The respondents were requested to rank their answer according to prefer complexity in income tax policy, rates and regulation etc. The responses of the respondents are as follows.

Table: 4.21

**Major Factor Which Increase to Contribution of Income Tax from Insurance
Business to Government Revenue**

S.N.	Major causes	Rank
a	Increase the size of Insurance business	1
b	Reform the Income tax policy rules and regulations.	2
c	Effective imposition of fine and penalty system.	4
d	Effective tax Administration	3
e	Others	5

Sources : Opinion survey

There was 100% response received from the respondent. Most of the respondents are supporting to increasing the size of insurance business from the responses received, reform the income tax policy rules and regulations, effective tax administration and effective imposition of fine and penalty system gets 2nd , 3rd and 4th rank respectively. In other factors some aware about insurance and compulsory provision of insurance business.

**4.2.9 Problem and Difficulties in Income Tax Collection and
Assessment Procedure from Insurance Business**

A question "has you found any problem in income tax collection and assessment procedure of Income tax from insurance business ? Was asked to know the problem and the response received on it are as follows.

Table : 4.22

Problem in Income Tax Collection and Assessment Procedure from Insurance Business

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	4	40	6	60	10	100
Tax Experts	6	60	4	40	10	100
Tax payers	8	80	2	20	10	100
Total	18	60	12	40	300	100

Source : Opinion survey, 2009

The question was asked to tax administrator, tax experts and tax payers 69.91% of the received responses did not found any problem in income tax collation and assessment procedure from insurance company. Other 38.09 argue that there is problem in income tax collection and assessment procedure in Nepal. The question also asked for specific the problems in income tax collection and assessment procedure and the received problem are as follows.

- There is different method are assessing income between Beema Samiti and tax office.
- Insurance is a separate type of business, governing body rules; it is not justify to assessment the income tax like other business.
- Not audit in time.
- Regarding provision for outstanding claims and unexpired risk reserve as per act, 2058 is not clear.

4.2.10 Suitable Income Tax Rate for Insurance Business

To know the respondents attitude towards tax rate, a question was asked, "In your opinion, which income tax rate is suitable for insurance business?" The responses have been tabulated in the following table.

Table:4.23

Suitable Income Tax Rate for Insurance Business

Respondents	Progressive		Propositional		Regressive		Total	
	No	%	No	%	No	%	No	%
Tax Administrators	7	70	3	30	-	10	10	-
Tax Experts	5	55.55	4	45.45	-	-	9	-
Tax payers	4	40	5	50	1	10	10	100
Total	16	55.17	12	41.37	3.46	29	20	100

Source : Opinion survey, 2009

From the above table it is clear that 55.17% of respondents are in favor of progressive income tax rates, 41.37% express their views in favor of proportional income tax rate and only 3.46% of total respondents suggests for regressive income tax rate for insurance business.

4.2.11 Appropriateness of the Provisions for Insurance Business Under ITA 2058

A question was asked. "Are the provision regarding to insurance business under ITA 2058 reasonable ? This question has been asked to under stand the appropriateness of income tax act 2058 and regulation. Respondents for this question have been presented in the following table.

Table: 4.24

Appropriateness of Income Tax 2058 for Insurance Business

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	6	-	4	40	10	100
Tax Experts	3	30	7	70	10	100
Tax payers	1	10	9	90	10	100
Total	10	33.33	20	66.67	30	100

Source : Opinion survey, 2009

From the above table 66.67% of the respondents in aggregate, all the provision of income tax act, 2058 for insurance business are not appropriate. However, 33.33% respondents have been agreeing with the statement. Based on the responses of the majority of the respondents, it can be said that all the provisions in the act are not appropriate for insurance business. The question also asked for specify the provision of income tax which is reasonable which given below.

- This act specifies which incomes are taxable and which incomes are taxes free for computing taxable income.
- There are provisions after global completion rising in insurance business.
- Provision for unexpired reserve.
- Provision for unsettled outstanding claims is reasonable.

4.2.12 Tax Amount Paid by Insurance Company

To know which type of insurance company pay more amount of tax a question was asked "which type of insurance company pays more amount of tax ?" The responses of the respondents for this question have been presented in the following table.

Table: 4.25

Higher Tax Payer Insurance Company

Respondents	Life		Non Life		Total	
	No	%	No	%	No	%
Tax Administrators	3	30	7	70	10	100
Tax Experts	3	30	7	70	10	100
Tax payers	4	40	6	60	10	100
Total	10	33.33	20	66.67	30	100

Source : Opinion survey, 2009

The table depicts that 66.67% of the respondents have agreed with the statement that non life insurance companies in aggregate pay more amount of tax. However act of total, 33.33% respondents were of the view that individually Life Insurance Company may pay more non life insurance.

4.2.13 Problems Faced by the Insurance Company

A question was asked "In your thinking what types of problem are facing by the insurance business while paying income tax?"

Table: 4.26

Problems Faced by the Insurance Company

S.N.	Problems	Rank
a	Consuming unnecessary time	4
b	Expectation illegal Incentives	3
c	Vague provisions Income tax laws	1
d	Length process	5
e	Lack of cooperation by tax administrator	2

Source: Opinion Survey, 2009

From the above table it is clear that vague provision income tax laws is the main problem facing by the insurance business while paying income tax. Lacks of the cooperation by the tax administrator the second problem are facing by insurance business. After than expectation illegal incentives by tax personnel. Is the third problem, consuming unnecessary time and lengthy process respectively are the main problem for insurance business.

4.2.14 Suggestion to Increase Income Tax from Insurance Business

On the behalf of the question "Do you have any suggestion to increase income tax from insurance business"? The insurance managers and tax experts have been given some suggestions which are as follows:

Table: 4.27
Suggestion to Increase Income Tax from Insurance Business

Respondents	Yes		No		Total	
	No	%	No	%	No	%
Tax Administrators	6	-	4	40	10	100
Tax Experts	3	30	7	70	10	100
Tax payers	1	10	9	90	10	100
Total	10	33.33	20	66.37	30	100

Source: Opinion survey, 2009

- Need of high level of development growth of insurance business in Nepal.
- Providing government incentives and facilities to the insurance sector.
- Timely submission of returns is necessary.
- Timely audit and proper book and accounting are needed.
- There should be transparent management system.
- Economic and political conditions of the country should be improved.

4.2.15 Major Steps to be Needed to Improve the Income

Tax Collection from Insurance Business

On the behalf of the question "what major steps should be taken to improve the income collection policy in Improve in insurance business ?" The tax experts and management of insurance companies gives some suggestions.

- A unit should be opened for insurance industry so that a vague environment could be managed for a good working and maintaining standers.
- By amending the income tax act.
- Paucity of adequate capital investment in insurance sector.
- Dearth of efficient personal.
- Tax refund procedure should be simplified.

4.3 Major Finding

Though the detailed observation have been analyzed and results there of have been discussed in the earlier sections 4.1 and 4.2 the major finding have been summarized in this section.

4.3.1 Finding from Secondary Data

Secondary data have been presented and analyzed by using various mathematical and statistical tools to analyze contribution of insurance business on income tax to government Revenue in Nepal. The major findings from the analysis of secondary data have been presented below.

- 1) There are altogether twenty one insurance companies in Nepal till the end of fiscal year 2065/066 out of these, four insurance companies are life insurance business, and sixteen insurance companies are non life insurance business and one life and non life insurance business. Though the insurance market is very small in Nepal its contribution is in increasing trend. After becoming the nation a member of WTO, it is generating the open market all around

the world. If the nation provides relevant rules and regulation, efficient personal and adequate capital to investment, the prospect of insurance business is very bright in Nepal.

- 2) Though insurance premium was small in the initial years, it was found in increasing trend both life and non life insurance business. Annual percentages in insurance premium from fiscal year 2058/059 to 2065/066 was 0.20%, 13.36%, 19.71%, 60.20%, 15.06%, 10.18%, 30%, 10.71%. The maximum contribution of insurance premium in GDP is fiscal year 2065/066.
- 3) Contribution of insurance premium to GDP only from non agriculture sector was in increasing trend during the eight years study period. The average contribution is 1.38% during the study period. The maximum contribution is 1.86% in the fiscal year 058/059. So the insurance business is an important business for increased Gross Domestic Production.
- 4) The income tax from insurance companies to GDP lies between 0.0062 to 0.0160 in fiscal year 2058/059 and fiscal year 2065/066 respectively. The percentages of income tax from insurance business in GDP low and increasing trend.
- 5) The maximum contribution of income tax from insurance companies to government revenue, total tax revenue. Direct tax revenue, total income tax and income tax from private corporate body in Nepal are 0.1218 in fiscal year 2063/064, 0.1577%, in fiscal year 063/064, 0.6377%, in fiscal year 2063/064, 0.7985%, in fiscal year 063/065 and 5.15% in fiscal year 062/063 respectively it is clear that maximum contribution of income tax from insurance companies to government is in fiscal year 063/064.
- 6) The contribution of income tax from insurance business in Nepal was found low. But the growth and development of insurance business is gradually growing and its contribution is increasing. The prospect of insurance business is emerging in Nepal.

- 7) The contribution of insurance business of income tax was highest 0.7985% in fiscal year 063/064. Again in fiscal year 063/064 and 065/066 it remains 0.6341 and 0.6709%. The reason may be the internal conflicts and unstable government.

4.3.2 Finding from Analysis of Primary Data

Primary data have been collected and analyze to know the adequacy and appropriateness of legal aspects of tax laws regarding the contribution of insurance business in Nepal. The major finding from the analysis of primary data are presented below.

1. Income tax is a suitable means of raising domestic resource. It may enhance government revenue 90% respondents are agreeing with this.
2. According to the respondents specific goal should be promote distributive justice, enhance the revenue of government, and promote the private investment.
3. Majority of the respondent i.e. 56.67% are agreeing with sound and effectiveness of income tax system of Nepali major problem in of income tax was inadequate government economy policy, complexity in income tax policy rule and regulation, lack of honest, trained and competent tax personnel lack of appropriate assessment procedure.
4. The insurance business in Nepal in just growing up. From the increasing this sector people having with this business sector. According to most of respondents i.e. 60%, contribution of income tax from insurance business to government revenue id satisfactory level.
5. Some respondents who are unsatisfactory with contribution of income tax from insurance business to government agreed with the following causes, small size of insurance condition, inadequate government economic policy defective income tax policy, rules and regulations.
6. Most of the respondent 63.33% agreeing that Nepal government is providing congenial environment to insurance business in income tax policy process.

7. Most of the respondents i.e. 73.33% are satisfy with existing present corporate tax rate, according to tax administrator and tax experts, most of the tax payers the existing corporate tax rate charge as insurance business is not appropriate because this sector is service business and only just growing up, so, the corporate tax should be decreased.
8. Most of respondent, i.e. 60% disagreeing that the corporate tax rate for the insurance and other company should be same.
9. Most of the respondents are agreeing increasing the size of insurance business reform the income tax policy rules and regulations, effective tax administrators' effective imposition of fine and penalty system to make were about insurance and compulsory provision of insurance business should be initiated to increase the contribution of income tax from insurance business.
10. 67.91% of respondents did found some problem in income fax collection and assessment procedure from insurance business in Nepal. The main problems are
 - a. Dual provision between insurance board and tax office.
 - b. Not audit in time
 - c. Unclear provision for unsettle outstanding claims and unexpired risk reserve.
 - d. The tax rules and act does not justify to assessment the income tax like other business.
11. 100% respondent are satisfy with the self assessment method is the more appropriate for insurance business.
12. 57.17% of respondents are satisfied with progressive tax rate.
13. All the provision regarding to insurance business under ITA 2058 in Nepal are not reasonable. The tax has clear interpretation of which is table income or not, there are provision after competition rising in insurance business, provision for unexpired reserve and unsettle outstanding claims is enough.

14. As compared to non life insurance in total, life insurance business pay less amount of income tax. Low contribution of life insurance in corporate tax is due to less no of life insurance companies.
15. The major problems are vague provision. Of income tax laws lack of cooperation by tax administrator, expectation illegal incentives by tax personnel consuming unnecessary the lengthily process by the insurance company white income tax.
16. The received suggestion to increase income tax from insurance business, high development growth of insurance business, government incentives and facilities in the insurance sector timely submission of returns, timely audit and proper book keeping and accounting transparent management system and stable economic and political condition.
17. A unit should be opened for insurance business so that a vague environment could be managed for a good working and maintaining standards amended the income tax act, dearth of efficient personnel paucity of adequate capital investment in insurance sectors, tax refund procedure should be simplified are the major steps should be taken to improve the income tax collection policy in insurance business.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the final chapter of the research which consists of three sections, summary, conclusions and recommendations.

5.1 Summary

This research work entitled "**A study on contribution of insurance business on income tax to government revenue**" has been conducted to analyze the contribution of income tax of insurance business in the government revenue of Nepal and examine the appropriateness of tax system to develop insurance business in Nepal. The whole research report has been divided into five chapters and contents of this chapter are as follows:

Chapter one: Introduction

Chapter Two: Review of Literature

Chapter Three: Research Methodology

Chapter Four: Presentation and Analysis of Data

Chapter Five: Summary, Conclusion and Recommendation

The first chapter describes briefly insurance business in Nepal and deals on statement of problems, objectives, significance, limitation and organization of the study.

In the second chapter theoretical review has been made. This chapter describes taxation and tax laws in Nepal, covers legal aspects of computation of business income and presents special provisions relating to taxation of insurance business in Nepal. Review of related studied: review of books and review of previous theses and dissertations have also been incorporated in this chapter.

The third chapter describes a framework of presentational and analysis of data. It deals on research design, population and sample source of data, data collection techniques, data analysis tools and methods of presentations and analysis.

The Fourth Chapter is the main body of the research report and it has two main sections viz. Presentation and analysis of data and findings of the study. Both primary and secondary data have been presented and analyzed using various mathematical statistical tools as per the nature and needs of data presentation and analysis. Major findings thereon have also been presented in the section.

The fifth i.e. last chapter, summary of the whole research report has been tried out and conclusion based on findings from the analysis and presentation of data and recommendation for enhancement and betterment of insurance business in Nepal have been built in.

5.2 Conclusion

This research study is not far from different types of constraint. Time and resource are the main constraint of the study. Therefore, the study could not be generated in all cases. Accuracy depends on the collected data and provided data from various organizations and respondents. On the basis of data presentation and analysis, following conclusions have found out.

Insurance business is the budding service business in Nepal. This business is increasing gradually. Now 25 insurance companies and its branches and its branches are operating in all over the Nepal. After the government liberalized economic policy, Nepalese insurance business has open for private sector and after the membership of WTO this business is accessible foreign insurance market. Thus there is bright future of insurance business in Nepal.

The study shows that the contribution of income tax from insurance business to GDP, to government revenue to tax revenue to direct tax revenue, to total income tax revenue to total income tax from corporate bodies all are increasing trend during the study period. The contribution of insurance premium to government is also increasing trends so that insurance business is one of the major businesses in our developing country.

Currently, investment insurance business is imposed at tax rate of 25% and general insurance at the rate of 30% taxing of general insurance business with such higher tax rate was found not satisfactory to tax practitioners and tax payers. Both types of insurance companies should be taxed at the same tax rate so that harmonious relationship among insurance could be developed and healthy completion could exist in the market. Thus, it would be better if both types of insurance business were taxed at equal rates.

Most of the people are ignorant about the knowledge of the insurance. So it is necessary to get knowledge and awareness of people about insurance and government should take care to this business in time. Insurance business is a service business and it needs tax rebate facilities and other business.

After becoming a member of WTO, Nepalese business market rise many opportunities and challenges. To get the opportunities in this insurance business, government should get ready to generate efficient personal create adequate capital to investment, ready to global completions.

All the provisions of income Tax Act, 2058 and regulation, 2059 for income tax of insurance business in Nepal are not appropriate. The new tax act has certainly some vague provision regarding income tax.

Under the rule of the insurance act, 2049 non life insurance co. must make a provision of amount equal to 115% of the amounts of outstanding in consideration of payment against claims lodged by an insured before the

expiry of each financial year. Thus, a net outstanding claim at the end of the year is recognized as revenue expenses of the current year. However 15% of this provision for claim is intimated but to report (IBNR), such amount is excluded from deduction purpose of taxable income. But according to tax office, since outstanding claims are provisions, these can not be allowed to deduct for taxable income. Thus they were found against the prevailing accounting principles.

Under the section 21 (1) (f) of the Income Tax Act 2058" any other amount shall be disallowed to deduct for the purpose of income tax through they are not expressly denied by other provisions of the law." This provision creates a situation to disallow any expenses by an assessing officer as discretion. Thus it can be concluded that such provision should be removed from the law.

5.3 Recommendations

Based on the major findings and conclusions, some recommendations are made to raise the collection of income tax from insurance business. These recommendations will also help for the correction of tax and insurance laws and policies.

1. For growth and development of insurance business, first the government should pay great attention for the peace, security and stability of political situation. Then the government should give incentives and facilities to insurance business.
2. Lack of adequate experience on the part of underwriters, agents, brokers and surveyors is another serious problem for the development of insurance business in Nepal. The Insurance board must conduct training, organize conferences and seminars in consultation with insurance companies properly and time to time to make concerned persons competent and skilled to grow and extend insurance business.

3. These are some fields where insurance is important, there should be compulsory provision of insurance, such as people's health, goods transportation. The people should insure themselves compulsorily if they have capacity otherwise, the government should manage the facilities of insurance.
4. Lack of knowledge on the part of people about insurance seems to be the main problem for the development of insurance business in Nepal. Thus education related to insurance has to be compulsory and adequate.
5. Insurance Companies should be inspected, supervised and monitored effectively in time. Nepal Rastra Bank, Insurance Board and office of the company Register should give reasonable directions to the insurance companies.
6. All the vague provision in the insurance law should be clearly interpreted to reduce problems between Insurance Board and Insurance companies.
7. For the efficient Nepalese income tax system, discretionary power of tax officers should be curtailed in the act and income tax assessment process should be increased.
8. Nepal is a member of WTO. So, the insurance business should also go forward for globalization. Then, this business would have faced many opportunities and challenges. To get the opportunities in this insurance business the government should get ready to generate, efficient personnel, create adequate capital to investment, ready to global competition.
9. The Insurance Board should monitor the insurance companies and ranking the positions according to their efficiency and effectiveness.
10. It is also suggested that the tax refund procedure should be simplified. Necessary efforts should be made to make maximum tax payers honest.

and come them under tax bracket in order to increase income tax collection.

11. Payments for agent commission, insurance service charge and medical fee are made by the person not as insurance and this these there should be allow able to deduct for the purpose of income tax.

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Appendix-I

Questionnaire

Name:

Designation:

Office/Organization:

Occupation:

Please tick (✓) the suitable answers of your choice from following questions of wherever appropriate please rank them in order of preference from 1 to last number. Number 1 stands of the most important and the last number of least.

1. In your opinion, is the income tax a suitable means of raising domestic resource in Nepal?

a) Yes [] b) No []

2. Which of the following objectives should be adopted in income tax system of Nepal?

a) Enhance the revenue of the government. []

b) Promote distributive justice. []

c) promote private sector investment. []

d) Other (please Specify) _____

3. Do you think that income tax system of Nepal is sound and efficient?

a) Yes [] b) No []

If no, what is the major problems of income tax system of Nepal? (Please ranks).

a) Complexity In income tax policy rule and regulation. []

b) Inadequate government economic policy. []

c) Lack of honest, trained and competent tax personnel. []

d) Lack of appropriate assessment procedure

e) other (please specify) _____

4. Do you think that contribution of income tax from insurance business to government is satisfactory?

a) Yes []

b) No []

If no, what are the causes? (Please rank)

a) Defective income tax policy, rules and regulation.

b) Inadequate government economic policy

c) small size if insurance business

d) lack of stable political condition

e) Other (please specify) _____

5. Do you think that Nepal government is providing a congenial environment to insurance business in income tax paying process?

a) Yes []

b) No []

6. Do you agree that corporate income tax rate for the insurance business and other company should be same?

a) Present rate In percent 30%

b) Prescribed rate (Please specify in percent) _____

7. Do you agree that corporate income tax rate for the insurance business and other company should be same?

a) Yes [] b) No []

8. What factor should be initiated to increase the contribution of income tax from insurance business? (Please rank)

a) Increase the size if insurance business.

b) Reform the income tax policy rules and regulations.

c) Effective imposition of fine and penalty system.

d) Effective tax administration system

e) other (Please specify)
.....
.....

9. Have you found any problems and difficulties in income tax collection and assessment procedure from insurance business?

a) Yes [] b) No []

If yes, please specify
.....

10. In your opinion, which income tax rate is suitable for insurance business?

a) Progressive []

b) Proportional []

c) Regressive []

11. Are the Provision regarding to insurance business under ITA 2058 reasonable.

a) Yes [] b) No []

If yes, Please specify

12. Which type of insurance company pay more amount of tax?

a) Life [] b) Non life []

13. In you thinking what types of problems are facing by the insurance business while paying income tax?

a) Consuming unnecessary time []

b) Expectation illegal incentives by tax personnel []

c) Vague provisions income tax laws []

d) Lengthy process []

e) Lack of co-operation by tax administer []

f) Other (Please specify)

14. Do you have any suggestion to increase income tax from insurance business to government revenue?

a) Yes [] b) No []

If yes, please specify

APPENDIX - II

List of Respondents

A. Tax Payers

S.N.	Name	Position	Organization
1	Karuna Bhetwal	Ass. Manager	N.B. Insurance
2	Suraj Bhattraï	Asst. Manager	Alliance Insurance
3	Bipin Kuar Lal	Senior Officer	LIC(Nepal) Ltd.
4	Man Bahadur Dhakal	Senior Officer	Oriental Insurance
5	Jivan Kumar Upreti	Asst. Manager	Prudential Insurance
6	Dilli Prasad Thapaliya	Manager	United Insurance
7	Iswor Bahadur Adhikari	Manager	Nepal Insurance
8	Sudyumna Upadhaya	Manager	Everest Insurance
9	Tika Ram Paudel	Manager	ALICO
10	Rajan Chitrakar	Manager	Shikhar Insurance

B. Tax Experts

S.N.	Name	Position	Organization
1	Raju Kumar Sibakoti	FCA	JBRH and Co.
2	Jagadish Agrawal	FCA	JBRH and Co.
3	Bhanu Sharma	FCA	JBRH and Co.
4	Hari Kumar Silwal	FCA	JBRH and Co.
5	Ranjit Kumar Yadav	FCA	CAI

6	Bashu Sharma	CA	Sibakoti and Associate
7	Shekhar Kharel	CA	Sibakoti and Associate
8	Yuddha Oli	CA	PYC
9	Mahesh Rimal	CA	PYC
10	Bikram Pandey	Lecturer	Public Youth

C. Tax Administrator

S.N.	Name	Position	Organization
1	Mohan Singh Basnet	Chief Tax Officer	Laximpat Sector 3
2	Tulasi Aryal	Tax Officer	Laximpat Sector 3
3	Kishwor Bartaula	Tax Officer	Babarmahal Sector 2
4	Shyam Pokheral	Chief Tax Officer	Babarmahal Sector 2
5	Tulasi Dhakal	Tax Officer	Babarmahal Sector 1
6	Ramesh Dhakal	Tax Officer	Babarmahal Sector 1
7	Dhurba Regmi	Tax Officer	Babarmahal Sector 2
8	Dilip Kumar Adhikari	Tax Officer	Babarmahal Sector 1
9	Yadav Prasad Upreti	Tax Officer	Babarmahal Sector 2
10	Bhola Raj Acharya	Tax Officer	Babarmahal Sector 3