

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The government of the country requires sufficient revenues to carry out development plans to handle day-to-day administration to maintain peace and security and to launch other public welfare activities. In order to carry out such activities the government collects revenue. The revenue of the government comes from basically two sources i.e. non-tax and tax. Non-tax revenue includes different sources like grants and gifts, administrative incomes, business incomes. The revenue comes automatically while performing many other works. In Nepal around 20 percent of the revenue comes from these sources. Another source of government revenue is the taxation. Custom, exercise, value added tax, corporate and personal income tax are the examples of these sources of tax revenues and collect the taxes as per the act. Nepal gets around 80 percent of the revenue from this source.

Value added tax is one of the important sources of tax revenues. Value added tax is the developed form of sales tax. The basic objective of value added tax is to collect revenue. It is the tax that is imposed on the value addition in each stage in each stage of production or sales. The sales tax is replaced by value added tax, to avoid cascading to make account system transparent and to control the evasion.

Value added tax system was introduced in 1919 and used in 1954. Right now, more than 130 countries of the world use this tax system. In Nepal, this tax was introduced in 1997 replacing sales tax, entertainment tax, hotel tax and contract tax. Right now, the rate of value added taxes in Nepal are 0 percent and 13 percent. Certain goods are exempted from value added tax. Threshold amount transaction registering for this tax purpose is NRS 2,000,000. The contribution of this tax to Nepalese tax is around 30 percent.

In Nepal, operating any form of telecommunication service dates back to 96 years in B.S 1970. But formally telecom service was provided mainly after the establishment MOHAN AKASHWANI in B.S 2016. To modernize the telecommunications services and to expand the services, during third five-year plan (2023-2028), Telecommunication Department was converted into

telecommunications development board in B.S 2026. After the enactment of Communications Corporation Act 2028, it was formally established as fully owned Government Corporation called Nepal Telecommunications Corporation in B.S 2032 for the purpose of providing telecommunications services to Nepalese people. After serving the nation for 29 years with great pride and a sense of accomplishment, Nepal Telecommunication Corporation was transformed into Nepal Doorsanchar Company Limited from Baisak1, 2061. Nepal Doorsanchar Company Limited is a company registered under the company Act 2053.

However the company is known to general public by the brand name Nepal Telecom as registered trademark. Nepal Telecom has always put its endeavors in providing its valued customers a quality service since its inception. To achieve this goal, technologies best meeting the interest of its customers has always been selected. The nationwide reach of the organization from urban areas to remote locations. It is the result of these efforts that makes this organization different from others.

Definitely Nepal Telecom's widespread reach will assist in the socio-economic development of the urban as well as rural areas, So that the telecommunications is one of the most important infrastructures required for development. Accordingly in the era of globalization, it is felt that milestones and achievements of the past are not adequate enough to catch up with the global trend in the development of telecommunication sector and the growth of telecommunication services in the country will be guided by Technology, Declining equipment prices, market growth due to increase in standard of life and finally by healthy competition.

Converting NT from government owned Monopoly Company to private owned, business oriented customer focused company in a competitive environment, Nepal Telecom invites its all-probable shareholders in the sacred work of nation building. (*www.ntc.net.np*)

The existing ICT (Information and Communication Technology) scenario in the country clearly shows that the Nepalese telecom market is poised for significant growth. In Nepal Telecom, it prides on the timely forecast of the scale of business opportunities few years back subsequently embarking upon the vision of having big-sized telecom infrastructure projects catering both urban and rural markets. The result was investment decisions amounting to more than Rs 1200 crores in the past

four years resulting cumulative total investment of Rs 5200 crores in the year ending Ashad 2066.

In Nepal Telecom have also come to believe strongly that growth in telecom infrastructure will greatly contribute in the economic progress of the country, Hence, with a new vigor and with “value-drive” broader corporate purpose, the Nepal Telecom family has decided to play an important role in the nation building endeavor by rapidly deploying all kinds of telecom services throughout the country, including remotest villages.

Until the year 2002/03, more than 50 percent of VDCs did not have any kind of telecom services; tele-density was just 2 percent with huge gap between supply and demand of telecom services in urban as well as rural areas. By the end of the year 2008/09, Nepal Telecom had 5,54,566 PSTN subscribers, 23,57,790 mobile subscribers, 6,66,045 CDMA subscribers and 56000 internet subscribers.

Consequently, Nepal Telecom alone succeeded to increase total tele-density to the present ratio of 13.28. Similarly, in the same period, VDCs with telecom service increased to 3469. Presently, in all districts CDMA system and GSM mobile Service has been lunch out. This makes sure to bring revolutionary changes in the socio-economic life-style in those remote villages. On urban front, Nepal Telecom is equally aware of ever-increasing demand for latest technologies and newer services, and accordingly Nepal Telecom has initiated steps to go along with fast paced technological development in the rest of the world .As per this strategy, Nepal Telecom introduced 3G Mobile (WCDMA) in the first quarter of the year 2007, which made Nepal the first country in South Asia to introduce 3G mobile (WCDMA) service. Similarly, broadband service, triple play service, and host of other value-added services are in the offing in near future.

The operating revenue of the company increased from about Rs.720 crores in the fiscal year 2002/03 to Rs 1300 cores in the fiscal year 2006/07. Financial and economic sustainability of the company could be easily judged as “comfortable” due to the fact that net profit available for appropriation has increased from Rs 300 crores in the fiscal year 2002/03 to about Rs 7 Arab 94 crore in the year 2007/08 and its operating income is Rs10 Arab 13 core in the fiscal year 2008/2009. Nepal Telecommunication falls under top most position in contribution to government

revenue. Its contribution occupies 7 percent in the total government revenue. (*Nepal Telecom, Annual report 2008*)

This study is concerned with analyzing contribution of VAT revenue of Nepal Telecommunication Ltd. to the total VAT revenue of government. NTC is the largest organization that contributes more percentage to the revenue of government through income tax and value added tax. For this reason, Nepal Telecommunication Ltd. is taken for the purpose of the study.

1.2 Statement of Problem

In Nepal there are lots of public enterprises. Public enterprises were established in order to prepare infrastructure services, to produce the required goods in the country and to export, to help in controlling the price situation to increase government revenues and to contribute significantly in national development as well as to assist in the country economic advancement. They contribute to pay the large amount direct and indirect taxes to the state. Similarly, Nepal Telecom Ltd. is one of the largest public enterprises of our country. In remote areas, its share of service is 100 percent. In urban areas its share of service is 80 percent. Out of total customer of Telecommunication, Nepal Telecommunication has 70 percent customer. Making different kinds of plan, NTC is trying to increase number of customers and services. It has launched different kinds of value added services. It is beneficial from all points of view. It means that customer gets services, NTC can collect more revenue and government also collects more revenue through direct and indirect tax levied on the services. The customer of NTC is increasing day by day. It has the target to make customer 50, 00,000 of GSM service, 15, 00,000 CDMA service by the end of 2006/068. In other services like, PSTN, Internet and demand of ADSL service is also in increasing order. It has mission like “Nepal Telecommunication as a progressive, customer spirited and customer responsive Entity is committed to provide nation-wide reliable

Telecommunication service to serve to impetus to the social, political and economic development of the country.” It has vision “Vision of Nepal Telecom is to remain a dominant player in telecommunication sector in the country while also

extending reliable and cost effective services to all.” Goal of NTC is to provide cost effective

Telecommunication services to every nock and corner of the country. As per its mission, vision, and goal, it committed all the time to serve customer and to serve as an impetus to the social, political and economic development of the country. It has slogan of “Mobile at each hand and internet to each home” (www.ntc.net.np)

Me as a researcher attracts from the different angles of telecommunication sector of Nepal. The main reason to attract towards NTC is that its contribution to the government revenue is very high. From the news, what I come to know is that it's contributing 7 percent to the government revenue through direct and indirect tax. It occupies top most position in contribution to government revenue.

Next issue is that, the net working system of NTC is not functioning well. This is because of load shading problem. Although there is networking problem customer are not so issue oriented that they do not make any kind of hard comment. Such may hamper the revenue of government direct or indirect ways. What ever it may be, NTC occupy top most position in the contribution of government revenue.

1.3 Objectives of the Study:

The main objective of this study is to know the contribution of VAT from NTC to the total VAT revenue of government.

Besides this, the other specific objectives related to this study are as given below.

1. To present and analyze VAT revenue of Government after enactment of VAT system in Nepal.
2. To point out the different services of NTC that contributes VAT revenue to the government.
3. To analyze total revenue and VAT revenue trend of NTC.
4. To analyze the problems of revenue collection from VAT.
5. To recommend possible measure.

1.4 Significance of Studies

There are no sufficient studies have been made upon the topic. The rare studies are made on the topic but they are insufficient for present time. Past studies are not so systematic and findings are not so new and attractive. So this research study is one of the new and important studies regarding Contribution of VAT from the NTC to the total VAT revenue of government. In developing countries like Nepal, the importance of VAT cannot be minimized and under estimated because it contributes effectively and consistently in government revenue. So contribution of VAT from Nepal Telecommunication Ltd. is definitely notable for making government revenue strong and huge. VAT is one of the most important sources of government revenue. So, VAT plays vital role in the government revenue of the country. This study is focused towards the contribution of VAT from NTC to the total VAT revenue of government. This study tries to find out the different services of NTC in which VAT is levied and it's contribution to the government VAT revenue. Hence the study is beneficial to all the concerned parties such as researcher, tax payers, academicians, teachers, students, tax administrators etc.

1.5 Limitation of the Study

A research is the vast investigation for the set line of problems. They are not far from several limitations. That weakens the heart of the study e.g. inadequate coverage of VAT revenue up to current fiscal year, time periods taken, reliability of statistical tools used and other variation. This study is limitations by following factors

-) This study is limited by following factors. This study is conducted to fulfill the requirement of Master Degree in Business studies (MBS). So the study can't cover all the dimension of the subject matter.
-) There are many other sources of revenue of NTC, which contribute in government revenue. However this study is focused on the VAT only.
-) The reliability of this study depends upon the information provided by NTC and published data.
-) Most of the data in the study are used from the secondary sources.

) The study is basically based on data of eleven years (1998/99 to 2008/009).

1.6 Organization/Plan of the Study

The study has been organized into five chapters, each devoted to some aspect of the study on “Contribution of VAT form the NTC to the total VAT revenue of government”. The titles of the chapters are as follows:

Chapter 1: Introduction

The first chapter presents introduction of the study. It includes Background of study, Statement of problem, objectives of study, significance of study, limitation of study.

Chapter 2: Review of Literature

The second chapter deals with the review of literature including concept of VAT, Government Tax Revenue Structure in Nepal, Indirect Tax revenue structure in Nepal, Revenue collection from VAT, VAT and its role in total government revenue collection, share of Value Added Tax from NTC in Total VAT revenue of government.

Chapter 3: Research Methodology

The Third chapter is research methodology, which includes research design, population and sample source of data and collection procedure, data processing and presentation and tools of method analysis.

Chapter 4: Data Presentation and Analysis

Chapter four presents analysis and interpretation of data of related topic based on economic survey, Annual reports, different magazines, Monthly newsletter, Budget Speech. In this chapter collected and processed data are presented, analyzed and interpreted with using analytical tools, presenting charts and figures.

Chapter 5: Summary, Conclusion and Recommendations

This chapter is also important part of the study where major findings has been summarized, viable recommendations suggested and conclusions drawn.

Bibliography

It consists of list of published and unpublished books, articles, theses/dissertations etc, which have been the sources information and used as references.

Appendix

It consists of relevant materials, which are, however, not much worth mentioning in the main body of the report. It includes balance sheets and income statement.

CHAPTER II

REVIEW OF LITERATURE

The review of literature is a very important aspect of the research. This chapter highlights upon the existing literature. For this, several books, dissertation, website of NTC, reports, handouts and articles published in journals and newspapers are reviewed.

2.1 Conceptual Review

2.1.1 Origin and Development of Value Added Tax

In taxation history, VAT is the latest emerging indirect tax. Caldwell affirms that the VAT has its theoretical origin in the United States of America. The concept was evidently first proposed by Professor T.S Adams, who discussed the concept in papers published during the period 1911-12. It was promoted in 1918 by the German industrialist Wilhelm von Siemens. In 1919, Siemens recommended to introduce this multistage turnover tax in Germany to avoid undesirable effects. The government was serious but did not introduce this tax considering its complications. But, the government of Germany reduced the tax rate of other taxes instead of introducing VAT. “One year later, other proposals of VAT emerged in France in 1920s; the recognizable VAT did not appear until to 1948” (IMF, 2002). In 1949, the Japanese scholars also recommended the VAT for reconstruction of Japanese economy however it did not come into practice.

Caldwell declares that it was considered for several decades until it was implemented in Michigan in 1953. One year later, France adopted the VAT in 1954. In France it was limited on industrial sector and wholesale level of the transactions. In addition, its edge of application was limited within the territory of France. In a short period of time, since the decade of sixties, the countries took speed to introduce the VAT considering its significant result of indirect taxes revenue. After 6 years, in 1960, Ivory Coast pursued France by adopting VAT. Similarly Senegal introduced it in 1961. A Latin American country Brazil and a European country Denmark introduced VAT together in 1967. The European (EU) formed a VAT directive in April 11, 1967 which required Member States to replace their general indirect taxes

by a common system of VAT. Among EU countries, the Federal Republic of Germany introduced it in January 1, 1968, France, the first country to introduce VAT, extended the VAT to retail level. The Vat directive of EU impacted all over the world and thus 20 countries introduced the VAT principles since 1970 to 1979. In UK, it was applied in 1973 replacing its existing sales tax. So far, (at 21 OECD countries out of 24, have implemented VAT with the exception of the US, Switzerland and Australia. Similarly, the number of countries introducing VAT since 1980 to 1989 was 20. While in the early nineties, the number of countries introducing the VAT increased at galloping style and reached 49 countries from 1990 to 1995.

Neighboring countries of Nepal i.e. China and India introduced the VAT in October 1, 1984 and March 1, 1986 respectively. Again, China replaced VAT on 24 specified taxable items mentioned in VAT 1984 with more advanced form of VAT in January 1, 1994. However, VAT of India is a developed Central sales Tax therefore called as a Modified VAT (MODVAT). In India, the Value Added Tax (CENVAT) Credit Rules 2002. Nepal also adopted VAT as an instrument of tax as an instrument of tax harmonization in 1997 and it is now a foremost part of the tax structure of state. At present VAT is implemented in more than 123 countries around the world. It covers over 70 percent of the world's population and raises nearly 27 percent of total tax revenue in those countries.

2.1.2 Development of VAT in Nepal

VAT is the newest form of indirect tax in Nepal. It replaced sales tax, hotel tax, entertainment tax etc. which traditionally existed in Nepal. After the restoration of democracy in 1947, the democratic government adopted open market system and came into new technology about this system. Khadka (2001) writes, in Nepal, tax system was ineffective and non-transparent according to its pace of development according to the VAT envisioned in eighth five –year-plan. In 2051, Ministry of Finance constituted a “taxation review taskforce” and the taskforce presented a report in Jestha 2052 which states significant role of VAT and its necessity of introduction (Report, 2052) in Nepal.

To introduce the VAT in Nepal, a “VAT taskforce” organized in 2052 under the financial and technical co-operation of USAID and Harvard University, USA respectively. This taskforce evaluated a variety of circumstances concerning tax structure; VAT operation and economic condition of the country and drafted VAT legislation as a multistage tax instead of single stage tax like sales tax, hotel tax, contract tax and amusement tax. Government of Nepal presented this VAT legislation as a VAT bill in parliament for adequate discussion on session. It was passed after discussion by both House of Representative and National Assembly of parliament in Poush 2052 and Royal sealed on it in Chaitra7, 2052. After the completion of VAT Act 2052, then VAT rules 2059, was carried out in 2059. The VAT of Nepal started since Marg 1, 2054 under certain threshold.

2.1.3 Concept of Value Added Tax (VAT)

VAT is a sales tax in advanced form. It is imposed on different stages. It is the tax imposed on added value of good and services. Value added tax is one of the forms of indirect taxes too. Encyclopedia of taxation and tax policy says, “Value added tax is a broad based tax on business designed to measure net value generated in a country.” Being a broad based tax, it is imposed on producer, whole seller, retailer and consumer also. It is related to both the goods and services. It is levied on industry as well as commerce. Accordingly, it measures net value generated in a country, i.e. GDP. Indian Tax Institute defines VAT as “A tax imposed on the seller of goods and services based on value added by their respective units”. Value added tax is also known as goods and services tax or added value tax. It is a tax system that aims to minimize tax evasion and increase resource mobilization. It is imposed on value added amount in each stage and therefore, is equivalent to multi-stage sales tax. In contrast to sales tax, VAT is imposed on added value of production and distribution. The value is added in the form of profit, rent, wages, salary etc. The following are the characteristics of a full-fledge VAT system:

-) It is an indirect tax.
-) It is based on added value.
-) It is a broad-based tax.
-) It is based on self-assessment system

-) It avoids cascading and pyramiding.
-) It has the self-policing and catching up benefit. (*Kandel, Puspa Raj(2004)*)

2.1.4 Types of Value Added Tax

Especially there are two important variant of VAT. However, these may be split into four variant of VAT. Caldwell (2000), Musgrave & Musgrave (2004), Chaudhary (2002) have included three variant of VAT while Lekhi (2002) has included four variant of VAT. The former scholars assert GNP type, income type and consumption VAT. The later one has included additional one variant of VAT i.e. wage type value added tax. The difference between these emerges from the treatment of Capital and depreciation when a firm is allowed to deduct the credit.

Consumption Type

The consumption type VAT is equivalent which is based to a retail sales tax that exempts all purchases for business use including capital equipments. In other words, the form is allowed to deduct not only non-capital inputs purchased from other firms but also the capital equipment so purchased in consumption type VAT. Most of the European countries have adopted this type of VAT by the reason that the firms are allowed for depreciation in capital equipment, they tend to apply high rates of depreciation. Consumption type is also simple to estimate. It is also called subtractive type VAT.

Income Type

Under the income type VAT, the tax is imposed not only on the output of consumption goods but also on the net-of –depreciation value of capital goods purchased by firms. In other words, the firm is allowed to deduct the full value of its non-capital purchases from other firms under the income type VAT. It is also called additive type VAT.

Gross National Product Type

Under the gross national product type, the firm is not allowed to deduct anything except the value of non-capital purchases. In addition, no depreciation is allowed to be deducted on account of purchase of capital goods even in the subsequent years. As a result, the base of the tax is total value of consumption goods plus all the final product of capital goods; Finland, Morocco and Senegal have applied this type of VAT.

Wage Type

Under this type of VAT, a firm is able to deduct the net earnings from its capital in order to get the base of tax. Thus, net earnings of the firm are equal to the net profits which includes interest of firm's own profit. Firm's capital of a particular year points out net income of the firm for that year that is equal to gross national income of the firm minus the depreciation in that year.

2.1.5 Principles Governing Value Added Tax

Making tax system more transparent

Nepalese economy is not based on accounting system. Some part of the economy is underground, whereas the part which is overgrown is also not under real accounting. The business persons use to keep double accounting- one for tax purpose and other for its own purpose. In economy where most part of economic activities is not within transparent accounting system, tax evasion is pervasive. Nepalese economy is also not an exception in this respect. Since, value added tax is an account-based tax system, the objective of using this is to make the tax system more transparent.

Removing cascading effect

Cascading in tax system means tax on tax. Within sales tax system, tax paid at one stage becomes the cost for another stage. So, there is tax on tax. This case happens within multistage sales tax system. However, within value added tax

system, the tax at one stage does not become the part of the cost for another stage. The value-added item and tax item are kept separate within this tax system. Due to this separation of added value and the tax item, this tax system is free of cascading.

Increasing the tax base

Nepalese economy is small. The tax evasion in Nepalese tax system is very common. It is estimated that around 50 percent of the Nepalese tax is evaded or avoided. This situation has made the Nepalese tax net very small. Only a small part of the Nepalese supposed taxpayers is within tax net. Tax GDP ratio in Nepal is only 12 percent in comparison to up to 50 percent in some countries in the world. That is why one of the objectives of value added tax system in Nepal is to increase the tax base.

Maintaining neutrality

The guiding principle of current tax system is neutrality. Neutrality concept in relation to taxation says that tax system should not discriminate one economic activity against other. It should not disturb production, distribution and consumption pattern of the economy. Vat is a tax system which is neutral in this respect. As regards to tax rate or goods and services to be taxed, VAT is neutral.

Encouraging the export

Another reason of replacing sales tax by VAT is to encourage the export. Within VAT, under destination principle, the goods and services are taxed at consumption point. The goods and services that are not taxed based on production. The goods and services that are exported are taxed under zero rates. Zero rating is different from exemption. In case of Zero rating, the exporter should not pay tax on added value but he can get refund of tax that he pays in purchasing the raw materials and interrelated goods. In such way, VAT can be promoting the export.

2.1.6 Objectives of VAT

The objective of VAT is governed by certain principles. The transaction including the selling, distribution, delivery, and importation, exportation of goods or

services and to collect the revenue effectively by regulating the process of collection to increase revenue mobilization required for the economic development of the country. Thus the objectives of VAT could be pointed as below.

-) To increase revenue mobilization of the country.
-) To develop a stable source of revenue by broadening the tax base by imposing the tax on sales , distribution transfer and inputs as well as export of goods and services.
-) To establish a account based modern transparent, effective and efficient tax system.
-) To make value added tax as main stream of tax system and to promote the interchange of information between the other tax systems particularly with custom, exercise duty, and income tax.
-) To remove the cascading effects of traditional sales tax and to develop alternative tax system to sales tax, hotel tax, entertainment tax and contract tax.

2.1.7 Merits and Demerits of VAT

VAT is a consumption tax. Where the burden of tax falls on the consumer. Most of the countries in the world have chosen to apply VAT; however, it contains the following merits and demerits.

2.1.7.1 Merits of the VAT

The VAT has the following merits.

Complete Information

It provides complete information about each stage of production and sales.

Difficult to Evade

VAT is easier to enforce than sales tax if the country has adopted good accounting norms whereas sales tax can be easily evaded if not reporting to the Revenue Department.

Collection of VAT

It is collected from all sectors such as imports, manufacturing, wholesale and retail. Therefore; Vat has more wide-ranging and fair taxation system whereas, sales tax is usually levied only at one stage of the whole chain of marketing.

Broad Tax Base

It involves a broad tax base. So, it helps many countries to choose and apply it raise more revenue.

VAT Avoids Cascading Effect

Under VAT each input is taxed only once. Therefore it avoids cascading, unlike excise and sales taxation, and it encourages manufacturing and exports.

2.1.7.2 Demerits of VAT

The VAT has the following demerits. VAT ignores the basic principle of taxation such as ability to pay. So, it is a regressive taxation system. Thus, a number of countries have, exempted basic necessities, particularly food items, from VAT in order to compensate its regressive effect.

VAT Requires Good Record Keeping

VAT requires good record keeping of invoices at each stage of production and sales In case of weak record keeping it brings complication to find compliance both buyers and sellers.

Many Loopholes for Evasion

Although VAT contains many loopholes for tax evasion, taxpayer can apply the following methods for VAT evasion.

- a) The taxpayers can use fake invoices to claim tax credit,
- b) There is strong possibility of use of invoices which they received for personal purchase to claim tax credit,
- c) It enables buyers and sellers to strike secret deals regarding issuance of receipts
- d) The taxpayers can report over sales of Zero rated goods.

2.2 Reviews from Books, Journals, Thesis

2.2.1 Review of Books

Khadka (2000) in his book “*Nepalese Tax System*” point out the need to introduce VAT in Nepal, in this book, there are several reasons to introduce VAT in Nepal. One of the important reasons was to develop a stable source of revenue by broadening the tax base. Moreover, Nepal will help to become less dependent on international trade taxes for its revenue in the future.

Silwal (2002) in his book “*Value Added Tax: A Nepalese expenses (1999)*” has expressed his practical experience about VAT. The book covers all aspects of VAT. In writers word “VAT is an all stage no cascading tax system. It extends to all levels of production and distribution. Similarly it covers all stages and services. Any discrimination in taxing goods or services or exempting any of them renders VAT ineffective.”

The book mostly concentrates on Nepalese tax system. The book clearly analyze why the government of Nepal introduce VAT. Recent government announced retail level sale tax at the rate of 10 percent covering a whole range of goods and service. There was not procedural law to administer it. When, the writer expresses a version by borrowing government declaration that “the government of Nepal does not have the option of doing noting. Major changes must be made in order to make tax administration fair efficient and effective. The hostility, harassment and corporation that currently exist between the tax office and the business community must end if Nepal is to have a modern tax system. The business wants the system changed and willing to pay a reasonable tax but they want the system transparent and fair. Silwal suggests that factors affecting VAT design take also into consideration. A poorly designed VAT accompanied by week administration would just drain the treasury. So almost care is necessary while designing a VAT. According to him the following fact were considered while designing a VAT in Nepal

- a. Tax base issue
- b. Rate structure issue
- c. Exemption issues and

d. Threshold issues.

Finally Mr. Siswal has reached a conclusion that the introducing of VAT provides an opportunity to sweep away cobwebs and revamp a substantial part of the tax administration. In every country where it has been implemented properly the VAT has prove itself as a revenue productive tax. However, benefit from VAT depends upon its coverage.

Kandel(2004) in his book “ Tax Laws &Tax Planning in Nepal” he writes that the tax revenue mobilization in Nepal is very small. It is insufficient even to meet the ordinary expenses. There is urgent need of increasing the revenue in the country to meet regular expenditure and afford for development activities. For increasing tax revenue or broadening the base of tax, there is need of taxing the service sector too in Nepal. Service sector is the flourishing sector of the Nepalese economy. It contributes a significant part of the GDP in Nepal. Transportation, telecommunication, hotel business, health services etc. are the example of service sectors. He mentioned that one of the reasons of introducing VAT in Nepal was the pressure from international financial agencies like International Monetary Fund, World Bank, Asian Development Bank, European Union etc. All these agencies pressurized to introduce VAT in Nepal. “Countries introduce a VAT because they are dissatisfied with their existing tax structure. This dissatisfaction falls broadly into one, or possible all, of four categories,

1. The existing sales taxes are unsatisfactory.
2. A customs union requires discriminatory border taxes to be abolished,
3. A reduction in other taxation is sought,
4. The evolution of tax system has not kept pace with the development of the economy.”

2.2.2 Review from Journals

Annual Report of Nepal Telecom (2007) has written that the operating revenue of the company has increased from Rs.720 crores in the fiscal year 2002/03 to Rs 1300 crores in the fiscal year 2006/07. Financial and economic sustainability of the

company could be easily judged comfortably” due to the fact that net profit available for appropriation has increased from Rs 300 crores in the fiscal year 2002/03 to about Rs 7 arab 94 crore in the year 2007/08. It has target of reaching Rs10 arab 13 crore in the fiscal year 2008/2009.

ekantipur.com includes the title” Economy slows but corporate pay more tax (2007)” This article has concluded that despite the economic jitters brought about by the continuing political turmoil, leading Nepali corporate houses posted a handsome double-digit growth - in paying taxes to the government over the past year.

In fact, of the total income tax of Rs 14.61 billion that the government collected in 2006/07, one-third came from just 10 corporate taxpayers, figures of the Ministry of Finance show. The government, in the fiscal year 2005/06, had collected Rs 10.93 billion in income tax. “However, rather than being proud that the companies prefer not to disclose their contributions to the revenue and to transforming people's lives. They do so to avoid various extortion groups,” said an official. The list of the top ten taxpayers gathered by the Post shows that Nepal Telecom (NT), the state-owned telecommunication service provider, is the largest taxpayer of the country. The company provides many services to about a million mobile users and half a million landline holders and they paid Rs 2.38 billion in income tax and generated an additional Rs 2.42 billion as value added tax (VAT) during the last fiscal year. **www.ird.gov.np** concluded that VAT replaces the old sales Tax, Contract Tax, Hotel tax and Entertainment tax. It has been designed to collect the same revenue and to replace as the four taxes. Since the collection of both customs duties and income tax depends to great extend, upon the effectiveness of VAT, it is expected to help enhance revenue collection. VAT is a broad – based tax as it also covers the value added to each commodity by a firm during all stages of production and distribution. It is a modern tax system to improve the collection of taxes, to increase efficiency and to lessen tax evasion. It is also regarded as the backbone for the revenue generation to government.

Sandesh Magazines of NTC (2008) includes the topic “**Revenue Generation of Nepal Telecom, Trend at Glance**” “Nepal Telecom is one of the prominent organizations of Nepal. There is 55.08 percent increase in total income during the fiscal years 2000/01 to 2004/05 where 357.8 percent increase in revenue from the mobile and internet services in the same period. Contribution of each employee has increased by 23.42 percent during the period. Tax payment to the government has increased by 81.21 percent and contribution to the Gross Domestic product (GDP) of nation has increased by 0.07 percent during the period. Nepal Doorsanchar Company i.e. Nepal Telecom is one of the most benefited companies of Nepal. It is dominant company of Nepal in service sector delivering its services in the beginning from the name of the Nepal Telecommunication Corporation and then Nepal Telecom since 2061 Baishakh. Nepal Telecom is completely technological organization. It has techno-earning revenue generating services. It is very tough task continuous upgrading of newly modified technological changes in the country like Nepal. Despite this, Nepal Telecom is looking to change in technical advancement as much as possible. 55.08 percent increase in total revenue of Nepal Telecom during the period of fiscal years 2000/01 to 2004/05. In which, 69.40 in local Telephone, 18.32 percent in Domestic Trunk and 36.83 percent in International Telephone and 351.87 percent increase in Mobile and Internet services. Similarly, there is 97.48 percent decrease in Tele Fax service, 52.96 percent in Domestic

Telegraph, 67.19 percent in International Telex and 62.93 percent in Leases Circuits. Besides these, 54.04 percent revenue has been increased in other revenue generating activities. 55.08 percent increased in revenue in which only 23.42 percent increase in number of employee during the period. The contribution of each employee was Rs. 1279.3 thousands in the fiscal year 2000/01 and Rs.1608.2 thousands in the fiscal year 2004/05. But Total revenue is increased by 55.08 percent. So, 29.43 percent extra is increased income is due to the technological advancement.

Nepal Telecom is one of the best tax payers of the country; it has remarkable contribution in government revenue. Rs. 761018 thousands was paid as tax to the government in fiscal year 2000/01 which is 0.19 percent of GDP of same fiscal year. Rs.1379068 thousands was paid in the fiscal year 2004/05 which is .26 percent of the

GDP of same fiscal year. There is 81.21 percent increase in tax to government during the period in which contribution to GDP increased by 0.07 percent.

The Katmandu Post(2008) , includes “ Six years of VAT practice sparks hopes”

Experts and top government officials today said that existing rate of VAT should be increased and its base widened, if the country is to avoid revenue deficit-a situation when revenue fails to meet the regular expenditure. “Rate of VAT should be adjusted to increase its contribution in total revenue mobilization and it is only way to address the growing problem of resource scarcity,” said Dr Shankar Sharma, vice chairman of National Planning Commission (NPC) However, he added that while adjusting the VAT rate, rates of other taxes and other factors like VAT exemption should also be reviewed to negate the adverse impact of VAT rate increment on the national economy. Such statements from the experts and officials have come in the context that total international revenue mobilization failed to finance the regular expenditure in the last fiscal year, let along the development expenditure.

Justifying the argument, Dr Sharma said that the government could not afford to increase domestic borrowings or look to foreign loans, which is already high, in case of problem. He further said that the contribution of the VAT must also be increased to raise revenue- GDP ratio to 14 percent from current 12 percent, as envisaged in the 10th plan document Referring to long-running problems in effective VAT enforcement, he said that the proper market mechanism and incentive system should be developed for aggressive enforcement of billing system. “It should be dealt through awareness campaign at customers” level. “He added. Dr Sharma was speaking at an interaction programmed on “sixth years of VAT implementation” organized by the Society of Economic Journalists- Nepal (Sejon). Speaking on the occasion, Banhu Prasad Acharya, Secretary at the ministry of finance said that the government is soon launching a lottery programme to award gifts to the consumer who collects bills on buying goods. The program, which is being designed as per the budgetary announcement for this fiscal year, aims at enforcing billing system. He also stressed on the need to develop and update the customs valuation for controlling Under invoicing, another crucial factor that has rendered VAT implementation ineffective.

Avanindra Kumar Shrestha, Director General of Inland Revenue Department (IRD) said that the department is undertaking taxpayers' survey, starting market inspection programmes to enforce billing and simplifying process to tax refund, among others Highlighting the progress in VAT implementation during last six years, he said that mobilization of revenue through VAT increased to about twofold to Rs 13.58 billion from the year of its introduction. Moreover, it contributed some 32 percent in tax revenue, 24.58 per cent in total revenue mobilization and 3.17 per cent to the country's GDP in the last year. "Through the years, VAT has been established as a major source of national revenue," he added He also noted that the outcome was still nowhere near satisfactory point. While a significant chunk of taxpayers have not yet registered at VAT, under-invoicing and no issuance of bill are still the main challenges that VAT needs to overcome. Lack of proper accounting, excessive credit returns, high accumulation of tax credit and audit problems have also affected the VAT implementation, added Shrestha Shedding light on Vat's growth, Dr Rup Khadka, tax expert, said that the despite lower rate, revenue collection through VAT is already higher than the other taxes. "However, the government cannot afford to remain content on the current growth trend, especially as challenges in fiscal front are mounting," he said. He viewed that the government should stick to existing threshold limit of Rs 2 million and suggested imposition of VAT in agriculture sector. He recommended the government to incorporate 'drastic' changes in VAT and scrap VAT exemption to ease fiscal scenario.

The Rising Nepal, Editorial Section (2009) includes, "**Revenue Collection Up**". In this articles what has been themed that the economic front has seen a positive trend over the last one year. The economic variables and indicators have shown that the country's economic health is positive and improving. On the revenue collection front, the government has done a remarkable job. In the first ten months of the current fiscal year, revenue mobilization has grown by 40 per cent, to Rs. 110.51 billion, which is almost double that of the previous year. The first ten months of the last fiscal year saw revenue collection of Rs. 79 billion only. The country's economic health is judged by the revenue it collects. Based on this, the performance of the government is satisfactory, and the economic health of the country is heading in a

positive direction. One of the visible achievements is the large bulk of revenue collected under the voluntary disclosure of income sources. There are other sectors as well which have seen tremendous reform and improvement. However, there is still not much room for complacency. Nepal is struggling hard to stabilize and accelerate the pace of economic growth. The basic groundwork has been laid to stimulate both growth and development in a sustainable way. But its strict implementation and continuity as well as effective monitoring are highly needed to maintain fiscal discipline, effectively implement projects and monitor the progress and performance.

Sandesh Magazines of NTC (2009) has written that NTC can contribute more than present to the government revenue, if it changes existing structure. From the beginning of establishment, it uses functional type structure. This structure is chosen for the services of PSTN. Now NTC has lot of services. It has mixed structure. Being in such type of structure for a long time is harmful for the competition and opportunity of the organization. Over two years, no. of consultant of NTC has been engaged for the proper selection of the structure. It is very necessary to follow up the concept of SBU (Strategic Business Unit) structure. Organization needs to divide corporate unit and Business unit. Corporate unit should have the objective of defining objectives of the organization, strategic planning & policy making. Business unit should do function like, Marketing, Human Resource Management, Financing etc.

Sandesh Magazines of 2009 Includes the article “Nepal Telecom & challenges after 2010” Formally telecom service was provided mainly after the establishment MOHAN AKASHWANI in B.S 2016. It has customer more than 35 lakhs. It covers around 90 percent of total communication markets. Its earning capacity is good. In the fiscal year 2064/65, it earned 9 Arabs. It occupies the topmost position to contribute tax to the government. It has mission to provide nation-wide reliable telecommunication service to serve to impetus to the social, political and economic development of the country. But Now-a days customers are not satisfied with the services. They are facing different kinds of trouble. No. of telecom company has been increasing. NTC has different kinds of strategy. But it has seen that implementation aspect is not so strong. Strategies are limited in the printed form

only. Nepal Telecom may face different kinds of challenges & opportunities after 2010. Nepal also enters into the global market. It becomes the member of WTO in 2004, 23rd April. After 2010 NTC will face different kinds of International Telecommunication. Technologies are changing day by day. International Telecom uses technology like 3G/4G, High Speed Data services, On Demand Music Services, Digital TV, IMS Technology, IP Based Services with different Value Added Services. Customer of NTC is facing problem in General services. Because of different problems in infrastructure of the county, Nepal Telecom cannot solve general problem too. This concludes that NTC will face tough competition in coming future. To cope the opportunities and to solve the threats, NTC should choose proper structure and should know the pace of technology.

2.2.3 Review from Thesis

Mr. Rabin Kuinkel (2004) in his dissertation entitled “Effectiveness of VAT in Revenue Collection in Nepal” has analyzed historical background of VAT in general, contribution of VAT in revenue collection in Nepal, trend of revenue collection before and after the introduction of VAT in Nepal, empirical investigation regarding to effectiveness and problem of VAT in Nepal etc. In his view the main reasons behind the introduction of VAT in Nepal has to increase revenue mobilization by broadening the tax base to make tax system neutral and efficient to establish a fair and transparent tax system and to promote economic growth.

He pointed out some possible relating to VAT. Those problems are lack of required number of qualified and trained tax administrations, lack of awareness, existence of rampant corruption, smuggling and under valuation, narrow tax compliance, open broader and unauthorized trade, lack of co-ordination between tax payer and tax collector and between different department of government, lack of taking accountability by different groups etc. Finally, he recommended that there should be need to establish proper accounting and invoicing system tax administers, tax payers and consumers should be educated, tax net should be extended to small traders and retailer should be increased the taxable amount of VAT, effective steps should be taken for implementing the threshold accurately, refund system must be immediately resolved, administrative mechanism must be established to achieve the

effectiveness of VAT as it has been expected, mass publicity and advertisement must be carried to educate different group of people such as tax administrators, businessmen, consumer, student and general public .

Mr. Tara Chauhan (2005) in his dissertation submitted to the Shanker Dev Campus faculty of management TU entitled “VAT and its Revenue Potential in Nepal” has analyzed the revenue potentiality of VAT in Nepal. However the specific objectives of his studies are to examine the historical background, Nepalese tax structure, potential of revenue yield from VAT etc. Mr. Chauhan expressed his viewed that VAT itself is not more revenue generator. It needs more administrative efforts. The implementation of VAT in Nepal had very poor result than expected due to poor planning. Bureaucracy and corruption has widely spreading in political as well as in administration. People were less conscious and could not pay decisive role whether to implement VAT or not. Taxpayers had not expressed theoretical concept of VAT. It is necessary to convenience the taxpayers with its advantages. Education programs for taxpayers as well as general public are required to aware those about it which help to bring more and more, tax payers in the tax net. He added that the problems were low level of administrative capability, unfavorable economic and business environment. Finally he recommended that tax related information should be published regularly through different sources, there should be a close cooperation between the private sector and government in VAT implementation process, government should pay it attention to design strong administration etc.

Mr. Mukunda Aryal (2006) in his dissertation submitted to the Shanker Dev Campus faculty of management TU entitled” An Analysis of Value Added Tax in Nepal” included his opinion that Vat itself not more revenue generator, it is only transparent and scientific system of collecting revenue it needs more administrative support and efforts. According to the survey the implementation of VAT in Nepal have very poor results than expectation. Those reasons are poor planning, unaccountable staffs, weak and corrupted bureaucracy. Corruption is widely spreading in political as well as administration from top level to bottom level of authority. People are less literate about theoretical concept of VAT. So they can not play creative support for the implement of VAT. It is necessary for the tax payer to

know about the VAT with its benefits. Different education programs, seminars etc should be organized for tax payers as well as general public in all over the country with the objectives of aware them about VAT which helps to bring more and more tax payer in the tax circumference. He suggested developing the VAT system by adopting automatic billing system today and opening the doors for tomorrow's economic well being. There is always room for improvements in an open society and market economy. Tomorrow, there may be possibilities for further improvements learned through our mistakes that will also be required. In order to make VAT effective, it is essential to create an environment in which invoices are issued properly, accounts are maintained accurately, tax is based on transactions, and fair competition among industrialists and businessmen is established with respect to tax. Until and unless such a situation is created, VAT implementation will not be easy and pressure will be created in some or another way.

Mr. Dipendra Raman Neupane (2008), presented a dissertation named, “A Comparative Study on Contribution of Direct Tax and Indirect Tax to National Revenue of Nepal” His findings was; resource gap in Nepal has been morally increasing the internal revenue is sometime insufficient even to meet regular expenditure and most to the development activities depend on foreign aid where Nepal has been compelled to harmonize the donor. He point out that the major problems of domestic resource mobilization are poor utilization of the natural resource base, small and stagnant industrial sector, poor performance of public sector enterprises, poor economic growth and inadequate tax effort etc. So, in this context, revenue generations from internal sources are very important in which income tax and value added tax are the major sources.

He said that corporate Sector is in initial stage of development in Nepal which is small and stagnant in nature comparing to other developing country. The performance of corporate sector, especially the industry is very poor in number, profitability, investment in fixed assets, share of market transactions are all in weak position Nevertheless, the importance of contribution of corporate income tax and value added tax to government revenue is equally important to Nepal like developing country.

Madhav Ghimire (2008) had conducted a research on the topic **“Contribution of VAT to National Income with Reference to VAT Collection from IRO of Katmandu”**. Conclusion of his research is tax is the most important source of government revenue in which indirect tax takes place two-third of total tax revenue. VAT is the best alternative of other kinds of tax. It is a new innovation in the field of taxation. It is a scientific and systematic method of taxation. VAT contributes the share in total revenue. It helps to resource mobilization. It has great power and important role to develop the economy of the country. VAT is a simple, broad, eliminate and friendly tax system. It helps to increase the revenue of the government. This is a matter of great pride that the Nepal has entered in to major global tax system with introduction of VAT Nepal is a developing country more than more revenue is required for its development projects. Previous sales tax has narrow tax base coverage and minimum revenue was collected but it was not sufficient to meet expenditure of the government.

The biggest virtue of VAT is that it is revenue and highly instrument for resource mobilization especially in an economy with actually shortage of resource. Despite preliminary resistance VAT is currently will receive by the consumers as well as business and industrial commerce. The tax payer education campaign and the lucky draw scheme run by the Inland Revenue department with the objective of uplifting the level of awareness among the concerned stakeholders of the society is needed praiseworthy. The implementation of VAT in Nepal is an excellent case for other country to study when considering the reform of their indirect tax system. There has been a market progress in revenue mobilization and the infrastructure has already been prepared. VAT was introducing as a part of the national tax reform program. But VAT system in Nepal form its inception has been facing innumerable problems which curtails its merits and effectiveness. Its process has been slowly, initially due to opposition from the business community and subsequently to administrative problems. Even after its full fringed implementation in 1999, the system has been taken a considerable pace due to administrative in efficiency. Despite preliminary resistance, VAT has been largely accepted by the taxpayers as well as business communities of Nepal and relied upon the government as an important tool for mobilizing the revenue need to public finance expenditure. Physical infrastructure are needed for every country without it government of the

country couldn't provide service towards the people. To establish infrastructure in the country revenue is required for the government. VAT is a major source of government revenue, so it must be effectively implemented in the country. Revenue is collected in each stage of goods and services such as production, buying and selling. Due to the each stage collection it is effective and more reliable source of income of the government. VAT has number of difficulties for its implementation such as lack of public consciousness level, weak tax administration, unauthorized trade, narrow tax base coverage, VAT billing, irresponsible office personnel in VAT offices, lack of train and qualified manpower, corruption nature of VAT personnel etc. To make VAT effective source of government revenue it is required to avoid the problems of its.

2.3 The Research Gap

The VAT is strong source of indirect tax revenue. It plays important role in revenue collection. For the enhancement of registration trend of VAT, different public awareness program must be held, If the VAT system is sufficient, the government will meet the target goal. VAT system depends on its legal provisions and its popularity also depends on its transparency. For providing a lot of information about the VAT, different researcher has research on the topics of VAT. Their objectives are to analyze VAT in different way. After study different research paper held on "*Contribution of VAT revenue from the NTC to the total VAT revenue of Government*", the researcher found various gap on selected topic. To fulfill these gaps the researcher has selected these same topics for the study. To make this research different from others, the researcher used different techniques i.e. statistical tools, evaluation, future prospectus of forecasting, legal provision, different views of respondents or primary data and gives recommendation to the concerned authorities. This research also analyzed theoretical concept in detail, its applicability in the world and review of different books, articles, thesis and report.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter is devoted to the research methodology applied in the study for the achievement of desired objectives. Both Primary as well as secondary sources of data are used to conduct this study. Opinion survey technique was adopted while collecting the primary data to find out the views of respondents representing different groups related to VAT. This opinion survey was adopted to find out the practical aspect of VAT. While conducting the opinion survey, questionnaire were distributed to the tax officers, tax expert, employee, customer of the Nepal Telecommunication in the sizable manner.

3.1 Research Design

Value added tax is very new concept of tax in present scenario of Nepalese economic system. Now it has accomplished about 12 years of implementation. So that still sufficient amount of data is not available for an intensive study. Basically this study is based on to point out the different services of NTC that contribute VAT revenue to the government, and problems arise in the process of revenue collection form VAT in Nepal. The study has tried to find out the result of objective by its own procedure. It is divided into five chapters- introduction, review of literature, research methodology, presentation and analysis of data and conclusion and recommendation of the study. Hence the research methodology followed in the study can be termed as survey can analytical and descriptive research design.

3.2 Population and Sample

In order to benefit this study, 65 sample sizes from different parts of Nepal are selected. The respondents have been divided into four groups. The following table shows the group of respondents and size of sample.

Groups of Respondents and Size of sample from each Group

Group of Respondents sample size

Tax expert 10

Tax officer 20

Staff of NTC 15

Customer of NTC 20

Total 65

3.3 Source of Data Collection

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

a. Primary data

The major tools used for the collection of primary data are distribution of questionnaire to a responsive of person. A set of questionnaire was developed and distributed to selected respondents. Hence the topic is related to the services of Nepal Telecommunication that's why; the respondents were tax officer, Tax expert, Employee of NTC, Customer of NTC from the different parts of Nepal.

b. Secondary source of data

The secondary source of data has been collected in order to achieve the real and fact full result from this research. All the useful and possible data as per available have been collected. The secondary source of data and information are derived form published books, journals, newspaper, reports, surfing net etc. The major sources of secondary data are:

1. Annual Report of NTC
2. News letter of NTC
3. Web site of NTC (www.ntc.net.np)
4. Web site of Inland Revenue Organization (www.iro.gov.np)

5. Different Journal books of NTC (Smirika, Sandesh.....)
6. Economic survey and budget speeches
7. Ministry of finance
8. Publication of CEDA
9. Publication of VAT department
10. Books related to VAT
11. www.ekantipur.com.np
12. National Newspaper, Journals, Magazines.

3.4 Data Collection Procedure

Total 65 sets of questionnaire were distributed to the selected respondents in order to get actual and accurate information. Distribution works is done personally and through email to get accurate and actual information in time.

3.5 Data Processing and Analysis Procedure

Sources are firstly tabulated into separate format systematically in order to achieve the described objective. After that these data are tabulated and analyzed. For the purpose of analysis generally simple statistical tools have been used which are simple percentage method, graphs chart, diagrams and regression.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Role of VAT in Revenue Collection

4.1.1 Revenue Structure in Nepal

The government of the country requires sufficient revenues to carry out development plans to handle day-to-day administration to maintain peace and security and to launch other public welfare activities. In order to carry out such activities the government collects revenue. The revenue of the government comes from basically two sources i.e. non-tax and tax. Non-tax revenue includes different sources like grants and gifts, administrative incomes, business incomes. The basic objective of non-tax revenue is not to collect revenue but otherwise. The revenue automatically while performing many other works. In Nepal around 20 percent of the revenue comes from these sources. Another source of government revenue is the taxation. Custom, exercise, value added tax, corporate and personal income tax are the examples of these sources of tax revenues and collect the taxes as per the act. Nepal gets around 80 percent of the revenue from this source. Revenue plays an important role in national building. The image of government improves by the government activities which enhance the economic and social status of the people. Revenue increases the government's desire and ambition and increases the mobility power also. In order to perform such social-oriented activities, the government needs a huge amount of resources. Such type of revenue is collected either from internal and external sources. The Tax and non-tax revenue structure of 11 years has been presented in the following table:

Table No. 4.1
Trend of Total Revenue of Government
(From Fiscal year 1998/99 to 2008/09)
(Rs in million)

Fiscal Year	Tax Revenue		Non-Tax Revenue		Total Revenue	
	Amount	percent	Amount	percent	Amount	Percent
1998/1999	25939.8	78.75	6998.1	21.25	32937.9	
1999/2000	28752.9	77.19	8498.4	22.81	37251.3	100
2000/2001	33152.1	77.29	9741.6	22.71	42893.8	100
2001/2002	38865.1	79.49	10028.8	20.51	48893.6	100
2002/2003	39330.6	77.97	11115.0	22.03	50445.5	100
2003/2004	42587.0	75.74	13642.7	24.26	56229.80	100
2004/2005	48173.0	77.29	14158.0	22.71	62331.0	100
2005/2006	54104.7	77.16	16018.0	22.84	70122.70	100
2006/2007	57430.4	79.45	14851.7	20.55	72282.10	100
2007/2008	71126.7	81.09	16585.50	18.91	87712.20	100
2008/2009	85155.54	79.12	22466.95	20.88	107622.49	100

Source: Economic survey and budget speeches of various years, Ministry of Finance, G/N, Katmandu.

In above table, the composition of tax revenue and non tax revenue in total revenue structure has been shown in above table. It can be seen that revenue collection in Nepal is in increasing trend from the beginning. The total revenue collection was 37251.3m in the fiscal year 1999/2000 and that increased to Rs. 48893.6 m in two year period. The percentage increase was 31.25 percent, which can be considered as satisfactory increase. In that period, the contribution of tax and non-tax revenue was 79.49 percent and 20.51 percent respectively. From the year 1999, it has been seen that the government revenue is increased. In 2003/04, to some extent government revenue has decreased in comparison with other. In 2007/08 we can see that tax revenue of the government is satisfactory. It has reached Rs. 87712.2m. Tax revenue is high in this year. Nepalese Government has estimated that it can reach Rs.85025.3 in fiscal year 2008/09 and Rs. 116560 in fiscal year 2009/10. In fiscal year 2008/09, its actual revenue is 85155.54. In this year it can reach its target.

Beginning of 2009/10 there was government of Moist. Baburam Bhatrai was the finance Minister. He introduced BTIS programme for the collection of Tax.

Under this programme, Government has collected more tax than targeted. On the revenue collection front, government has achieved the target, they had fixed. They had aimed at a 13 percent growth rate, but it has been more than so far.

Here in the table, total revenue of the government has presented with addition of Tax Revenue and Non-Tax revenue. Tax Revenue contributes high percentage in government revenue than the non-tax revenue. In the fiscal year 1999/2000 tax revenue is of 77.19 percent where non-tax revenue is 22.81 percent. Contribution of non-tax revenue has been seen random. In first two year, their percentage of contribution to total revenue is nearly same. But it has been decreased to 20.51 percent in the year 2001/02 18.91 percent in 2007/08. Similarly in the year 2003/04 non-tax revenue is high in comparison with other. From the above table, we can say that from the beginning of fiscal year 1999/2000 the contribution of tax and non-tax revenue is almost equal is not variant. We can conclude that Nepal did not apply such reform program which has increase collecting power of tax. After the implementation of VAT in 1998/99, the contribution of tax revenue has not increased. The contribution percentage of VAT is almost same. The VAT contribution in tax revenue was not very important in these days. The collection from non-tax revenue is not in increasing trend also. So in conclusion, tax revenue and non-tax revenue of Nepal is not increased rapidly. It increased slowly.

Figure no. 4.1

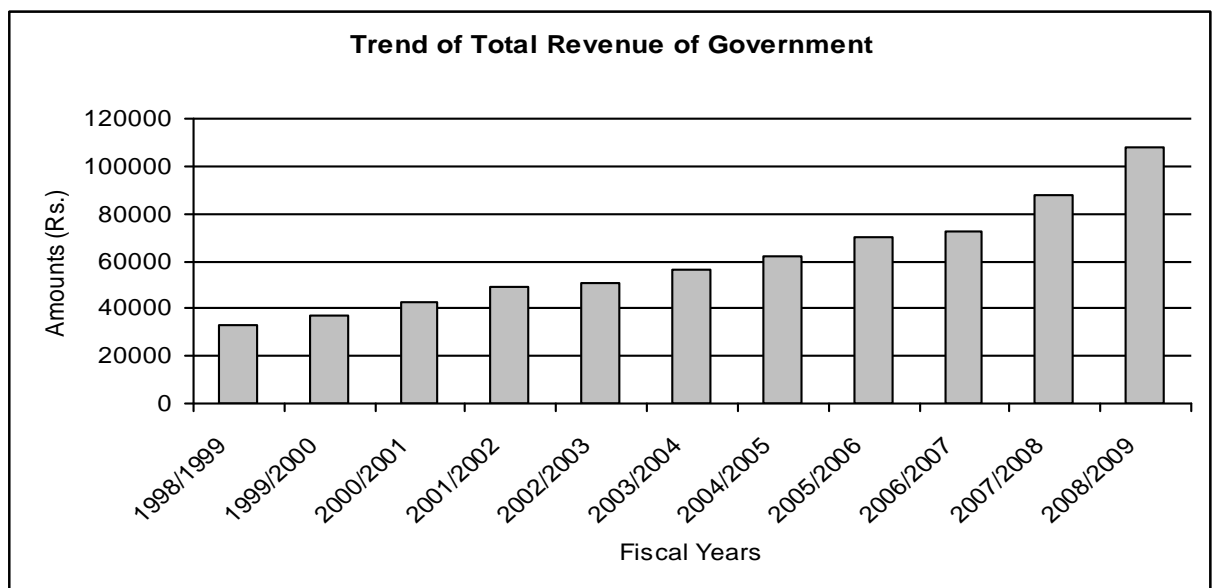


Figure No. 4.2

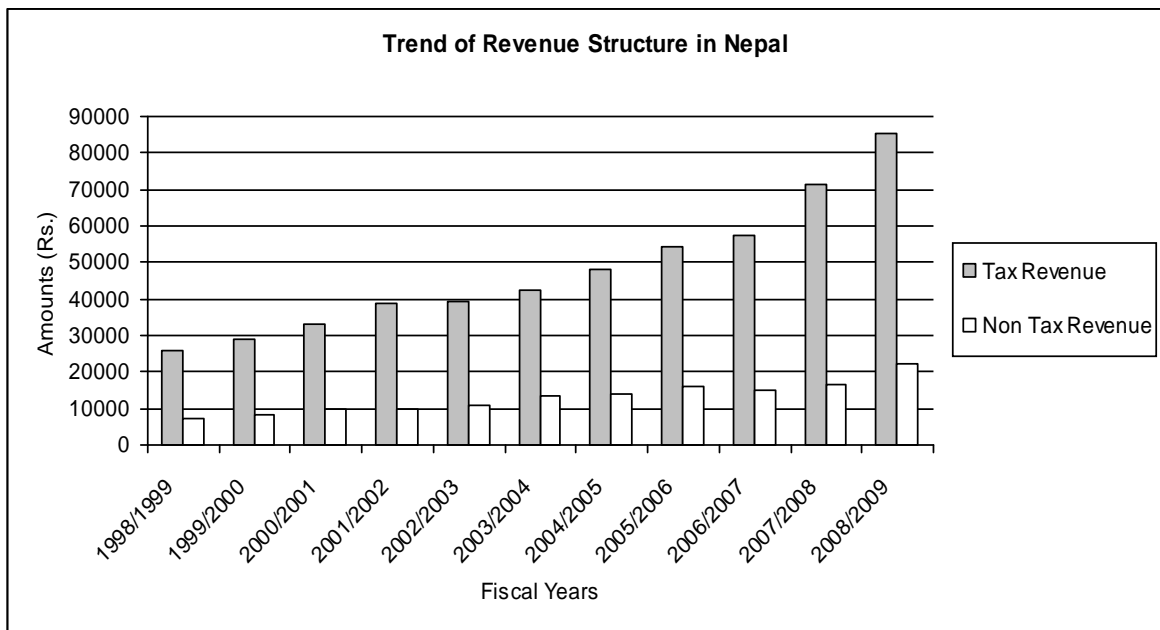
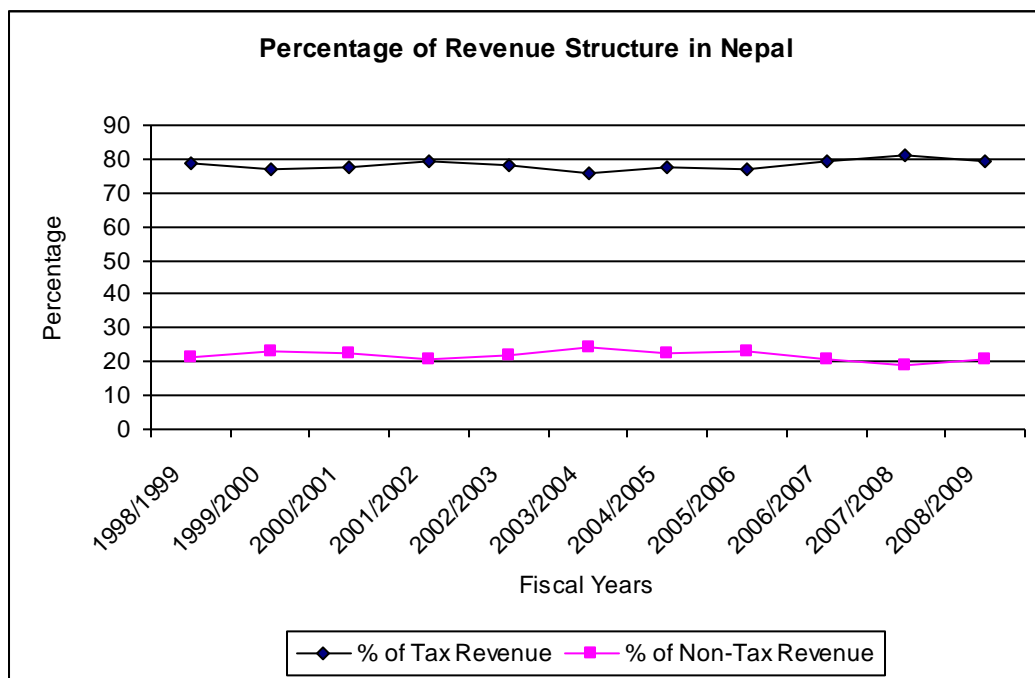


Figure No. 4.3



4.1.2 Revenue Collection from VAT

VAT is considered as modern and scientific tax system in sales family. After implementation of VAT in Nepal since fiscal year 1998/99, actual collection from VAT has been presented in the following table.

Table No. 4.2
Revenue Collection from VAT
(From Fiscal year 1998/99 to 2008/09)
(Rs. in million)

Fiscal Year	Revenue Collection from VAT	percentage Increased
1998/1999	7122.6	--
1999/2000	7882.2	10.66
2000/2001	9854.9	25.00
2001/2002	12047.8	22.25
2002/2003	11964	(0.70)
2003/2004	13459.7	12.50
2004/2005	14478.9	7.57
2005/2006	18885.4	30.43
2006/2007	21610.7	14.43
2007/2008	26095.6	20.75
2008/2009	29815.70	14.26

Source: Economic survey and budget speeches of various years.

After the implementation of VAT, Rs.7122.6 was collected in fiscal year 1998/1999 and that reached to Rs.7882.2m in fiscal year 1999/2000 by increasing 10.66 percent which is optimum in the beginning phase of implementation. In fiscal year 2000/01, collection from Vat increased to 9854.9m. The ratio of percentage increased was 25 percent which was very good increase in collection. In fiscal year 2001/02, there was increased in total VAT but ratio of increase was low. In that period actual collection form VAT was Rs.12047.8m but percentage increased was only 22.25 percent. In fiscal year 2002/03 collection decreased to Rs. 11964m making negative percentage increased by-0.70 percent. In comparison of fiscal year 2002/03 actual collection rose by 12.50 percent and has reached to Rs. 13456.7m in fiscal year 2003/04. Till 2008/09 it has been seen that increase in percentage of VAT is random. In the fiscal year 2005/06, there is increased of 30.43 percent, which is the maximum. After 2005/06, there is also decreased in the increased percentage of the VAT.

Figure No. 4.4

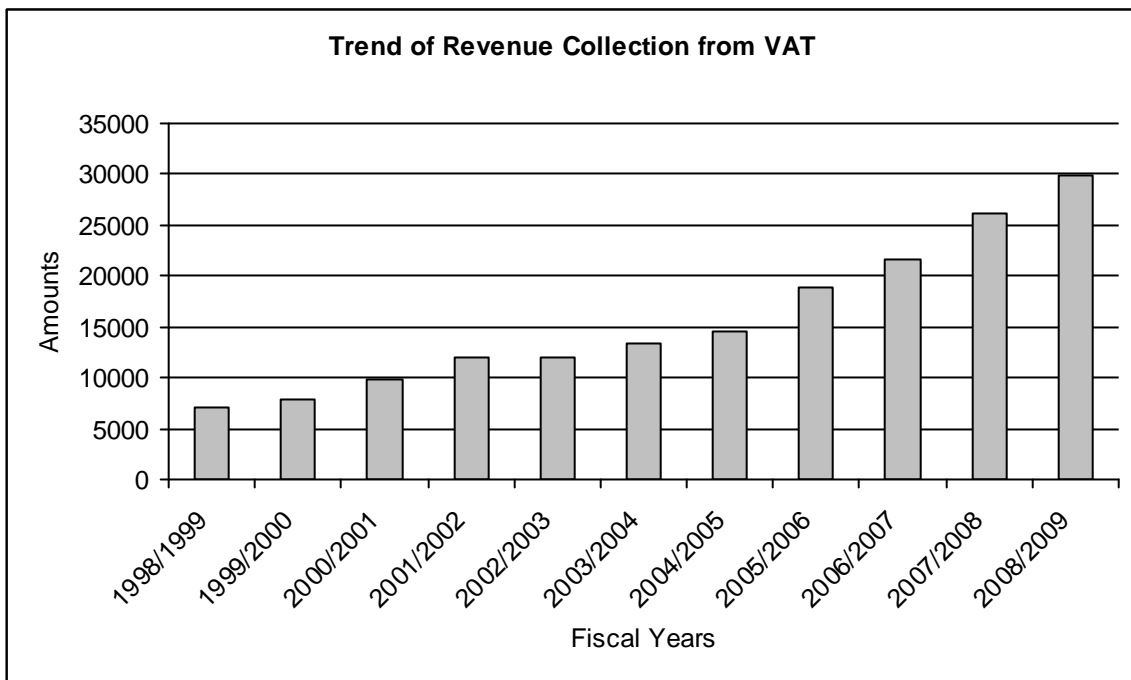
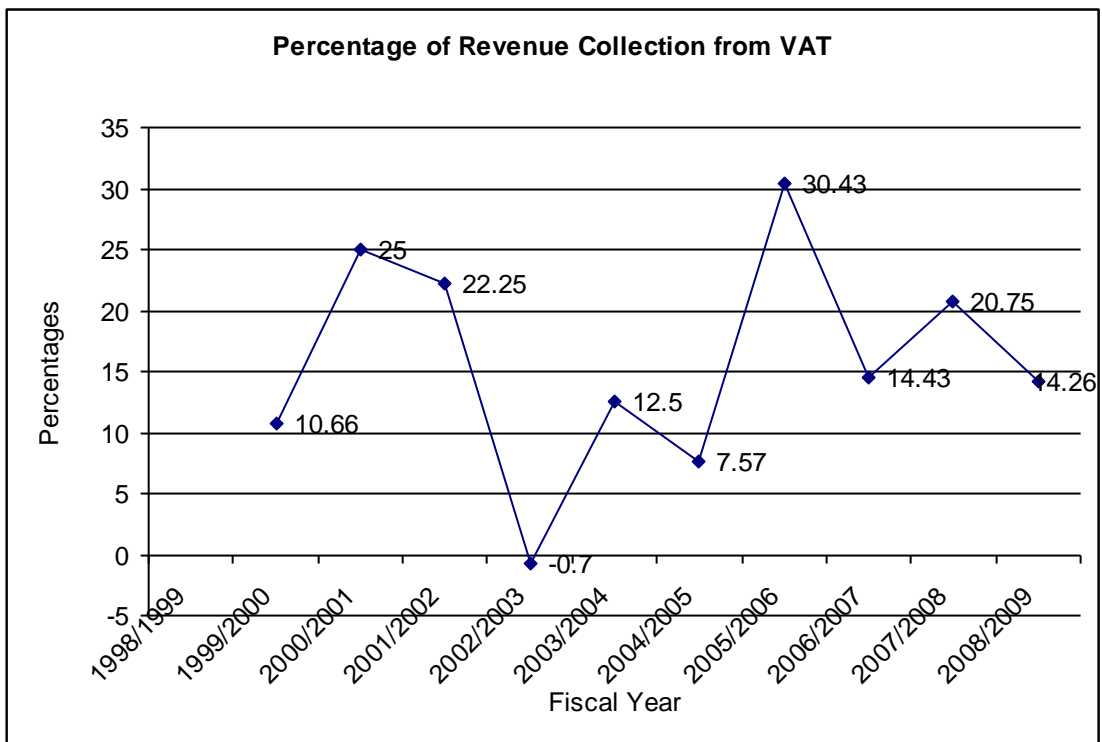


Figure no. 4.5



4.1.3 VAT and its Role in Total Revenue Collection

The actual collection of VAT and its role in total revenue collection has been given in following table.

Table No. 4.3
VAT and its Role in Total Revenue Collection
(From Fiscal year 1998/99 to 2008/09)
(Rs. In million)

Fiscal Year	Total Revenue Collection	Revenue Collection from VAT	Percentage of VAT
1998/1999	32937.9	7122.6	21.62
1999/2000	37251.0	7882.2	21.15
2000/2001	42893.8	9854.9	22.97
2001/2002	48893.6	12047.8	24.64
2002/2003	50445.5	11964	23.72
2003/2004	56229.8	13459.7	23.94
2004/2005	62331.0	14478.9	23.23
2005/2006	70122.7	18885.4	26.93
2006/2007	72282.1	21610.7	29.90
2007/2008	87712.2	26095.6	29.75
2008/2009	107622.49	29815.70	27.70

Source: Economic survey and budget speeches of various years.

Contribution from VAT to total revenue in Nepal is very minimal. The above table proved that statement. In fiscal year 1998/99, contribution from VAT to total revenue was 21.62 percent which was one fifth of total revenue collection and that reached to 21.15 percent in next year by decreasing 0.47 percent. Such shares reached to 24.64 percent in fiscal year 2001/02 and again decreased to 23.72 percent in fiscal year 2002/03. So we can say that VAT contribution in total revenue collection is very low than other countries. That contribution was always in between 21.15 percent to 29.90 percent. In fiscal year 2006/07 and fiscal year 2007/08, it has seen that, the contribution of VAT revenue to the total government revenue is high. In these fiscal year, contribution of VAT reaches to 29.90 percent and 29.75 percent respectively. In the fiscal year 2008/09, contribution of VAT reaches to 27.70 percent.

Figure No. 4.6

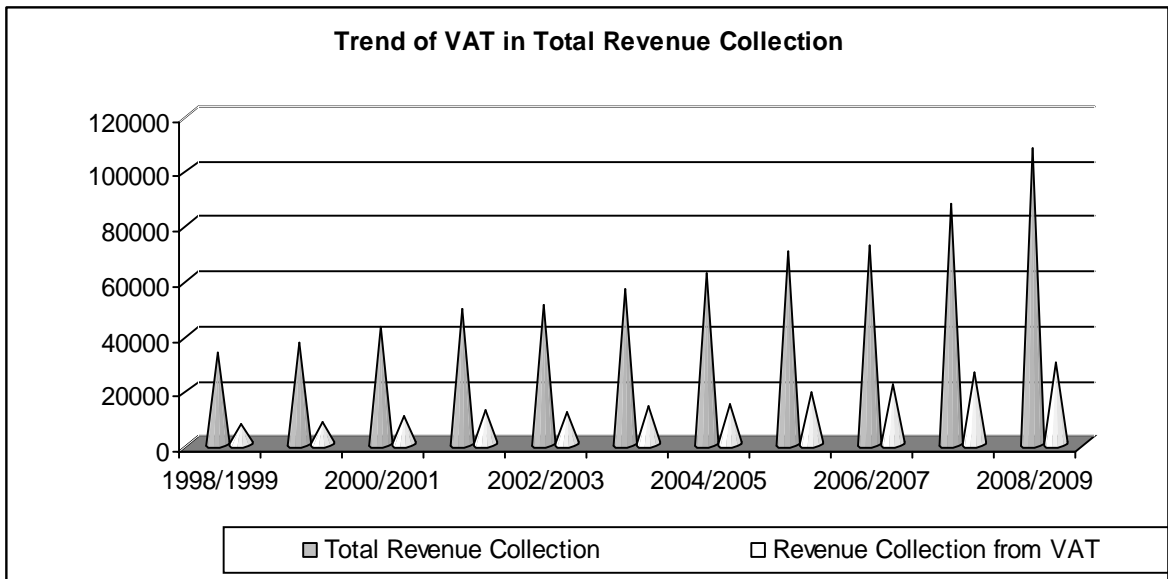
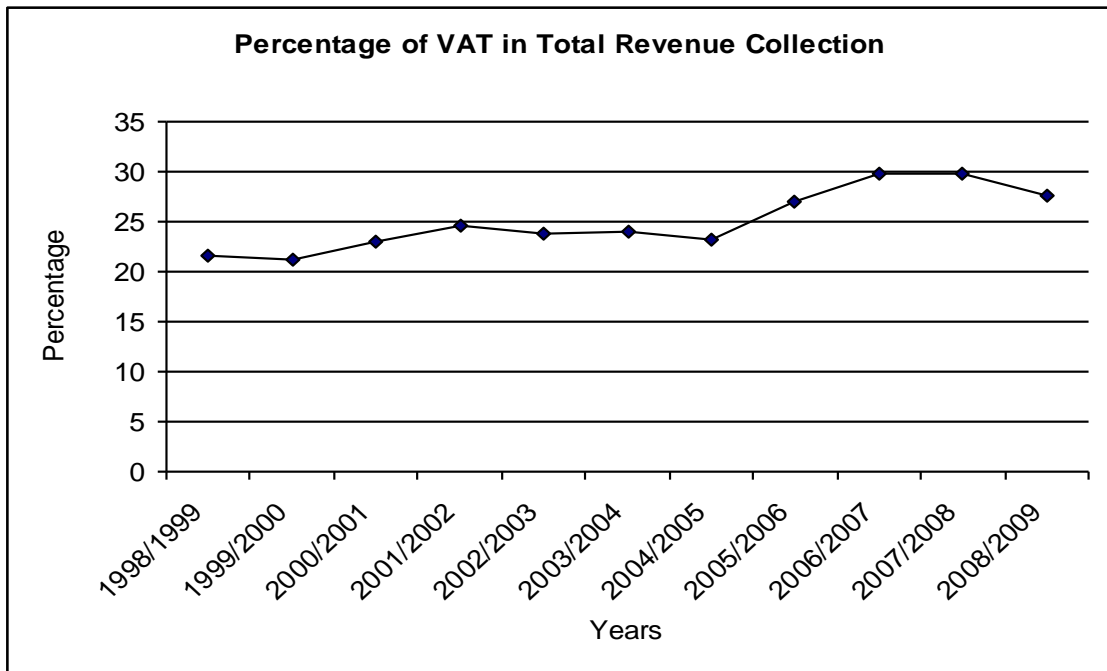


Figure no. 4.7



4.1.4 VAT and its Role in Total Tax Revenue collection

VAT and its role in total tax revenue collection of certain fiscal year have been given in following table

Table no. 4.4
VAT and its Role in Tax Revenue collection
(From fiscal year 1998/99 to 2008/09)
(Rs. In million)

Fiscal Year	Total Tax Revenue Collection	Revenue Collection from VAT	percentage of VAT
1998/1999	25939.8	7122.6	27.46
1999/2000	28752.9	7882.2	27.41
2000/2001	33152.1	9854.9	29.73
2001/2002	38865.1	12047.8	30.99
2002/2003	39330.6	11964	30.42
2003/2004	42587.0	13459.7	31.61
2004/2005	48173.0	14478.9	30.06
2005/2006	54104.7	18885.4	34.91
2006/2007	57430.4	21610.7	37.63
2007/2008	71126.7	26095.6	36.69
2008/2009	85155.54	29815.70	35.01

Source: Economic survey and budget speeches of various years.

Contribution from VAT to total tax revenue in Nepal is minimal. The above table proved that statement. In fiscal year 1998/99, contribution from VAT to total tax revenue was 27.46 percent which was one fourth of total tax revenue collection and that reached to 27.41 percent in the next year by decreasing 0.05 percent. Such shares reached to 30.99 percent in fiscal year 2001/02 and again decreased to 30.42 percent in fiscal year 2002/03. So we can say that VAT contribution in total tax revenue collection is very low than other countries. That contribution was always in between 27.41 percent to 31.61 percent.

Figure No. 4.8

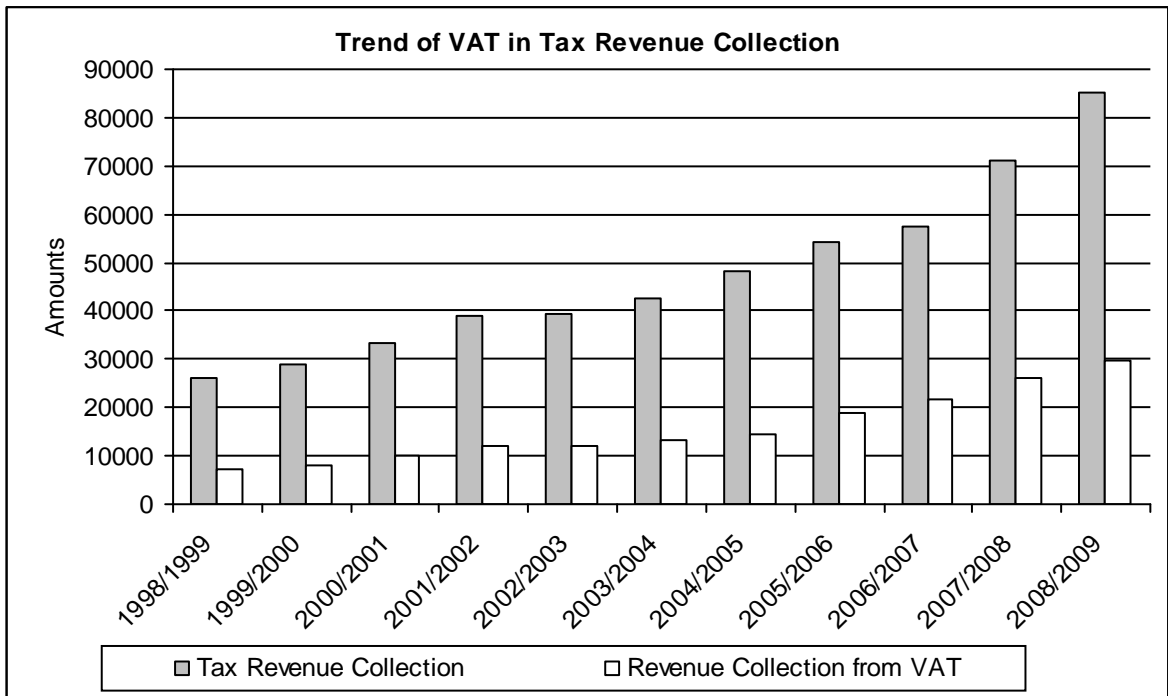
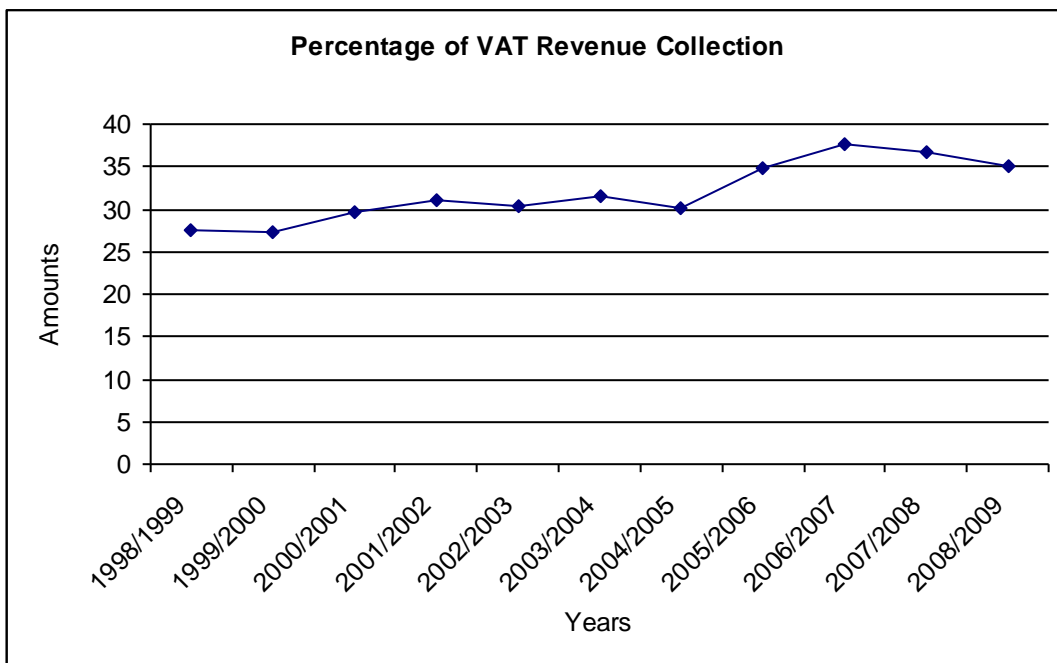


Figure No. 4.9



4.1.5 Detail sources of Revenue

The all sources of revenue of Nepal Telecom have been given in the following table.

Table no. 4.5
Detail sources of Revenue
(From Fiscal year 2058/59 to 2066/67)

(Rs. In „,000“)

S.N	Source of Revenue	2058/59	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66	2066/67
1	Local Call (Rental + Excess)	1296869	1533157	183525	2114740	2320196	2653070	3387747	3308983	3516639
2	S.T.D.	1371734	1502763	1384342	1569356	1658897	1762366	1607945	1753392	1407371
3	I.S.D.	1404279	1249988	1030688	1172153	1235763	1469365	1306133	1445304	1048124
4	PAC Switching	3543	3943	1089	4154					
	VSAT, WLL, SAT Phone			21673	18490					
	Inmarsat Phone	3100								
5	Email & Internet	12321	14341	21126			28475	12266	11644	28063
	Leased Circuit	15757	26451	15595		7969	29781	35826	27826	27732
	Telex, Telegram	20431	15581	31000				6985	800	125
	Payphone, Pcc card				4500	65688	89746	82016	48098	29295
	ADSL									121600
	Others		292375	301823	288698	306782	266370	235856	340825	356424
	Sub-Total				5190806	5595295	6299173	6674785	6936872	6535373
	Mobile Rental				363631	279490	553866	641111	658240	621740
	STD				150331	95805	116725	169837	189920	52563
	ISD				64336	44434	84442	105564	113520	106103
	Email Internet				18355	22869		7085		0
	Air Time Charge				483449	271089	231264	305971	236320	360729
	Roaming Charge				55575	56568	97441	145737	100000	200000
	Pre-paid				300517	465682	803088	105464	2115450	1000000
	Recharge Card							2161755	2854550	7792400
	Others				153048	89052	248004	207871	120000	162156
	Mobile Service Sub-total	321214	502526	642938	1589242	1324989	2134830	3850395	6388000	10295691
	CDMA- Local call						25712	273439	502774	232963
	STD						10375	128290	420326	145018
	ISD						11835	128584	349195	113304
	SMS						225	610	3234	272
	DATA						2376	9746	17784	4817
	Pre-paid							108299	496477	979196
	Recharge Card							269206	3000	1262579
	Others						35830	109161	170330	231739
	CDMA Services Sub-Total						86353	1027355	1963120	2969888
	Inter Administration			1538922	1500635	1634955	1894160	2040728	1950000	2250000
	UTL				15976	1885	7801	185285	160000	259751
	STM				606	2843	9429	10139	19000	14482
	NTV				21705	24176	22887	0	0	0
	Spice					0	-40978	-264319	-144000	-616756
	International Sharing	719520	1014915	900000						
	Operating Revenue	5403765	6156022	6185524	8318970	8584143	10413655	13524368	17272992	21708429
	Non-Operating Revenue				504338	610153	645260	784305	700000	1027606
	Total	5403765	6156022	6185524	8823308	9194296	11058915	14308673	17972992	22736035

Source: Annual Reports of NTC of various years.

It has seen in the table that, services of NTC is increasing. Revenue collection from each year is also increasing. In the fiscal year 2058/59, revenue was Rs.5403.765m where as in the fiscal year 2066/67, it is targeted to meet Rs22736.035m. In the fiscal year 2058/59, 2059/60, 2060/61 there was only limited services like local call, S.T.D, I.S.D, PAS switching, VSAT, Wll, SAT phone, In mart phone, leased circuit, Telex Telegram etc . At that time, NTC was fully owned by government. After 2062, NTC was privatized. It introduces no. of modern services like GSM mobile, CDMA facility, Email internet, ADSL Facility, Different kinds of roaming services with changing technology. As a result, there is increase in the revenue of NTC. NTC is earning more profit each year. In the fiscal years 2061/62, 2062/63, 2063/64, 2064/65, 2065/66, 2066/67 revenues are Rs. 8823.308m, Rs. 9194.296m, Rs 11058.915m, Rs 14308.673m, Rs 17972.992m, Rs 22736.035m respectively. As services goes on increase, their contribution of VAT to government is also increase.

4.1.6 Total revenue of NTC

Total Revenue of NTC has been given in the following table.

Table no. 4.6
Total Revenue of NTC
(From fiscal year 2058/59 to 2066/67)
(Rs. In "000")

Fiscal Year	Revenue of NTC	Percentage Increased
2058/59	5403765	-
2059/60	6156022	13.92
2060/61	6185524	0.48
2061/62	8823308	42.64
2062/63	9194296	4.21
2063/64	11058915	20.28
2064/65	14308673	29.39
2065/66	17972992	25.61
2066/67	22736035	26.50

Source: Annual reports of NTC of Various Reports

Above table shows the revenue of the NTC and increased percent in revenue in each year. The revenue of NTC is in ascending order. But increase percent in revenue is in random order. In the fiscal year 2059/60, percent increase is 13.92 where as in the fiscal year 2060/61 percent increased is only 0.48 percent. It has seen that, the maximum increased percent is 42.64 in the fiscal year 2061/62. In the fiscal year 2062/63 it decreases to 4.21 percent. In the remaining fiscal year, some how increased percentage is constant and satisfactory too. It may take place because of the same nature of services in each year.

Figure No. 4.10

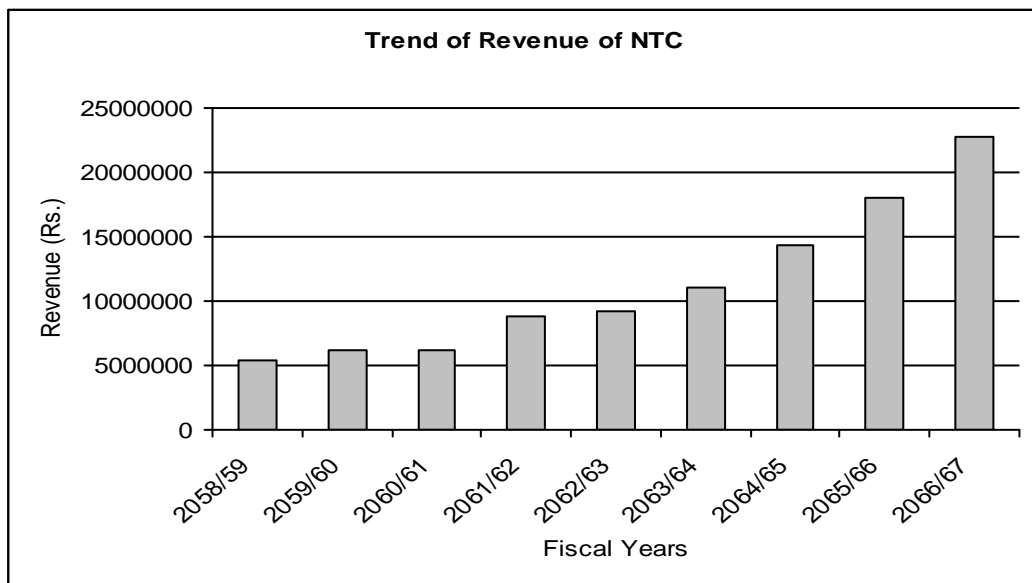
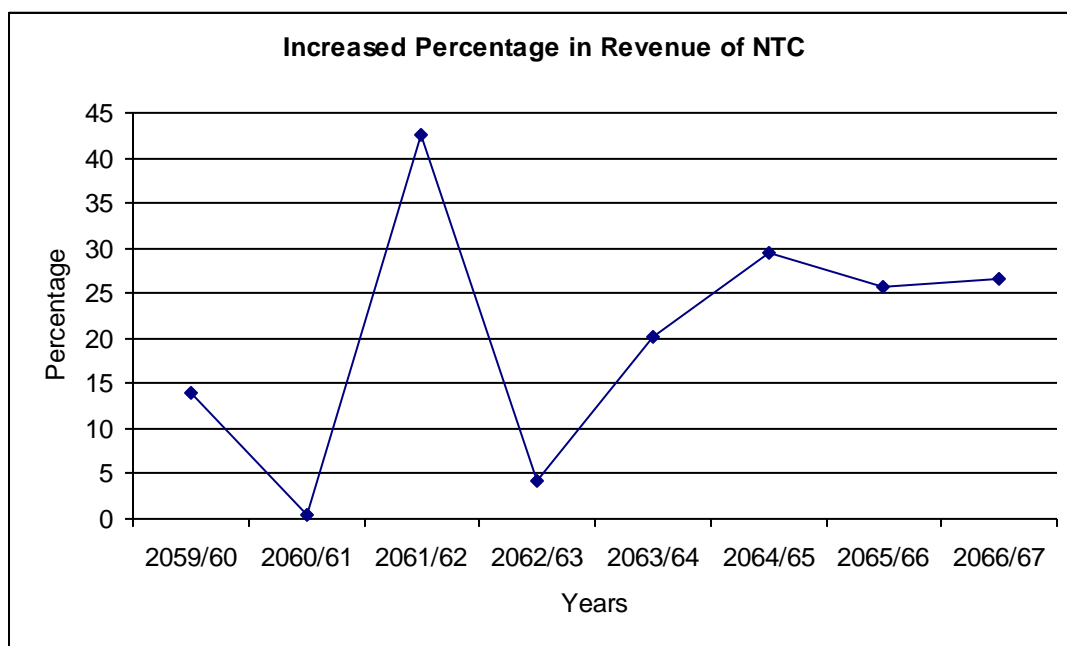


Figure No. 4.11



4.1.7 Percentage of VAT Contribution from NTC to Total Revenue of Government

Percentage of VAT contribution from NTC to total revenue of government has been given in following table.

Table No. 4.7
Percentage of VAT Contribution from NTC to Total Revenue of Government
From fiscal year (2059/60 to 2065/66)
(Rs. In "million")

Fiscal Year	VAT Contribution from NTC	Total Government Revenue	percentage
2059/60	0	50445.5	0
2060/61	594.395	56229	1.057 %
2061/62	927.073	62331	1.49 %
2062/63	997.248	70122.7	1.42 %
2063/64	1115.636	72282.1	1.54 %
2064/65	2911.500	87712.2	3.32 %
2065/66	3835.300	107622.49	3.56 %

Source: Annual Reports of NTC and economic survey of various years

In the above table, VAT contribution from NTC, Total Government Revenue, and percentage of VAT contribution to total government has been shown in above table. It can be seen that percent of VAT contribution to government is increasing trend from the beginning. In the fiscal year 2060/61, Percent of VAT contribution is 1.057 percent. This is increase in fiscal year 2061/62 and reached to 1.49 percent. In the fiscal year 2062/63 it decreases, and reached to 1.42 percent. In the fiscal year 2065/66, percent of contribution of VAT is maximum and reaches to 3.56 percent. Contribution of VAT is in increasing order because of increase in the no. of services of Nepal Telecommunication.

Figure No. 4.12

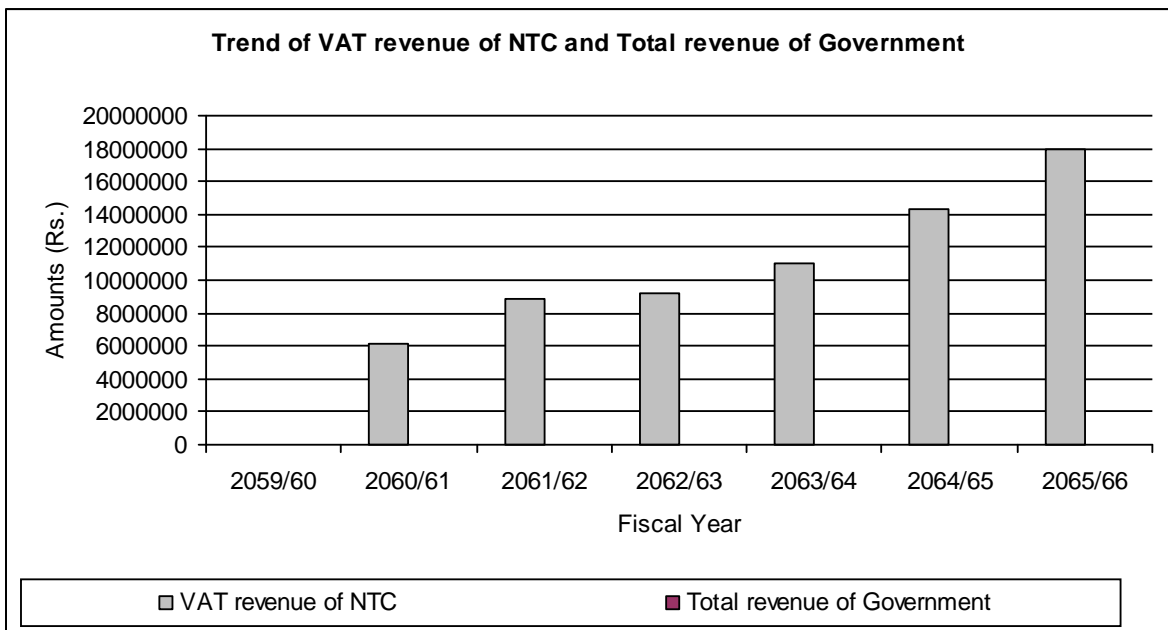
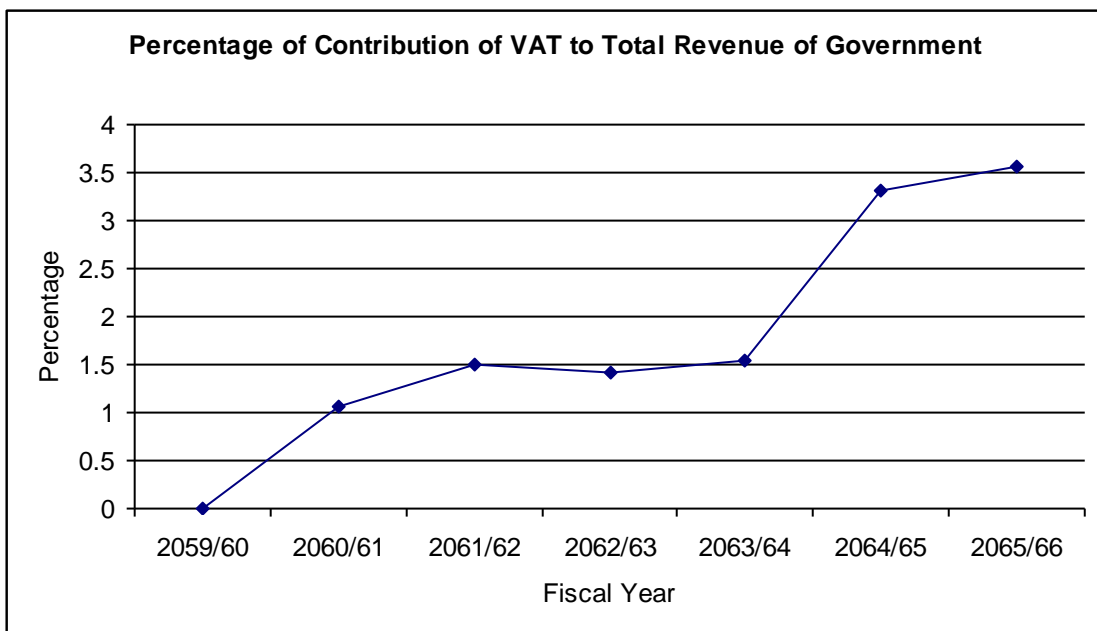


Figure No. 4.13



4.1.8 Percentage of VAT contribution from NTC to total tax revenue of government

Percentage of VAT contribution from NTC to total tax revenue of government has been shown in the following table.

Table No. 4.8

Percentage of VAT Contribution from NTC to Total Tax Revenue of Government
From fiscal year (2059/60 to 2065/66)

(Rs. In million)

Fiscal Year	VAT Contribution from NTC	Total Tax Revenue of Government	percentage
2059/60	0	39330.60	0
2060/61	594.395	42587.0	1.40
2061/62	927.073	48173.0	1.90
2062/63	997.248	54104.70	1.84
2063/64	1115.636	57430.4	1.94
2064/65	2911.500	71126.7	4.09
2065/66	3835.300	85155.54	4.50

Source: Annual reports of NTC of Various Reports

From the above table it is clear that, contribution of VAT from NTC to total tax revenue of government is normal. In the fiscal 2060/61, it was only contribute 1.40 percent. In the fiscal year 2061/62, 2062/63, 2063/64 it has seen that contribution of VAT from NTC is almost same. In the fiscal year 2064/65, it reaches to 4.09 percent. And in the fiscal year 2065/66, NTC contributes maximum VAT to the total tax revenue of government.

Figure No. 4.14

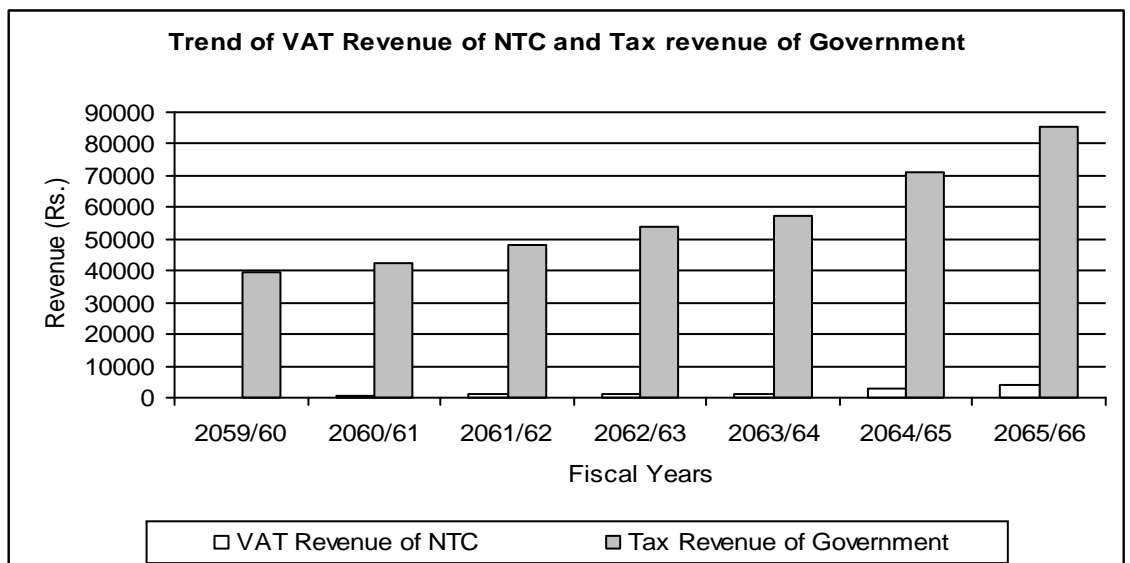
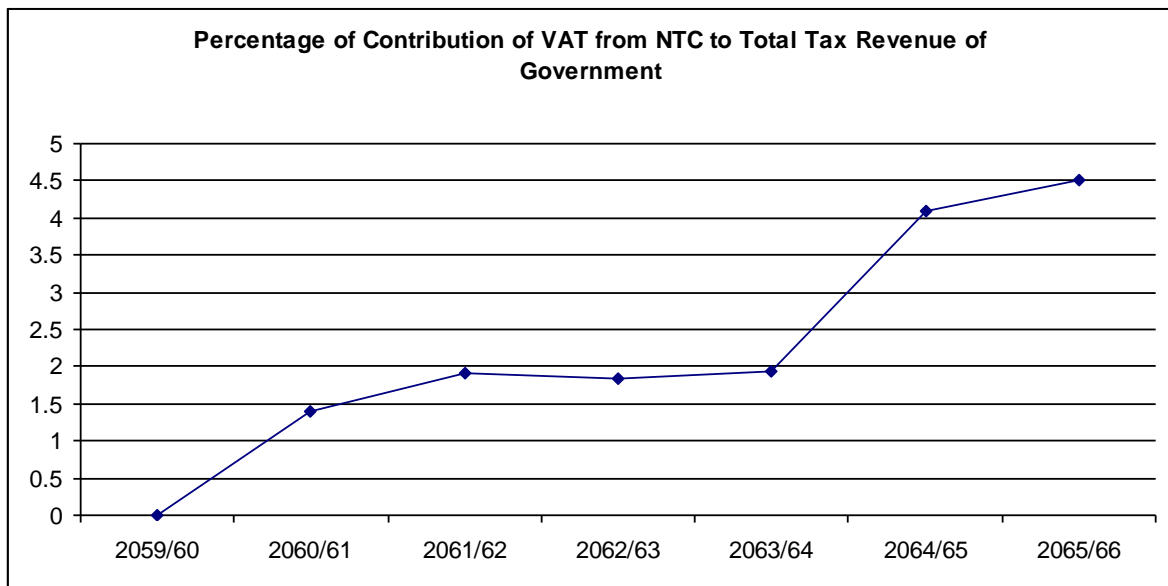


Figure No. 4.15



4.1.9 Percentage of VAT Contribution from NTC to total VAT revenue of government

Percentage of VAT contribution from NTC to total VAT revenue of government has been given in the following table.

Table No. 4.9
Percentage of VAT Contribution from NTC to Total VAT Revenue of Government
From Fiscal Year (2059/60 to 2065/66)
(Rs. in 'million')

Fiscal Year	VAT Contribution from NTC	Total Vat Revenue of Government	Percentage
2059/60	0	11964	0
2060/61	594.395	13459.70	4.42
2061/62	927.073	14478.9	6.41
2062/63	997.248	14478.90	6.41
2063/64	1115.636	18885.40	5.28
2064/65	2911.500	26095.60	11.15
2065/66	3835.300	29815.70	12.86

From the above table it is clear that, contribution of VAT from NTC to total VAT revenue of government is normal. In the fiscal year 2060/061, it was only contribute 4.42 percent. In the fiscal year 2061/062, 2062/063, 2063/064 it has seen that contribution of VAT from NTC is 6.41 percent. 5.28 percent. 5.16 percent respectively. In the fiscal year 2064/065, it reaches to 11.15 percent. And in the fiscal year 2065/066, NTC contribution maximum VAT to the total tax revenue of government, it reaches to 12.86 percent.

Figure No. 4.16

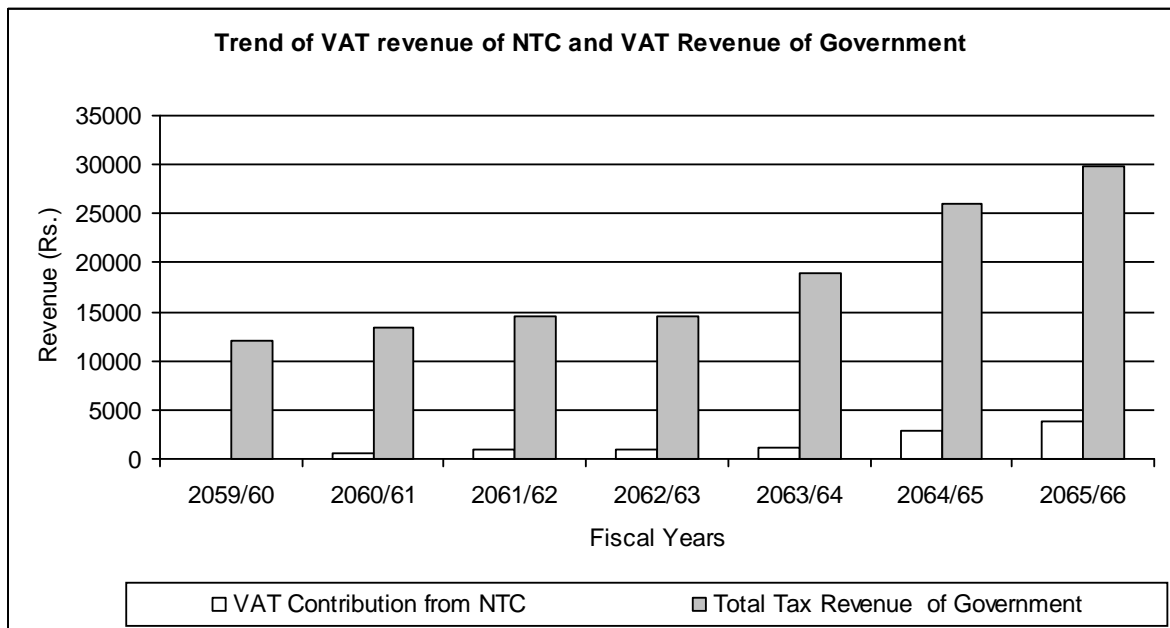
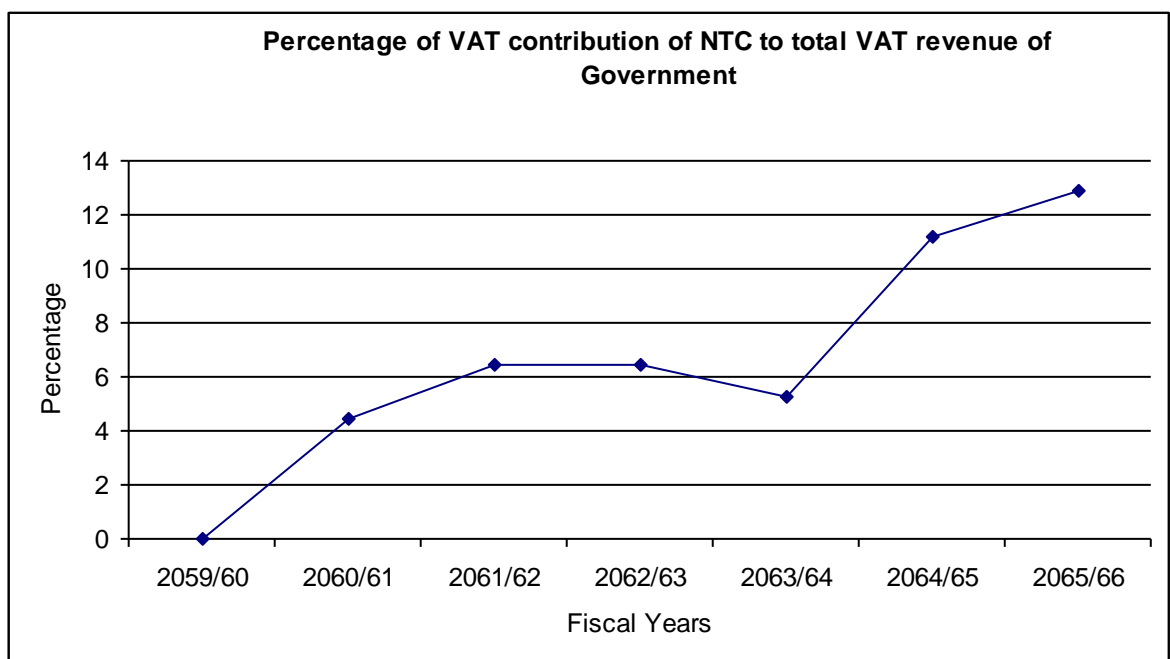


Figure no. 4.17



4.2 Projection of VAT for the FY 2067/68, under the Least Square Methods

Let the trend line between the dependent variable Y and independent variable X (i.e. time) be represented by

$$Y = a + bx \dots\dots\dots (i)$$

Here, a = Y intercept or value of Y when X=0

b = slop of the trend line or amount of change that comes in Y for a unit change in x

Table No. 4.10
Fitting of Trend Line by Least Square Method

Year (X)	VAT Collection (Y)	X = (x-4)	X ²	XY
1	0	-3	9	0
2	594.395	-2	4	-1188.79
3	927.073	-1	1	-927.073
4	997.248	0	0	0
5	1115.636	1	1	1115.636
6	2911.500	2	4	5823.00
7	3835.3	3	9	11505.9
Total	Y= 10,381.152	X= 0	X ² = 28	XY = 16328.673

Note :- Since the number of years is uneven, so the deviation are taken from the middle of the year (i.e 4)

Since X= 0

$$\text{So, } a = Y / n = 10,381.152 / 7 = 1483.02$$

$$\text{And } b = XY / X^2 = 16328.673 / 28 = 583.17$$

Substituting the value of a, and b in equation (1), the required straight line of trend is;

$$Y = a + bx \dots\dots\dots i)$$

$$Y = 1483.02 + 583.17x$$

Since X=8 years

So, the Y for eight years

$$Y = a + bx$$

Or, $Y = 1483.02 + 583.17 \times 8$

$$Y = 1483.02 + 4665.36$$

$$Y = 6148.38$$

Hence, projected collection of VAT in F/Y 2065/66 is Rs. 6142.38m

4.2.2 Projection of VAT for the Fiscal Year 2066/67

Since $X=9$

So, the Y for nine year

$$Y = a + bx$$

$$Y = 1483.02 + 583.17 \times 9$$

$$Y = 1483.02 + 5248.53$$

$$Y = 6731.55$$

Hence, projected collection of VAT in Fiscal Year 2066/67 is Rs. 6731.55m

4.3.3 Projection of VAT for the Fiscal Year 2067/68

Since $X = 10$

So, the Y for Ten years

$$Y = a + bx$$

$$Y = 1483.02 + 583.17 \times 10$$

$$Y = 1483.02 + 5831.70$$

$$Y = 7314.72$$

Hence, projected collection of VAT is Rs. 7314.72m.

If Other things remain same, the calculation of VAT must be (In Million)

Fiscal Year	2065/66	2066/67	2067/68
VAT Collection	6148.38	6731.55	7314.72

4.3 Empirical Evaluation

There have been various empirical studies conducted before and after the implementation of VAT in Nepal. Many experts' views this system has been implemented effectively as expected. In the earlier period of VAT implementation, there was lack of skilled and trained manpower; administrative structure was not set

up properly. But currently different informative programs, seminars and meeting were held in order to give knowledge about VAT. Currently business community is also favor of VAT and further demanding to identify all the traders having taxable capacity and include in to the tax net.

In such situation an empirical study is done to know the views of persons of different field on different aspects of VAT. For the purpose of survey, different questionnaire were prepared to know the option of the various persons of different field including tax experts, tax officer, suppliers of NTC and customer of NTC

Table No. 4.12
Sample size of the field Survey

Group of Respondents sample	Sample Size
Tax expert	10
Tax officer	20
Staff of NTC	15
Customer of NTC	20
Total	65

The Result and interpretation of the survey have been presented below.

4.3.1 Views on Major Problems in VAT Collection

To achieve the expected result from VAT, the problems related to VAT must be avoided. First of all, identification of these problems is necessary and then required effective steps should be implemented to avoid the problems relating to VAT. The major problems may be lack of skilled manpower, smuggling and undervaluation, improper billing system, tax unconsciousness of people and tax evasion.

Table No. 4.13
Views on the Major Problems in VAT Collection

Respondents	Lack of Skilled Manpower		Smuggling And Under Valuation		Improper Billing System		Tax Unconsciousness of People		Tax Evasion		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
Tax experts	1	10	2	20	2	20	3	30	2	20	10
Tax officers	4	20	5	25	2	10	5	25	4	20	20
Staff of NTC	3	20	4	26.66	1	6.66	5	33.33	2	13.3	15
Customer of NTC	5	25	5	25	4	20	3	15	3	15	20
Total	13	20	16	24.62	9	13.85	16	24.62	11	16.92	65

Source: Field survey 2010

The empirical survey shows that 30 percent tax experts, 25 percent tax officer, 33.33 percent staff of NTC and 15 percent consumer show the problem as tax consciousness of People. While 20 percent tax experts, 25 percent tax officers, 26.66 percent Staff of NTC and 25 percent customer showed the problem on smuggling and undervaluation. Similarly, 20 percent tax exports and tax officers, 13.3 percent businessman, and 15 percent customer said that there is problem in tax evasion. Out of total respondents 24.62 percent viewed problem on smuggling and under valuation and tax evasion 20 percent viewed problem on lack of skilled manpower, 16.92 percent viewed problem on tax evasion and 13.85 percent viewed problem in improper billing system.

4.3.2 Views on Problems in the VAT Implementation Process.

It is know that the duties and responsibility of implementation of VAT of the Government and the tax payers, tax collectors and tax experts all are also responsible for this duties and responsibility. Implementation of VAT has still a great challenge in this aspect. The field survey has been conducted to know the views of different respondents about to explore the problems on process of VAT implementation. The study shows registration, collection, and tax refunds are the main problems for the implementation.

Table No. 4.14
View on Problem in the VAT Implementation Process

Respondents	Registration		Collection		Tax Refunds		Others		Total
	No.	%	No.	%	No.	%	No.	%	
Tax experts	2	20	5	50	2	20	1	10	10
Tax officers	5	25	4	20	6	30	5	25	20
Staff of NTC	5	33.33	4	26.66	3	20	3	20	15
Customer of NTC	10	50	4	20	5	25	1	5	20
Total	22	33.85	17	26.15	16	24.61	10	15.38	65

Source: Field survey 2010

The empirical survey shows that 50 percent tax experts, 20 percent tax officer, 26.66 percent Staff of NTC and 20 percent consumer seemed to be unsatisfied with tax collection process. While 20 percent tax experts, 30 percent tax officers, 20 percent staff of NTC, and 25 percent consumer of NTC showed the problem on refund. Similarly, 20 percent tax experts, 25 percent tax officers, 33.33 percent Staff of NTC, and 50 percent consumer of NTC said that there is problem in registration. Out of total respondents 33.85 percent viewed problem on registration, 26.15 percent viewed problem on collection, 24.61 percent viewed problem on refund and 15.38 percent viewed problem on others.

4.3.3 View on VAT revenue collection from NTC as it has been expected

As VAT is the best system to get greater revenue productivity but due to the many problems relating to its implementation the VAT revenue collection from NTC is not satisfactory as it had been expected.

Table No. 4.15

View on Revenue Collection from VAT from NTC is satisfactory as it has been expected

Respondents	Yes		No		I don't Know		Total
	No.	Percent	No.	Percent	No.	Percent	
Tax experts	-	-	10	100	-	-	10
Tax officers	-	-	20	100	-	-	20
Staff of NTC	1	6.66	12	80	2	13.33	15
Customer of NTC	5	25	10	50	5	25	20
Total	6	9.23	52	80	7	10.77	65

Source: Field survey, 2010

From the field survey, 80 percent respondents argue that revenue collection from VAT is not satisfactory as it has been expected 9.23 percent respondent gives positive opinion where as 10.77 percent respondents are unknown about the factors. 100 percent each of tax experts and tax officers say that VAT is not getting as it has been expected amount of revenue. 80 percent of staff of NTC and 50 percent consumers Of NTC says that VAT is not achieving as it has been expected amount of revenue. Here as 6.66 percent businessmen and 25 percent consumers argue that VAT is getting as it has been expected.

4.3.4 Views on Administrative System of VAT in NTC

Nepalese tax system was very complicated before the introducing VAT. After the introducing of VAT, the VAT system has not been more sufficient. Some complicated are also remains in VAT system.

Table No. 4.16
Views on Administrative System of VAT in NTC

Respondents	Lack of efficient Management		Lack of Trained Manpower		Efficient Management		Total
	No.	percent	No.	percent	No.	percent	
Tax experts	3	30	5	50	2	20	10
Tax officers	4	20	7	35	9	45	20
Staff of NTC	7	46.66	5	33.33	3	20	15
Customer of NTC	11	55	6	30	3	15	20
Total	25	38.46	23	35.38	17	26.15	65

Source: Field survey, 2010

The empirical survey shows that 30 percent tax experts, 20 percent tax officer, 46.66 percent staff of NTC and 11 percent consumer viewed that the administrative system has suffered lack of efficient management. While 50 percent tax experts, 35 percent tax officer, 33.33 percent Staff of NTC, and 30 percent consumer comment about the administrative system that lack of trained manpower. Similarly, 20 percent tax exports, 45 percent tax officers, 20 percent Staff of NTC and 15 percent consumer of NTC are positive about administrative system of VAT, there views is efficient management. Out of total respondents 38.46 percent viewed that lack of efficient management. 35.58 percent viewed that lack of trained manpower, and 26.15 percent viewed that efficient management.

4.3.5 Views on Reasons for Need of VAT in Nepal

All developing and under developing countries need higher revenue collection from internal sources for the development. So these countries tried to sustain from

internal revenue through VAT system. The following table visualized about the opinion of respondents why VAT is needed in Nepal.

Table No. 4.17
Views on Reasons for Need of VAT in Nepal

Respondents	Increase Revenue		Borden Base		Transparency		All Reasons		Total
	No.	percent	No.	percent	No.	percent	No.	percent	
Tax experts	2	20	5	20	4	40	2	20	10
Tax officers	4	20	6	30	6	30	4	20	20
Staff of NTC	6	20	4	26.66	5	33.33	-	-	15
Customer of NTC	7	35	9	45	4	20	-	-	20
Total	19	29.23	21	32.3	19	29.23	6	9.23	65

Source: Field survey 2010

By the survey it is clear that 20 percent tax experts and tax officers, 40 percent businessmen, 35 percent consumers agreed that VAT is needed due to increase revenue. Similarly 20 percent tax experts, 30 percent tax officer, 26.66 percent Staff of NTC and 45 percent consumer reported that VAT has needed due to broaden tax base. And 40 percent tax experts, 30 percent tax officers, 33.33 percent businessmen and 20 percent consumers are reported that Vat is needed due to transparency. 20 percent tax experts and tax officers reported that VAT is needed due to all mention reasons.

4.3.6 Views on Billing System of NTC

Billing system is backbone of the VAT system. All the business has to receive the bill of actual transaction price while importing and buying goods and services. The price of the goods and services with and without VAT has to be mentioned in the bill. The business has to pay the amount of difference between taxes collected on sales and tax paid on purchase to the government. Thus, the billing system plays crucial role in the field of VAT system. But in Nepal the billing system has been one of the major problems. So the field survey tries to know the views of billing system of VAT.

Table No. 4.18
Views on Billing System of NTC

Respondents	Vague		Transparent		Non Transparent		Total
	No.	percent	No.	percent	No.	percent	
Tax experts	-	-	10	100	-	-	10
Tax officers	3	15	17	85	-	-	20
Staff of NTC	4	26.66	8	53.33	3	20	15
Customer of NTC	9	45	7	35	4	20	20
Total	16	24.61	42	64.62	7	10.77	65

Source: Field survey 2010

From the empirical survey, it is found that all tax experts and 85 percent tax officers argue that the billing system is transparent. Similarly 53.33 percent, Staff of NTC, 35 percent consumers of NTC also argues that the billing system is transparent. In the other hand, 15 percent tax officer, 26.66 percent Staff of NTC and 45 percent consumer claimed that the billing system is vague. At the same time, 20 percent Staff of NTC and consumers viewed that billing system is not transparent. Out of the total respondents, transparent billing system represent by 64.62 percent, vague billing system represent by 24.61 percent and non transparent billing system represent by 10.77 percent.

4.3.7 Views on Effectiveness of VAT in the Future

From the past experience, it is clear that VAT will be effective tools for revenue collection in future, it is effectively implemented. The view of various respondents on this aspect is presented in the table below.

Table no. 4.19**Views on Effectiveness of VAT in the Future**

Respondents	Yes, it will be		No, it will not		I don't know		Total
	No.	Percent	No.	Percent	No.	Percent	
Tax experts	10	100	-	-	-	-	10
Tax officers	20	100	-	-	-	-	20
Staff of NTC	10	66.66	1	6.66	4	26.66	15
Customer of NTC	13	65	1	5	6	30	20
Total	53	81.54	2	3.08	10	15.38	65

Source: Field survey 2010

According to the field survey, 81.54 percent of the total respondents were said VAT will be effective in future. Remaining 3.08 percent respondents were pessimistic and 15.38 percent respondents gave on idea about this aspect. In conclusion, we can say that VAT would be effective in future.

4.3.8 Views on most Important Factors for the Effectiveness of VAT in Revenue Collection

Although it has been nine years from implementation of VAT it has not yet secured the expected results. There are many problems existing in the implementation of VAT. It is necessary to identify the existing and solve them successively to make the VAT more successful. Hence there are so many factors for the effectiveness of VAT. These are proper implementation, broad coverage, tax education, effective and efficient administration and clears VAT laws and regulation. In order to know the most important factor for effectiveness of VAT respondents were requested to rank their response on the given choice and respondents were also requested for 4 marks are given to the most important factor and it marks to the less important factors for the effectiveness of VAT in revenue collection.

Table No. 4.20
Views on the Most Important Factors for the Effectiveness of VAT in Revenue Collection

S.No.	Factors	No. of respondents	Score	Percent	Rank
1	Proper implementation	65	211	19.30	1
2	Broad Coverage	65	200	18.30	3
3	Tax education	65	193	17.68	4
4	Effective and efficient administration	65	185	16.92	5
5	Clear VAT law and regulation	65	205	18.76	2
6	Others	65	99	9.032	6

Source: Field survey 2010

After the analysis of above table, we can conclude that proper implementation is the most important factor for the effectiveness of VAT in revenue collection. Other important factor is clear VAT law and regulation, broad coverage, tax education, effective and efficient administration and other factors respectively. Others mean proper billing system & accounting system, effective tax auditing, & monitoring and regulating mechanism.

4.3.9 Views on Legal Provision

Nepalese VAT administration has been suffered nine years of implementation. The legal provisions are closely related to VAT administration. Now, the VAT act and rule/regulation have not covered the increasing trading and importing business. So the respondents are requested for giving their opinion about legal provision. That is given in the following table.

Table No. 4.21
Views on Legal Provision

Respondents	Appropriate		Not Appropriate		I don't know		Total
	No.	percent	No.	percent	No.	percent	
Tax experts	8	80	2	20	-	-	10
Tax officers	13	65	7	35	-	-	20
Staff of NTC	8	53.33	4	26.67	3	20	15
Customer of NTC	9	45	5	25	6	30	20
Total	38	58.46	18	27.69	9	13.85	65

Source: Field survey 2010

According to field review, 80 percent tax experts, 65 percent tax officers, 53.33 percent businessmen and 45 percent consumer were agreed that legal provision of VAT is appropriate. Similarly, 20 percent tax experts, 35 percent tax officers, 26.67 percent Staff of NTC and 25 percent consumer of NTC was disagreed about legal provisions of VAT. Out of total respondents, 58.46 percent agreed about legal provision, 27.69 percent disagreed and 13.85 percent are unknown about these matters.

4.3.10 Views on Single Rate of VAT

Because of multiple tax rates, tax reform become more complicated to both tax payers and tax officers. Despite this reason many countries already implemented various tax rates according to their economic condition. But all tax administrators prefer to use a single rate of VAT which is 13 percent according to VAT enhancement. The opinion survey of different respondents about the view on single rate of VAT can be presented in the following table.

Table No. 4.22
Views on Single Rate of VAT

Respondents	Appropriate		Not Appropriate		I don't know		Total
	No.	percent	No.	percent	No.	percent	
Tax experts	8	80	2	20	-	-	10
Tax officers	17	85	3	15	-	-	20
Staff of NTC	11	73.33	2	13.33	2	13.33	15
Consumer of NTC	13	65	4	20	3	15	20
Total	49	75.38	11	16.92	5	7.69	65

Source: Field survey 2010

According to field survey, 80 percent tax experts, 85 percent tax officers, 73.33 percent Staff of NTC, and 65 percent consumers were agreed that single rate is effective to generate revenue. Among the total respondents 75.38 percent agreed with single rate, 16.92 percent disagreed with single rate, remaining 7.69 percent unknown about this matters.

4.4 Major Findings of the study

4.4.1 General Findings

-) VAT has been most essential alternative of different tax reform programs for developing countries like Nepal. It leads to revenue enhancement, transparent and scientific tax system. There will be vital scopes for increasing the revenue from VAT in coming days.
-) Most of customers, traders/businessmen, and staff are lacked with the concept of VAT. They are facing billing, accounting problem.
-) VAT is most scientific, modern and new innovation in the field of taxation.

- J Analyzing the history of VAT implementation efforts in Nepal was not easy it was a great challenging effort.
- J There was a great technical assist of foreign donors for implementing of VAT in Nepal.
- J Nepal Telecommunication has started VAT contribution from the fiscal year 2058/59. From the research it has been seen that contribution of Nepal Telecom is increasing. As the services goes on increase, VAT contribution is also increase.
- J Nepal Telecommunication falls under top most position in profit earning. Out of the total Revenue of the government, it occupies 7 percent. NTC contributes in government revenue through the Value Added Tax and Income Tax.
- J IRD has used advanced VAT software. It makes VAT system transparent. Most of staff of NTC has knowledge about this software. There is no chance of leakage. But what has seen that most customer of Nepal Telecom is unknown about this VAT system.
- J Nepal Telecom provides lots of services. It also tries to generating new services with advanced technology. It has found that at the introducing stage services is very good. It occupies more market. . It is very difficult for this to meet the demand of customer. After certain period services of the Telecom does not function well. Its quality goes on decrease. Organization should serious about this matter. Otherwise, it may hamper in the entire services of Telecom and also hamper in the tax revenue of Government.
- J At the past time, Nepal Telecom has monopoly power. It is under government ownership. Now, no. of other telecom has been increasing day by day. Now, it is privatized. It becomes Nepal Telecommunication company ltd. After it has privatized, there is drastically change in the earning capacity of the company. Lots of new services had introduced. Contribution of VAT to the government revenue has also increased.

) According to the consultant of NTC, It has huge amount of revenue, Assets. There is chance of leakage due to the lack of proper management. From time to time they have suggested to restructuring the organization. They said Nepal Telecom has Functional type and mixed type of structure. Functional type is suitable for PSTN. No. of new services has been increasing. So there should be proper structuring of the organization according to the services, no. of customer, economy situation of the country, skill and quality of the staff. Otherwise, it may hamper in revenue generation of the company.

4.4.2 Findings from secondary data

-) Overview the current revenue structure of Nepal, the share of tax revenue has been greater than share of non-tax revenue. The average ratio of tax revenue to total revenue is 78.23 percent and non-tax revenue to total revenue is 21.77 percent
-) VAT is growing to be the major contributor in total tax revenue of government.
-) The contribution of VAT revenue from NTC to total revenue is in increasing trend, which is beneficial for sound economic development. In the fiscal year 2059/60 VAT contribution is Rs. 594.395m, and in fiscal year 2064/65 it reaches to 3835.300m. Average contribution of VAT from the NTC is Rs.1483.02m.
-) VAT revenue of government is also in increasing trend. In the F/Y 2059/60 the revenue collection from VAT was to 13459.7 m, and it increases to 29,815.70 m in F/Y 2064/65.

4.4.3 Empirical Findings / Findings from primary Data

-) Opinion survey shows that the main problem in the process of VAT collection was smuggling & undervaluation and tax unconsciousness of people 24.62 percent respondents were agreed on this statement. 20 percent agreed on problem on lack of skilled manpower, 16.92 percent agreed on tax evasion and 13.85 percent agreed on improper billing system.

- J The VAT implementation process is not satisfactory in Nepal Telecom. Opinion survey shows that the main problem in the process of VAT implementation is that staff resists to change 26.15 percent respondents take it as a main problem in the process of VAT implementation.
- J The VAT revenue collection from NTC is not satisfactory as it has been expected. Out of total respondents 52 percent concluded that revenue collection from VAT is not satisfactory as it had been expected. Only 9.23 percent respondents concluded revenue collection from VAT is satisfactory as it had been expected.
- J VAT administration system of NTC has not achieved the expected results. Out of total respondent 25.15 percent commented as efficient management for administrative system. But 38.47 percent commented as lacked of efficient management, 35.38 percent commented as lack of trained manpower for existing administrative system of Nepal Telecom.
- J There are different reasons for need of VAT in Nepal. From the empirical survey 29.23 percent gave the reason for increasing revenue and transparency, 32.3 percent gave the reason for broaden tax base, and 9.23 percent gave the other reasons.
- J From the study it has found that 64.62 percent respondents viewed on transparent billing system, 24.61 percent viewed the billing system was vague and only 10.77 percent viewed the billing system was non-transparent.
- J Out of total respondents 81.54 percent reached to the conclusion that VAT of NTC will more effective in future but 3.03 percent respondents were pessimistic and 15.38 percent respondents were unknown about this matters.
- J Revenue collection depends on most important factors which effect its proper implementation. Opinion survey showed that the main important factor for the effectiveness of VAT in revenue collection is proper implementation. 19.30 percent respondents take it as a main factor; other factors are board coverage, tax education and efficient administration, clear VAT law and regulation.
- J The legal provisions provide back support for the proper implementation of VAT. Out of Total respondents 58.46 percent has not satisfied with existing legal provisions, and 13.85 percent has unknown about this factors.

CHAPTER V

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary

VAT is new concept on collecting revenue, which is recently innovated in the field of the taxation. VAT is important instrument of revenue collection for the internal resource mobilization. There is wide scope for increasing revenue from value added tax (VAT). The sound implementation of VAT surely contributes for big part of revenue collection. Most of the developing countries including Nepal have been basically depending up on indirect taxes for internal revenue generating because of administrative inefficiency, lack of tax culture and awareness of tax payers, very low per capita income, etc. It is unanimous that all government needs resource mobilization from internal resource or external resource to fulfill their declared policies and programs. When the country depends upon foreign grant and loan assistance because of lacking in internal resource of revenue the country has to increase its capability of resource mobilization for sustainable development and reduce dependency over foreigners. Considering this fact, government of Nepal has introduced VAT Act, 2054 to obtain the objectives for increasing revenue mobilization by making effective the process of collecting revenues required for the economic development of the country. It is expedient to impose a value added tax on all transaction including the sales, distribution and delivery, importation of goods or services and to collect revenues effectively by regulating the process of collection.

VAT plays an important role in revenue collection in Nepal. VAT is strong sources of revenue collection. It is very transparent and scientific technique of revenue collection. Manufacturing, Trading and Services industries can not escape from VAT. It is easily imposed on every taxable business transaction. Developing countries like Nepal, the importance of VAT cannot be minimized and under estimated because it contributes effectively and consistently in government revenue. So contribution of VAT from Nepal Telecommunication Ltd. is definitely notable for making government revenue strong and huge. VAT is one of the most important sources of government revenue. So, VAT plays vital role in the government revenue of the country.

In Nepal there are lots of public enterprises. Public enterprises were established in order to prepare infrastructure services, to produce the required goods in the country and to export, to help in controlling the price situation to increase government revenues and to contribute significantly in national development as well as to assist in the country economic advancement. They contribute to pay the large amount direct and indirect taxes to the state. Similarly, Nepal Telecom Ltd. is one of the largest public enterprises of our country. In remote areas, it's share of service is 100 percent. In urban areas it's share of service is 80 percent. Out of total customer of Telecommunication, Nepal Telecommunication has 70 percent customer. Information and Communication Technology scenario in the country clearly shows that the Nepalese telecom market is poised for significant growth. In Nepal, operating any form of telecommunication service dates back to 94years in B.S 1970. But formally telecom service was provided mainly after the establishment MOHAN AKASHWANI in B.S 2016. To modernize the telecommunications services and to expand the services, Nepal Telecommunication Corporation was transformed into Nepal Doorsanchar Company Limited from Baisak1, 2061. Nepal Doorsanchar Company Limited is a company registered under the companies Act 2053.

Nepal Telecom has always put its endeavors in providing its valued customers a quality service since its inception. To achieve this goal, technologies best meeting the interest of its customers has always been selected. The nationwide reach of the organization from urban areas to the economically non-viable most remote locations, is the result of these efforts that makes this organization different from others.

Revenue collection in Nepal is in increasing trend from the beginning. The total revenue collection was 37251.3m in the fiscal year 1998/99. Nepalese Government has estimated that it can reach Rs.85025.3 in fiscal year 2007/08 and Rs. 116560 in fiscal year 2008/09. After the implementation of VAT, Rs.7122.6 was collected in fiscal year 1998/1999 and that reached to Rs.7882.2m in fiscal year 1999/00 by increasing 10.66 percent which is optimum in the beginning phase of implementation. Till 2008/09 it has been seen that increase in percentage of VAT is random. In the fiscal year 2005/06, there is increased of 30.43 percent, which is the maximum. After 2005/06, there is also decreased in the increased percentage of the VAT. Contribution from VAT to total revenue in Nepal is very minimal. In fiscal year 1998/99, contribution form VAT to total revenue was 21.62 percent which was

one fifth of total revenue collection. We can say that VAT contribution in total revenue collection is very lower than other countries. That contribution was always in between 21.15 percent to 29.90 percent. In fiscal year 2006/07 and fiscal year 2007/08, it has seen that, the contribution of VAT revenue to the total government revenue is high. In these fiscal year, contribution of VAT reaches to 29.90 percent and 29.75 percent respectively. In the fiscal year 2008/09, contribution of VAT reaches to 27.70 percent. The revenue collection from VAT is not satisfactory as it has been expected. Out of total respondents 52 percent concluded that revenue collection from VAT is not satisfactory as it had been expected. Only 9.23 percent respondents concluded revenue collection from VAT is satisfactory as it had been expected. The service of NTC is increasing. Revenue collection from each year is also increasing. In the fiscal year 2057/58, revenue was Rs.5403.765m where as in the fiscal year 2065/66, it is targeted to meet Rs22736.035m. In the fiscal year 2057/58, 2058/59, 2059/60 there was only limited services like local call, S.T.D, I.S.D, PAS switching, VSAT, Wll, SAT phone, In mart phone, leased circuit, Telex Telegram etc . At that time, NTC was fully owned by government. After 2061, NTC was privatized. It introduces no. of modern services like GSM mobile, CDMA facility, Email internet, ADSL Facility, Different kinds of roaming services with changing technology. As a result, there is increase in the revenue of NTC. NTC is earning more profit each year. In the fiscal years 2060/61, 2061/62, 2062/63, 2063/64, 2064/65, 2065/66 revenues are Rs 8823.308m, Rs. 9194.296m, Rs 11058.915m, Rs 14308.673m, Rs 17972.992m, Rs 22736.035m respectively. As services goes on increase, their contribution of VAT to government is also increase. The revenue of NTC is in ascending order. But increase percent in revenue is in random order. In the fiscal year 2058/59, percent increase is 13.92 where as in the fiscal year 2059/60 percent increased is only 0.48 percent. It has seen that, the maximum increased percent is 42.64 in the fiscal year 2060/61. In the fiscal year 2061/62 it decreases to 4.21 percent. In the remaining fiscal year, some how increased percentage is constant and satisfactory too. It may take place because of the same nature of services in each year. Contribution of VAT from NTC to total VAT revenue of government is normal. In the fiscal 2059/60, it was only contribute 4.42 percent. In the fiscal year 2060/61, 2061/62, 2062/63 it has seen that contribution of VAT from NTC is 6.41 percent, 5.28 percent, and 5.16 percent

respectively .In the fiscal year 2063/64, it reaches to 11.15 percent. And in the fiscal year 064/65, NTC contributes maximum VAT to the total tax revenue of government, it reaches to 12.86 percent. The revenue collection from VAT is not satisfactory as it has been expected. Out of total respondents 52 percent concluded that revenue collection from VAT is not satisfactory as it had even expected. Only 9.23 percent respondents concluded revenue collection from VAT is satisfactory as it had been expected.

5.2 Conclusion

Being better economic developed country is the objective of every country of this world. To get a developed economy it is essential to have sufficient revenue generation. Generally tax-revenue plays the great role for development of nation's economy. Tax revenue consists of direct and indirect tax revenue. For the achieving higher growth of revenue, every country needs to reform the existing tax system. In the context of developing countries direct tax does not plays important role in revenue collection. These countries generate revenue from indirect tax only. According to liberalized competitive economy, there should be important role of direct tax revenue. In the context of present world VAT is one of the best alternatives of tax reform process. In that process, Nepalese governments adopted VAT by replacing four tax systems. After the implementation of VAT it broadens the tax base which increase revenue mobilization. In Nepal there are lots of public enterprises. Public enterprises were established in order to prepare infrastructure services, to produce the required goods in the country and to export, to help in controlling the price situation to increase government revenues and to contribute significantly in national development as well as to assist in the country economic advancement. They contribute to pay the large amount direct and indirect taxes to the states. Similarly, Nepal telecom Ltd. is one of the largest public enterprises of our country. In Nepal Telecom, it prides on the timely forecast of the scale of business opportunities few years back subsequently embarking upon the vision of having big-sized telecom infrastructure projects catering both urban and rural markets. The result was investment decisions amounting to more than Rs 1200 crores in the past four years resulting cumulative total investment of Rs 4400 crores in the year ending

Ashad 2064. In, Nepal Telecom has also come to believe strongly that growth in telecom infrastructure will greatly contribute in the economic progress of the country. Hence, with a new vigor and with “value-drive” broader corporate purpose, the Nepal Telecom family has decided to play an important role in the nation building Endeavour by rapidly deploying all kinds of telecom services throughout the country, including remotest villages.

From the field survey, it has found that 80 percent respondents argue that revenue collection from VAT of NTC is not satisfactory as it has been expected. 9.23 percent respondent gives positive opinion where as 10.77 percent respondents are unknown about the factors. 100 percent each of tax experts and tax officers say that VAT is not getting as it has been expected amount of revenue. 80 percent of staffs and 50 percent of customer say that VAT from NTC is not achieving as it has been expected amount of revenue. Where as 6.66 percent staffs of NTC, 25 percent of customer argue that VAT is getting as it has been expected. The empirical survey shows that 30 percent tax experts, 20 percent tax officer, 46.66 percent staffs and 11 percent customer viewed that the administrative system of NTC has suffered lack of efficient management. While 50 percent tax experts, 35 percent tax officers, 33.33 percent staff, and 30 percent customers comment about the administrative system that lack of trained manpower.

Similarly, 20 percent tax experts, 45 percent tax officers, 20 percent staff, and 15 percent customer are positive about administrative system of VAT, there views is efficient management. Out of total respondents 38.46 percent viewed that lack of efficient management, 35.38 percent viewed that lack of trained manpower, and 26.15 percent viewed that efficient management. Contribution of VAT from NTC to total VAT revenue of government is normal. In the fiscal year 2059/60, it was only contribute 4.42 percent. In the fiscal year 2060/61, 2061/62, 2062/63 it has seen that contribution of VAT from NTC is 6.41 percent, 5.28 percent, 5.16 percent respectively. In the fiscal year 2063/64, it reaches to 11.15 percent. And in the fiscal year 2064/65, NTC contributes maximum VAT to the total VAT revenue of government. It reaches to 12.86 percent. It has seen that, NTC started contributing VAT to government revenue from the fiscal year 2059/60.

Finally, being the staff and researcher of Nepal Telecom, what I find that Nepal Telecommunication limited has used software of VAT provided by IRD. This

helps to increase the government revenue and prevents leakages from VAT. Nepal Telecom could not use VAT software all over the branches. 50 percent of staff is traditional type. They resist the change. They don't have knowledge of VAT. They want to follow traditional type of method of work. Nepal Telecom from time to time trained its staff. Sometime customer with the lack of knowledge of VAT said that, NTC unnecessarily added service cost and value added tax and makes the service expensive. From the thesis what I find is that, VAT itself not more revenue generator. It is only transparent and scientific system of collecting revenue. It needs more administrative support and efforts. According to the survey, the implementation of VAT in Nepal has very poor results than expectation. Those reasons are poor planning, unaccountable staffs, weak and corrupted bureaucracy. Corruption is widely spreading in political as well as administration from top level to Bottom level of authority. People are less literate about theoretical concept of VAT, so they can not play creative support for the implementation of VAT. It is necessary for the tax payers to know about the VAT with its benefits. Now a days, different education programs, seminars etc. are organized for tax payers as well as general public in all over the country with the objectives of aware them about VAT which helps to bring more and more tax payer in the tax circumference.

5.3 Recommendation

VAT is one of the internal sources of revenue of government. In Nepal there are lots of services sectors, which contribute some sort of percentage in government revenue. From time to time it has heard news that Nepal Telecom is in the Top most position contributing to government revenue through tax. In fiscal year 2065/66, it contributes 7 percent to the government revenue. It shows the NTCs earning capacity is good. Me as a researcher attracts to know how much it contributes to government revenue. That's why I choose this topic for knowing details. As going thoroughly, I got a chance to know about Nepal Telecommunication, its staff, customer and services. Sometime, I feel proud to be a researcher and staff of Telecom. Sometime I feel bore Knowing indebt about the management of NTC. Here is some recommendation that should be applicable. If that recommendation would be

converted into action by the concerned parties, the VAT system will meet the objectives.

- J VAT Registration, collection and refund system should be improved as transparent and more scientific, and should create a positive attitude towards VAT administration.
- J Billing system should be maintained more clear and transparent. The government should develop good billing software and should make it freely available to the vendors.
- J The manpower of the IRD and VAT office should be trained and they give serious attention to one basic thing which has been pointed out by many sectors.
- J Existing VAT implementation system of NTC is not satisfactory. So, it should be improved by creating efficient management.
- J The government should make efforts to make the administration of VAT practical and up to date and should develop it as the main basis for revenue collection.
- J Training relating to VAT should be conduct for the staff .The government should not implement that policy which go against the basic principles of VAT and harass the taxpayers.
- J Publicity and tax payer related education should be organized and a publicity campaign should be initiated to make customer aware of the long term benefits of billing system through hording board, pamphlets, and inter-action programs as well as by using all materials and methods.
- J A habit of quoting the price inclusive of VAT should be developed. The consumer/ businessmen should asked invoices which is their natural right. While exposing those vendors who don't give bill or invoices, the concerned department of the government should be informed.
- J The mass public should make positive thought about VAT. Students of campus and school level should be given knowledge about VAT and

curriculum should include tax education and create obligation of paying tax.

-) There should be creating a close cooperation between government and Nepal Telecom in the VAT implementation process. To collect the VAT revenue as much as possible, domestic services should be given priority.
-) Most of the officials working in the VAT department seem to be lazy, selfish and irritated while responding to the outriders, and moreover, they think the department as if it is their own property. Such kind of tendency should be discouraged and there must be the coordination among government, officials and taxpayers.
-) To make active for the personnel's provide rewards, prizes, extra amount than salary etc.
-) To make the VAT revenue effective, time limitation for tax payment should be determined. And, those customers who don't pay the tax in time, should be given

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APPENDIX- 1
QUESTIONNAIRE

Name of the respondent: Designation:

Office/ Organization: Occupation:

1. What kinds of problems have arisen in the VAT collection procedure?
 - a. Lack of skilled manpower
 - b. Smuggling and under valuation
 - c. Improper billing system
 - c. Tax evasion
2. What are the reasons for the necessity of VAT in Nepal? (Please rank)
 - a. Increase revenue
 - b. Broaden tax base
 - c. Transparency
 - d. All above
3. What kinds of problems do you feel in the VAT implementation process in NTC?
 - a. Registration
 - b. Collection
 - c. Tax refund
 - d. Other, please specify
4. Do you satisfied with VAT revenue collection from NTC as it has been expected?
 - a. Yes
 - b. No
 - c. I don't know
5. What is your view about administrative system of VAT in Nepal?
 - a. Lack of efficient management
 - b. Lack of trained manpower
 - c. Efficient management
 - d. Other, please specify.....
6. What is your view about billing system of NTC?
 - a. Transparent
 - b. Non transparent
 - c. Vague
 - d. Other, please specify.....
7. Do you think VAT revenue of NTC plays vital role in government revenue?
 - a. Yes
 - b. No
 - c. I don't know
8. What is the most important factor for the effectiveness of VAT in revenue collection from service sector? (Please rank)
 - a. Proper implementation
 - b. Broad coverage
 - c. Tax education
 - e. Effective and efficient administration
 - f. Clear VAT law and regulation

g. Other (Please specific)

9. Do you think the legal provisions of VAT are appropriate?

- a. Appropriate b. Not appropriate c. I don't know

10. Do you think the single rate of VAT (13 percent) is effective?

- a. Effective b. Not effective c. I don't know__