

TAXATION IN NEPAL: WITH SPECIAL REFERENCE TO LAND REVENUE AND LAND REGISTRATION TAX

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RECOMMENDATION

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**“Taxation in Nepal: With Special Reference to Land Revenue and Land
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I hereby declare that the thesis entitled, “*Taxation In Nepal: With Special Reference To Land Revenue And Land Registration Tax*” submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University is my original work. It is done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies under the Supervision and guidance of Prof. Dr. Kamal Deep Dhakal and Romakant Bhattarai of Shanker Dev Campus T.U.

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LIST OF ABBREVIATIONS

B.C.	:	Before Christ
BS	:	Bikram Sambat
CBS	:	Central Bureau of Statistics
CEDA:	:	Center for Economic Development and Administration
etc.	:	Etcetra
DDC	:	District Development Committee
Dept.	:	Department
F/Y	:	Fiscal Year
GDP	:	Gross Domestic Product
i.e.	:	That is
Ktm.	:	Kathmandu
KMC	:	Kathmandu Metropolitan City
LSG	:	Local Self-Governance
MBS	:	Master of Business Studies
MLD	:	Ministry of Local Department
Mgmt.	:	Management
Misc.	:	Miscellaneous
NG	:	Nepal Government
No.	:	Number
Rev.	:	Revenue
Rs.	:	Rupees
Sq.ft.	:	Square feet
Sec.	:	Section
S.N.	:	Serial Number
TU	:	Tribhuvan University
U.S.A	:	United States of America
VAT	:	Value Added Tax
VDC	:	Village Development Committee
%	:	Percent
	:	Summation

CHAPTER-I

INTRODUCTION

1.1 Background of the study

Nepal is a beautiful small landlocked country situated between two large countries India and China .The economic condition of Nepal is relatively poor than neighbor countries .The economic growth of China is increasing in increasing trend on the other side the economic growth of India also is in increasing trend .Both countries affect the Nepalese economy directly and indirectly .In this situation the Nepalese economy can not stay alone without considering these countries economy .On the other hand Nepal is rich in natural resources. Nepal has been facing some problems. The main problems are unemployment, poverty, rapid growth of population instability etc.

The government of Nepal should utilize the natural resources properly to avoid these problems. The government has to spend a lot of money to fulfill their responsibility towards the people these responsibility may be development, health, education etc. If the government allocates the budget in this sector properly The Nepalese economy will be improved soon. But the government expenditure is increasing day to day because of different causes. To meet the expenditure government has to manage its fund from the different sources. These sources may be internal or external .There is many negative results of external sources of fund. Nobody becomes ready to provide grants and loans without conditions. We need to pay high interest accepting the inappropriate condition to take the loans and grants. These sources have been limited, inconvenient and not suitable to boost up the Nepalese economy. Internal sources are better sources than external sources .So the government should focus on internal sources of funds. Developing countries like Nepal have limited sources of internal funds. So most of the development activities of the nation depend on the external sources. The external sources of funds are

bilateral and unilateral grants, loans from foreign countries and fund from donor agencies.

It is very important for developing country like Nepal to mobilize internal sources where natural resources and low cost labor forces are available. Situation of Nepal is different. Nepal is not mobilizing its natural resources effectively. Small and stagnant , partial monetization of the economy , poor performance of the public sector ,enterprise ,poor rate of economic growth , inadequate tax efforts , deficiencies on tax policy , laws and administration etc. exist here . Internal sources of public funds are important not only for necessary financing funds but also for proper utilization of external sources. Based on the nature of sources internal sources of public funds are also classified into revenue (public income) and borrowing (could be internal and external). The public income or revenue includes:

a)Taxes b) revenue from government corporations and public enterprises c) fees d) special assessment e) fines and penalties. Among them tax is the main sources of collecting the government revenues.

“Resources mobilization through taxation is an avoidable in the sense that if the government does not tax, now remaining dependent on foreign borrowing only for the meeting the normal budgetary needs of the economy, it would be forced to tax in the future.” (Bhargava, 1956: 18)

Tax simply means a liability to pay an amount to the government .It is a compulsory contribution to the national revenue from the taxpayers according to law. Tax is computed and paid as prescribed in the law. Tax and taxation are not synonyms terms .A tax is a compulsory exaction of money by public authority for public purposes enforceable by law and is not a payment for service rendered. Thus, tax is a charge by the government on income or property or expenses of an individual or group of individuals while taxation is a device or a process of taxing or imposing tax.

Findlay's Shirras defined tax as a compulsory contribution to public authorities to meet the general expenses of the government which have been incurred for the public good and without reference to special benefits.

To pay administrative expenses to the government or to do development works, it needs huge amount of money called revenue. The revenue comes from the different sources: Grants, administration incomes, investment incomes, agriculture incomes and different types of taxation .Administrative income, business income, investment income and agriculture income are non tax revenues. The basic objective of the government is not collect non tax revenue but the non tax revenue comes automatically while performing many other works. The example of such types of revenues are grants from government or agencies, registration fees, fines and penalties charges for postage, electricity, water etc.

According to professor plehn "Taxes are general contributions of wealth received upon persons, natural or corporate to defray expenses incurred in conforming common benefits upon the residents of states."

From the above statement we know that every state needs sources of revenue. Another source of revenue is the tax revenue. Customs duty value added tax, corporate and personal tax, land tax are the some examples of the tax revenues. The government always wants to collect these types of tax. The term tax can be categorized into two ways: direct tax and indirect tax. Income tax, property tax(land revenue and land registration tax) ,expenditure tax, gift tax, interest tax, death tax, contract tax ,vehicle tax are some example of direct tax. Indirect taxes are value added tax, sales tax, entertainment tax, passenger tax, hotel tax, import duty, export duty, excise duty etc. Among these taxes land revenue and land registration tax (property tax) is one of the important taxes about which I am going to prepare a thesis.

According to oxford Advanced Learners Dictionary, Property refers to "a thing or things that are owned by somebody. In other words any kind of assets such as Land, building, vehicle, silver, gold, jewelry, furniture, plant and machinery

equipment etc. owned by someone is property”. The property tax is the compulsory payment to the public authority, which is based on the capital value of property. In law, the courts define property as the right of possession, enjoyment and disposition of all the things themselves which are the subject of ownership. The tax which is levied on some personal possession is known as property tax. So the property tax has great potentialities of source mobilization on the developing countries. Legally all properties can be divided into two classes personal property and real property.

In Nepal property tax was performed in fiscal act 2017 B.S. At that time government had authority for collection property tax. There were different rules for tax rate. But the property tax act revised in 2019 B.S. Since the period the property tax system has been implemented in urban houses and property. Property tax has become the most important single resource of revenues for nation and local governments. In Nepal government has started to implement of wealth tax in 16 urban areas of the country from this fiscal year (Income tax act 2047). According to the tax office a list is being prepared for tax payers in the urban areas.

Property tax was introduced in European countries more than 100 years ago. Right now property tax has been the major source of revenue in most of the countries of the world. In Nepalese context property taxes are named as house and land tax.

In Nepal, the first elected government introduced this tax .Property tax was introduced by finance act 1959 as a central tax. Due to ineffectiveness in collection revenue from property tax it was replaced by urban house and property tax act in 1962 for the purpose of collecting revenue from urban house and land property . Initially this tax was introduced in Kathmandu, Lalitpur, Bhaktapur, Biratnagar, Birgunj, Nepalgunj, Rajbiraj, Janakpur and Butwal. Later in 1963/64 it was extended to Bharatpur and then to Dharan. In 1964/65 it was extended to Bhairawa, Pokhara, Palpa, and Hetauda in 1973/74 .The tax was introduced in Bharatpur in 1988/89. The interim government of 2047 again

introduced the property tax in 1990 by the finance act. It was again replaced by urban house and land tax in 1995/96.

After the introduction of local self government act in 1999, property tax is given to local bodies right now. There are two variants of property taxes house and land tax and unified property tax. Local bodies i.e. VDCs and municipalities have the right to collect property tax whereas the right of collecting unified property tax is given to municipalities.

1.2 Rationale of the Study Area

The tradition of tax has been stated very late in the context of Nepal. During the Lichhavi and Malla periods, the main source of government revenue was land revenue and land registration tax. At that time water revenue, religion tax and purification of caste were the major sources of tax. These taxes were fulfilled in the form of goods, cash and labors too. Due to vast ability in tax procession, there were many changes occurring time to time. At that time, there were no systems of income tax. There were increments in the expenditure for administration, developmental wars and even for the armies.

To accept the desired amount of taxes from public was one of the regulations of present government. Mainly, these taxes were collected from Royal Palace, central government and local administration, and all in the forms of goods and cash. The main sources of revenue were timber export, land revenue, custom duty and excise duty etc.

Land taxation has been one of the important historical sources of government revenue. The land revenue administration is managed by central land revenue department under which 66 land revenue offices have been practiced, where the cadastral survey has already been completed. While in the remaining 9 districts, where the cadastral survey is yet to be completed.

The land revenue was collected through land revenue office, which ultimately collected through “mukhiyas” and “talukdars” and agents. It is to be remembered that land reform programme(2001B.S) brought some vital changes

with respect to abolition of “zamindari” system and some land revenue like “birta” and “kipat” as well .A provision was also made to guarantee the security of tenant's right. An attempt has been done to systemize the land records according to modern system of cadastral survey .During this process , several acts relation to land came into existence such as ; Land Measurement Act , Land Act , Birta Abolition Act , Land Administration Act , Land Revenue Act .

Land revenue, once the major source of government revenue during 2017 B.S, has recently only the nominal contribution to the state exchanger. The land revenue system has become outmoded partly due to institutional and administrative inefficiencies. Thus, reduction of institutional and administrative inefficiencies, land revenue collection is now being done through concerned village

development committees (VDC's) and municipalities since 1st falgun 2052 B.S as per the Local Self Governance Act 2055 .25% of the total collection is to be deposited into the fund of district development committees (DDC's) and 75% into VDC's fund for local development activities .

1.3 Statement of the problem

Land revenue administration is managed by the Central Land Revenue Department under District Land Revenue Office. This land revenue is collected through ‘District Land Revenue office’. Since Falgun 1, 2052 the land revenue collected through municipalities and VDC’s.

There are so many problems involved in land revenue administration .The problem is due to lack of modern cadastral survey and up to date records .Land classification was not made on the basis of its productivity. Lack of physical infrastructure, computerized system and other facilities, lack of voluntary compliance on the part of taxpayers, non uniform assessment region, lack of appropriate criteria to determine small and large taxpayers, lack of

encouragement to delinquent taxpayers and underpayment to taxes ,inequality of minimum valuation of land for different purposes, lack of trained and educated manpower, undesirable postings and transfers of personnel ,management corruption and unfair duties are familiar problems reacted with land revenue administration.

The following statement of the problem can be stated:-

- a) What is the contribution of land revenue in the entire Government revenue?
- b) It also considers the land registration mechanism in Nepal.

1.3 Objectives of the Study

The main objective of the study is to evaluate the Land Revenue and Land Registration Tax. The following are the main objectives of the study

- 1) To study and explore the detail information about land revenue and land registration
- 2) To study and evaluate the contribution of the land revenue in Nepal
- 3) To identify and analyze the problems of land revenue and registration tax
- 4) To provide necessary suggestions to improve land revenue registration procedure on the basis of study findings

1.5 Significance of the study

Land revenue has played a vital role in financing the government activities .Because of this fact ,our country must give necessary attention towards the good policy of land revenue system .This may be a proper tool of development beside revenue collection .Studies of land revenue bear a broad national perspective and the planners and researchers can receive useful insight into the problem from this study .Moreover, the persons involved directly and indirectly with land revenue are influenced by the government policies and programmes . A proper study of the historical process, which has shaped over land revenue,

has its strong relationship with changes in the policy measure through time. This study is therefore an attempt to understand the reality of our specific role of land revenue and its most important aspects.

Every job has its own importance such as we can deal some importance such as we can deal some importance towards the study .They are as follows;

1. It helps to highlight the problems regarding the land revenue and land registration.
2. It helps to know about the government activities towards land revenue and land registration.
3. It helps to study properly about the historical process which has shaped over land revenue and also about its strong relationship with changes in the policy measures through time

1.6 Limitations of the study

The study is based on land revenue administration in Nepalese context. It is not complete study of land revenue system and registration system in Nepal. So, the limitations of this study are as follows:

- 1) It is based on land revenue administration in Nepal only.
- 2) Secondary data for the analysis have been used rigorously with the support of primary data.
- 3) Some data are dependent upon verbal information which may not be sufficient for the purpose for research better for future response.
- 4) Lack of appropriate criteria to determine small and marginal tax payers.
- 5) Lack of trained and educated manpower.
- 6) Time constraint and financial crunch.
- 7) Questionnaires are filled up from the respondents of Kathmandu valley only which does not cover the contribution land revenue as a whole.
- 8) Due to lack of modern survey using modern technology the record provided may not provide sufficient or reliable information.

1.7 organization of the study

The study is organized according to the prescribed format .In five chapters.

1. Introduction

The first chapter of the thesis includes general background, historical Background Statement of the problem, objectives of the study, significance of the study and limitations of the study

2. Conceptual Framework and Review of literature

The second chapter of the study is literature review .It discusses about the review of supportive texts and previous related researches .It also includes the findings the actual information and reality about the land revenue and registration in Nepal.

For detail we classified literature review into two parts such as

- A. Review of supportive texts and
- B. Review of previous related researches

First chapter is based on theories and behaviors of land revenue and registration tax. The second chapter is based on all those published researches and thesis as well.

3. Research Methodology

This is the third chapter which includes research design, data collection Procedure and data analysis tools .Research design is the guideline of the research. Research design is based on primary data as well as secondary data.

4. Presentation and Analysis of data

The fourth chapter deals with the presentation analysis and interpretation of data to analyze the data, various tables, figures and statistical tools are used .It is the actual information about the thesis.

5. Summary, Conclusion and Recommendations

It is the fifth and last chapter of the thesis in which result of study, summary, conclusion and recommendations are included.

CHAPTER-II

CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

2.1 Conceptual Background

This chapter highlights upon the existing literature and research related to the present study with a view to functioning out what had already been explained and how the present research is different from previous dimensions. Especially it attempts in co-operating as well as practicing all those studies inside the country.

Taxation is very important concept in the promotion of any state system. Therefore, writers like kautilya as well as Adam Smith have spoken eloquently on the importance of the system of taxation. The basic theory behind taxation is that every individual should contribute towards the expense of the government. Even Adam Smith who is generally considered to be the father of modern capitalism mentions that the subjects of every state ought to contribute towards the support of the government. Nepal also has devised different methods of taxation.

This chapter has been grouped into two parts: i.e. (i) Review of supportive texts and (ii) Review of previous related researches.

2.1.1 Meaning of property

This chapter of the thesis describes about the theories and behaviors of land revenue and registration tax.

In general sense property refers to car, farm or anything else owned by the people. Property also refers to any types of capital goods that are owned, for example: machinery, raw materials, and finished products etc. There are two ways to classify property – real property including land and things permanently attached to it, such as building etc. and personal property including all other kinds of property, such as furniture, stock and harvested crops. It is much easier

to transfer personal property than real property. Real property must be transferred orally, when a man dies he heirs usually in real property. But personal property generally passes into the hands of the state administrator who sells it and divides the process among the next of kin , unless one makes other provisions for disposing it . In brief real property consists of immovable and personal property of movables.

a) Real property

Real property consists mainly of land and buildings (or what are called improvements on the land) .Land improvements are very important in taxation. Land values are subject to different conditions. Land may increase in value while the buildings on it are decreasing in value .Different methods are used in valuating the two kinds of property for instance depreciation must be considered in the case of buildings but not for valuating land .

b) Personal property

Personal property is classified into tangible and intangibles property. Tangible personal property includes a great variety of goods : merchant's and manufacture's stocks (inventories) ,business furniture , fixtures and machinery too and pattern : rolling stock of railway from machinery , harvested crops ,logs ,household furniture , clothing ,jewelry and other personal effects .

The second category of personal property is intangible property .This class consists ; stocks , mortgages ,deposits , money and book credit , copy rights and patents , goodwill , franchise value . Intangible property can easily escape taxation whether by migration or by hiding. Many estates classify intangible separately and apply a low flat rate tax to them as a substitute for the general property tax.

2.1.2 General property tax

It is a tax on all wealth tangible and intangible which possesses exchange value.

2.1.3 Property tax

Government on owners of property levy property tax. This property includes real state, such as homes, building and vacant land. It also includes personal property such as income, furnishings, stock, bonds and automobiles.

Tax is the compulsory payment to the government. The tax, which is imposed on personal possession, is known as property tax. Property taxation has great potentialities of resources mobilization in the developing countries. In these countries the process of economic development tends to be accompanied by a boom in real state and investment in housing and urban areas.

The property tax is the compulsory payment to the public authority which is based on the capital value of the property. In law the courts defined property tax as the right to possession, enjoyment and disposition of all things subject to ownership.

In the United States and Canada only provincial state and local government laid property taxes. The federal governments of the two countries do not use these types of taxes. Since the early 1930's state has received less and less property taxes. But the tax continues to be an important source of revenue for local government.

The property tax rate varies depending on the tax revenue needs of the government. The tax rate is usually based on the property's assessed valuation. This is a certain percent of the property's total value as determined by the government property is rarely taxed at its full market value.

It has come to notice that some person have been trying to avoid personal wealth tax liability by forming closely held companies, to which they transfer many item of their wealth particularly, jewellery, bullion of real state.

As companies are not changeable to wealth tax and the valuation of the shares of such companies does not also reflect the real work of the assets of the company. Those who hold such on productive assets in closely held companies are able to successfully reduce their wealth tax liability to a substantial extent (Prasad, 1999-2000, 36). Tax may be levied on flows such as income and expenditure or on stocks such as wealth. Wealth taxes may be imposed on the holding of wealth or on transfer of assets transfer by gift. Wealth taxes occupy a dominant position in the tax, structure of local bodies. They are justified done two grounds benefits and ability to pay since property receives certain special benefits from government it should be taxed for these benefits. Wealth taxes based on Benefit consideration are in rare type property taxes while ability to pay consideration point to a personal taxed on net wealth (Singh, 1991:210-220).

2.1.4 Historical Background of Property Tax

Property tax has its origins in early American history. Initially it was assessed in selected items of property such as land and cattle with different rates imposed on various categories. Thus classified property tax was the main source of revenue to the colonies. During the 18th and 19th centuries a greater variety of property emerged making it difficult to maintain such differentiation. Thus the tax developed into a general and uniform tax rate. The uniform tax was applied to property independent of form with total property viewed as a general measure of taxable capacity. This approach gave way under the increasing complexity of property forms. The growing importance of intangible property tax had been supplanted by a much narrower approach. It becomes a selective tax on real estate and business personality has remained ever since. Tangible property other than real estate held by persons now largely escapes tax and to attempt is made to reach intangible property. While the share of the property tax in total tax revenue has declined from over 50% at the beginning of the century to around 10% at present property tax revenue as 1% privately held

wealth or as 1% in G.N.P has not changed greatly over the last century .It is estimated that the revenue wealth ratio has remained at about 1%. The share was lower however for municipalities 61% which are increasingly, developing additional revenue sources. (World Book 2007:17)

Right now, property tax has been the major source of revenue of most of the cities of the world. Property tax gained importance because of the population increase growing urbanization in 1990. By narrowing the tax base to those properties, which could be easily discovered improving assessment providing better staff; many countries adopted property tax in moderate form. At least in sun-urban area it is a fairly adequate surrogate for a local income tax since a high relationship has been found between property values and income level.

Property taxation has been the major fiscal resource of American local government since 17th century. In 1960 the selected Asian nations like Indonesia, Republic of Korea, Laos and Thailand made only small use of urban property taxation. Property taxes are most important in India where as in Malaysia, Pakistan and Philippines; they yield less than 20% of local revenue.

Argentina local government, levy earns in tax which applies to Urban and rural land improvements on the official value. The general rate is 0.1% .Buenos airs however applies progressive rate with a maximum of property and local taxes on acquisition. A low 0.3 % tax applied to land in Korea.

Brazil has power to impose a tax on rural land to ensure uniformity through the country since local government tax Urban land at rates that can vary from 0.5% to 10%. Colombia by municipalities, there is a national surcharge of 10% of the municipal tax.

In Guatemala a municipal tax on urban property is based on actual or presumed income. There is also a national tax in real property levied on a personal basis on the total official value of the real property of each taxpayer. The rates range from 0.3% to 0.6% revenue from property tax in selected developing countries.

Poland adopted an agricultural property tax in 1985 and real state tax in 1986. Poland's property taxes are urban, agricultural and forest. Local government facing budget deficits are eager to increase property tax revenues and urban areas seeking more efficient land usage have supported conversion of the tax base to market value.

Estonia's land tax was introduced in 1993 as an integral part of both land and fiscal reforms .The tax on land levied on both public and private lands with few exemptions, was intended to stimulate the efficient use of land. Estonia local governments select a market value tax base .Recently the government has explored the possibility of adding buildings to the property tax base to expand revenues without increasing tax rates.

In the Czech Republic's fiscal reform, property tax revenues are assigned to local governments. Land and buildings are assessed separately and taxed on the basis of land area or building floor space. It has area based system based on information, market pricing for location and types of uses. Its strong real state market, stable economy and administrative experience give the Czech Republic the foundation for a modern property tax system.

The Slovak Republic's fiscal system reflects taxes on land and on buildings governed by national law, although the revenues and some administrative tasks are assigned to localities. Land and building taxes are set per square meter.

The Russian tax system includes value added, corporate and personnel income taxes. The 1988 enactment retains taxes on land and property. Real state tax is based on market value is used to replace the taxes on land, on property (buildings) owned by individuals, and on property (assets, including equipment, inventory and vehicles, as well as buildings) of enterprises. Property taxes are shared between regional and local governments.

In America local self-government, real property rights, and taxation were adopted in 1955 .A tax on buildings was added to the excising tax on land. To encourage business activity, American officials are now considering methods of expanding local revenues from property based taxes.

Finally, the property tax is the most widely used municipal revenue source in the developing world. In large urban populations, some form of property tax is assigned to the support of local government. To increase expenditures on municipal services, local governments frequently look to the property tax as a promising source of additional revenue. (World Book, 2007:17)

2.1.5 The Role of Property Tax

Land and property tax is an important source of local government. But property taxes are not always local taxes. Property taxes may depend upon environment in which they are levied and effective for equitable and efficient way to raise revenue. There is complex structure of property taxes around the world. In Germany, two variants of land tax are imposed on four different 'base rates' by basically determined leverage 'factor'.

In most countries, taxes on land property are among the oldest forms of all taxes. Central and eastern Europe, Asia, Africa and Latin America have the potential contributions of the property tax to the revenue of urban and rural governments and to more efficient land use. The effort of any property tax depends upon the tax base, tax rates and administration. Land taxes can contribute to local government revenues and to more efficiency land use. Land and property taxes are among the tax base, the settings of the tax rate and the ability to levy and collect the tax. In some countries one property tax covers all types of property. In others there are different taxes for different components of real property. Separate taxes on land and buildings; separate taxes on residential and non-residential property etc. are imposed in real life (Slack, 2002:160).

Property tax has been different roles. They are:

A) As a source of revenue: the roles of the property tax as a revenue source are as follows:

- i. Taxes on land property are at the best minor revenue sources in all countries.
- ii. Property taxes are important sources of sub national revenue in many countries and more so in developing than in developed or transition Countries.
- iii. Property taxes are much more important in rich countries than in developing countries.

B) As a Local Tax:

The property tax has major part of local government's revenue source in many countries. The role of land and property tax as local revenue sources are as follows:

- i. Taxes are residential real property as essentially taxes on having services that property. Taxes are inherently regressive, since as a rule, housing constitutes a relatively higher share of consumption for poor people.
- ii. Property taxes are essentially a tax on capital that such taxes are inherently progressive, since as a rule, income from capital constitutes a relatively higher share of income for richer people.
- iii. The portion of the tax that falls on land as beings paid out of economic rent often consider it to be inherently equitable to tax such "Unearned increments " often from public action .

2.1.6 Characteristics of Property Tax

Property tax is a tax upon all wealth, tangible and intangible, that processes exchange value. It is levied according to exchange value, at last in theory, and at a common rate for all property in the same district. It is levied upon property located and the tax is paid by the owner. Property tax is levied, and understanding of the nature of property is essential to understanding the tax (Jems P. Jensen, 1931 and Dick Netzer, 1966).

Characteristics of property tax are visibility and inelasticity. The property tax is the very visible tax. It is paid directly by taxpayers in periodic lump sum payments. The property tax finances service such as roads, garbage collection and neighborhood parks .Property taxes are considered to be a source of revenue for local government. Local property tax finances local services promoting public decisions, good schools, roads and transits etc. The other character of the property tax is:

- a) Local property taxes finance services which benefit property values.
- b) Tax rates and services levels are decided by local voters.
- c) Voters-impelled by their sensitivity to property values.
- d) Property taxes are based on market value.

Property taxes are levied by local governments. However, not all taxes on property are levied by local governments. Local governments can do following:

- 1. Decide to levy the tax.
- 2. Determine the precise nature of the tax.
- 3. Establish the base on individual taxpayers.
- 4. Determine the tax rate and
- 5. Enforce the tax.

Finally, property tax is characterized by:

- 1. Gross property base ,

2. Value measure ,
3. Uniformity,
4. Universality,
5. Impersonality,
6. Local collection.

These characters are discussed below:

- 1) The gross property collection base: - The property tax is based on gross wealth taxpayers can't as a rule offset debts against the value of his property.
- 2) Value measurement: - There are many kinds of value, but the property tax is considered with economists exchange value.
- 3) Uniformity: - The uniformity characteristics of property tax was the erosions of time, generally they call for uniform treatment of taxable property. Uniformity of property taxation would ensure neutrality of treatment.
- 4) Universality: - Property tax has to include all wealth excluding only a few items that could quality for specific exemption.
- 5) Impersonality: - It is impersonally levied upon things, business and transaction. A person's property shows his ability to pay.
- 6) Local collection:- Property tax is applicable to the local units of government .It means that local legislative bodies are frequently held responsible for a tax rate . This makes the property tax a much more strictly local concern and accounts in part for the generous grant of discretion to municipalities in selecting base improvements partly dated of fully taxed.

2.1.7 Criticism of Property Tax

Criticism of property taxes fall into two class- theory or conception and practical or administrative difficulties. It has been said that property tax has wrong in theory and does not work in practice. Theoretical and practical or administrative limitations or property tax are as follows:

A. Theoretical Limitations:

Some theoretical limitations are given below:

- i. A poor measure of ability to pay:-Ability to pay is related to an individual's income. Property tax related to an individuals housing consumption is likely to related to ability to pay more closely than the levied on business.
- ii. A poor measure of benefits received: - Benefits received may not always be a proper gauge for taxation. Property taxation gives no clear accounting of benefits can be received. Property tax payment may not be the index of the benefit received. Plehn concluded from his observation of this system that the creditor regularly shifted his entire share of property taxes to the debtor through higher interest and that he added an extra charge for good measure.
- iii. Property taxation of personal abilities;- Property tax failed one important kind of intangible assets that are personal in nature and not capable of exchange , except in person to levy every man according to his liabilities what so ever.
- iv. Inconvenience of property tax: - Property may go for long period without bringing the owner an income. Property that retains value and prospects of future income may go for several years without any net return .Governments must continue even through some property taxpayers have no ready cash. Income tax waits upon the taxpayer's convenience.

- v. Regressively: - The property tax may be regressive in nature because the assessor may often assess property of high value at a lower ratio of assessed to true value than properties of lesser value. Regressively may appear because the owner of more valuable property is more influential in the community and with the assessor than poorer neighbors.

B. Practical and administrative limitations of property tax :

Some practical and administrative limitations of property tax are as follows:

- i. Fractionalized assessments: - Critics of the property tax is the statistics. The property tax base represents only a minor fraction of its total. Property is legally exempt from tax. The property tax base is narrow due to the deliberate practice of under assessing all taxable property. This practice is contrary to all taxable property. This practice is contrary to statute.
- ii. Inequalities: - Taxes to be paid by each village town and city with its borders, great unfairness can arise from inequalities in district assessments.
- iii. Competitive undervaluation:-Frequency distributions of assessment ratios in one study shows rural properties within country assessed at levels ranging from 5% to 50% of sales value. Proportional tax which are 10 times higher in some cases than in others.
- iv. Evasion:-The property tax universally have large amount of evasion .Intangible property, tangibles furniture and automobile etc. avoid list.
- v. Avoidance by migration:- Tangible property is less migratory than other tax bases and can't have high tax districts for those

with lower rates .Intangible property is highly migration. The property tax on bank deposits are difficult, to in base and real state can be moved any with great difficulty.

- vi. Property tax is tolerated:- According to professor Seligman“ practically , the general property tax as actually administered is beyond all doubt on of the worst taxes known in the civilized world.”

2.2 Property Tax in Nepal

The history of property tax in Nepal is not so long .Finance act 2016 had empowered the government to levy property tax. Property tax act 2017 was enacted to collect tax from property .Urban house and land & foreign investment were taxed at the same rates under property tax act 2017. Under the provision of property tax act, NG/Nepal framed property tax act 2019 was enforced and subsequently, house and land tax rules 2020 was then enacted which repeated the existing property tax act, 2017. Earlier central government of local self-governance act, 2055 local bodies (i.e. VDCs and Municipalities) impose property taxes within their boundary. Currently house and land tax act 2019, property tax act 2047 and local self governance act 2055 have been implemented in the collection of land tax (property tax).Local bodies are levying property taxes under local self –governance act and rules.

2.2.1 Collection, Realization and Refund of Tax

A) Collection of Tax

Local self-governance act 2055 has empowered VDC, municipality, DDC, to levy taxes. The VDCs and municipalities in the form of land revenue, land tax, house and land tax, integrated property tax and vehicle tax levy the property taxes.

Since the integrated property tax and vehicle tax are not exclusively practiced in some municipalities, Tax collection and realization with respect to the house and land tax and revenue or land tax are discussed hereunder.

In the case of Village Development Committee (VDC)

According to section 55 of Local Self Governance act 2055, the VDC may levy the property taxes as follows in its area at the rate approved by the village council, not exceeding the prescribed rate:

- 1) House and land tax: On the basis of size, type, design, and structure of the house within the area of VDC, it may impose annual house and land tax on each house and compound.
- 2) Land revenue (Malpot) or land tax: The VDC may levy land revenue or land tax on the land within its area. However 25% of revenue collected from land revenue or land tax has to be handed over to the District Development Committee (DDC).

The rate of taxes to be levied by a VDC within its area is prescribed in Annex-4 of Local self –governance regulation, 2056.

In the Case of Municipality

According to section 136 and 140 of Local Self-Governance Act 2055, the municipalities levy the following property taxes within its jurisdictions:

- 1) House and land tax: on the basis of size, type, design and structure of the house, the municipality may levy annual house and land tax on each house and compound as approved by the municipal council.
- 2) Land revenue or land tax: The municipality may impose land revenue and land tax as prescribed on the land within the municipal area.

- 3) Integrated property tax: The municipality may levy an integrated property tax within its jurisdiction at the prescribed rate.

According to rule 140 of self local governance regulation 2056, the maximum and minimum limits of the rate of land revenue and of house and land tax that may be levied by a municipality within its area shall be as prescribed in annex-8 of the regulation. As per rule 144, the minimum and maximum rates of the integrated property tax that may be levied by a municipality within its area shall be as prescribed in annex-12 of the regulation.

B) Recovery of Tax:

According to section 71 and 166, the fine and punishment imposed by the Village Development Committee or by municipality are recovered by section 260. According to this process, if any person does not pay any tax, duty or charge levied or contracted or any other amount due and payable to the local body, the district administration office recovers it as government dues.

C) Refund of Tax

According to section 147 of LSG act 2055, the municipality is not entitled to collect any kinds of taxes contrary to the act or the rules. If the municipality collects such taxes, Nepal's government may order to stop such collection and to refund the amount of taxes so collected to the connected person.

2.2.2 Penalties, Actions and Appeals

A) Penalties and Actions

Section 70 and 165 of Local Self Governance Act 2055 has made the provisions for fine and penalties if anyone doesn't pay any taxes , fees, charges ,duties, tariffs and any other amount due and payable under the act , the VDC and municipality penalize the person .

➤ In the case of VDC

According to section 70.2 of local self governance act, if any person does not pay the taxes imposed or levied by the village development committee, it may

punish such person with a fine of up to Rs.500 and may stop the service made available by the village development committee in regard to such person.

As per section 70.3 of the act , in case ,any person commits any act in contravention of the act , of the rules , by laws or orders made under the act ,such person shall be punished with punishment ,if any prescribed elsewhere in the act ; and if punishment is not so prescribed the village development committee may punish such person with a fine up to Rs. 500.

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

➤ **In the case of Municipality**

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

- 1) If anyone does not pay the taxes, which may be collected under the act, the municipality may write to the concerned body to stop the transfer of ownership of the movable / immovable property of such person may seal or lock up the trade, profession, and withhold the transactions including export and import.
- 2) If the amount which the municipality is entitled to collect under the act, could not be covered up even from the stoppage of the house, land, transactions or assets of the concerned person, the municipality may recover it by auctioning the person house, land or other assets, if any.
- 3) According to section 165.5 if any one does not pay any taxes under the act, the municipality may stop the service provided by it, in regard to such person.
- 4) If any one commits any action in contravention of the act or the rule bye-laws or orders made under the act , such person is

punished with punishment ,if any prescribed elsewhere in the act, and if punishment is not so prescribed the municipality may punish such a person with affine of up to Rs. 1000(section 165.5).

- 5) As per section 165.6 if any who has already been punished under this section commits the same offence again. The municipality may punish such person with two-fold punishment for each instance.

B) Appeals

In cause any property holder is not satisfied with a punishment imposed by VDC or municipality the local self-governance act 2055 has made provisions of appeal against such punishment.

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

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

2.2.3 Property not included in valuation for tax purpose

The following properties are not included in valuation for tax purpose:-

1. Growing crops: - Grass or standing trees on agricultural land, the growing crops grass or standing trees are excluded from the purview of the term of assets.
2. Animals: - Any domestic animals such as buffaloes, cows, oxen and others but the act does not clear the type of animals.
 - a) Any agricultural animals such as bullocks, cows and buffaloes
 - b) Any performing animals in circus such as chimpanzees, bears, lions, tigers.

- c) Any drought or transport: animals as males or horses.
3. Amount deposited for life insurance: -In Nepalese act, there is no certain information about insurance, according to Indian concept; it should be interested for an assessee in any policy of insurance in any policy.
 4. Patent or copy right : -The patent or copyright is exempt from property tax .The patent or copyright is acquired by an assessee under a contract from the original author or the inventor or it is acquired by way or inheritance or otherwise no exemption is allowed in such cases.
 5. Books and equipment for study.
 6. Pots and equipments except valuable meals.
 7. Wearing apparel provisions and other clothes for personal or household use of the assessee.
 8. Furniture and equipments (except T.V, V.C.D, Deck, refrigerator, washing machines, camera etc.) .they are exempted for developed countries like India .In the poor society, it is assumed highly luxury goods.
 9. Tools, machinery and equipments used for professional works.
 10. Simple equipments of decoration of house (except valuable metal equipments).
 11. Singing and dance equipments for daily use.
 12. Equipments for physical education.
 13. Equipments and tools for first aid which are kept in houses.
 14. Transportation equipments as cycle, riksa and other simple media.
 15. Weapons and tools used for personal safety.
 16. Equipments related to arts and photographs.

According to local self governance act 055/56, the assets exempt from taxes are:

1. Gold 10 tolas with jewelries
2. silver 200 tolas with jewelries
3. Stock in trade
4. Industrial mills, machinery tools and equipments building and ware houses of industrial areas.
5. Invested shares and debentures
6. Loan issued by Nepal Government which is declared exemption from these act,
7. Area for house of assesses 300 sq.ft. and ropanies of land.

Similarly, according to local self governance act 055/56 section 146, following are the rebates:

- a. Goods and equipments for social welfare
- b. Land owned by farmers
- c. The exemption limit for land are:
 - i. 10 bigha for terai area
 - ii. 20 ropanies for kathmandu valley
 - iii. 60 ropanies for other hilly area.
- d. Land covered by Royal palace
- e. The land related to NG
- f. Land and building for hospital
- g. Educational institutions
- h. Land related to non-profit making organization.
 - i. Foreign agencies organization
 - ii. Pound, electricity house, Airport, Bus park etc.

Types of Property Tax Exemptions:

Property tax exemptions are exempt for social reasons such as homesteads, churches, lodges, private school some for developmental purpose such as new industries, some for fiscal and administrative reasons such as household furniture ,some to avoid double taxation such as credits. The tax exempted intangibles and certain types of tangible are as follows:

- Homestead exemption: homestead includes any dwelling occupied by the owner as residence the site upon which the dwelling is located, and varying amounts of surrounding land .The exemption may include not only the land and improvements used as a place to live but also considerable property used to make a living .Homestead exemptions depend on a number of variables, such as the degree of home ownership, area and value of homesteads and the ration of residential property to total property.
- Exemptions of property used for religious and philanthropic purpose: Most of the governments exempt educational, charitable, benevolent and religious institutions from property taxation. In the case of religious organizations exemptions are church and a non profit making organization etc.
- Exemptions to encourage economic activity : exemption to encourage economic activities are cash bonuses, loans, donations of site and building or their provisional at normal rentals, gurantees of favorable conditions and so on.
- Municipal exemption policies: municipality also provides exemption to individuals to attract the economic activity within the municipality.

2.2.4 Rebates from Property Tax:

From the property tax following incomes are rebated:

- Loan and debenture taken from registered institutions.

- Amount received from the life insurance.
- Price received from social work.
- Amount received from provident fund
- Amount received from citizen investment.
- Amount received from personal annuity.
- Profit or dividend received from nation's commercial institutions.
- Amount of debenture received from NG/N.
- Amount received from foreign government.

2.2.5 Problems for efficient Tax Administration:

There exists problem because of the poor taxpayer and lack of tax education. So the local government would make sure them by teaching tax education .There are other factors like, delay in assessment and collection, unnecessary outside pressure and lack of proper incentives to tax personnel's. A good tax system must have certain administrative qualities including certain rules, compliance and collection cost enforceability and acceptability. Although there has been significant progress in the area of improving the elasticity and efficiency of tax system still the major source of revenue collection is land based.

2.3 Current Provisions of Land Revenue and Land Registration tax in Kathmandu Metropolitan city

The current provisions of Land Revenue and Land Registration Tax in Kathmandu Metropolitan City are as follows:-

2.3.1 Necessary Documents and Duties for Submitting Required

Documents:-

Following documents are required to submit Land Revenue and Land Registration Tax in Kathmandu Metropolitan City:

- a. If any person has various land and houses in the metropolitan area, statement should be submitted to related ward office of each land and houses.
- b. If any couple has separate land and house ownership, statement should be submitted jointly.
- c. If there are more than one own, statement should be submitted in the name of any one owner.
- d. People having liability to pay house and land property tax should submit the return as per act.
- e. If there is any increase /decrease in house and land property , it should be reported to the ward office .
- f. Calculated tax as per submitted statement should be deposited in bank account of within 35 days.
- g. The necessary documents are :-
 - i. Copy of land ownership certificate-1
 - ii. Copy of approval of house map-1
 - iii. Copy of approval of new flat map if any-1
 - iv. Field inspection report by technician for house constructed without approval before provision of Metropolitan system -1
 - v. Copy of tax receipt if any submitted to tax office-1
- h. Tax officer holds right for following action if required:
 - i. Necessary examinations and review of statements by tax payer by issuing notice for filling and taking interview.

- ii. Field inspection. (Source: Revenue department of KMC)

2.3.2 Process of Tax Assessment

Process of Tax assessment covers the process as follows:

- 1) Necessary documents should be registered in house and land tax book,
- 2) House valuation is done on the basis of size house, area of land and depreciation rate rate,
- 3) Different types of houses should be valued in different ways,
- 4) Tax assessment is done on the basis of house and land valuation,
- 5) After paying house and land tax ,tax clearance certificate should be issued and keep the records,
- 6) If owners are multiple persons, tax assessment should be done in the name of multiple owners like flat owners.

2.3.3 Things to be considered in Process of Tax Assessment

Things to be considered in process of tax assessment are as follows:

- a. Finding out actual valuation by total area of house,
- b. Find taxable value on the basis of depreciation , types of house ,total valuation, year and rate,
- c. If approval is not taken during house construction, she/he should deposit Rs. 10 per sq. ft.
- d. Name and types of road should be defined in the map.
- e. Finding out the area of land in ropani/hector.
- f. Actual valuations are done on the basis of types of road.

2.3.4 Mistake Corrections in the Process of Assessment (corrective Measures)

The processes for mistake corrections are as follows:

- a) If the tax payer complains about tax and valuation of house and land within two years, tax officer can again determine the tax and valuation.
- b) The administration should provide chance of revision about house and land tax if necessary.

2.3.5 Rebate for Tax Payers in Kathmandu Metropolitan City

Rebate for tax payers are as follows:

1. 10% discount for paying tax before last of shrawan.
2. No penalty for paying tax till Ashwin last.

2.3.6 Penalty System Land revenue

Penalties provisions are as follows:

- If any person submits false document invoices or wrong documents till Ashwin or every year, the penalty is Rs. 5000.
- If a person does not follow directions of tax officer penalty is Rs. 500
- If any person does not follow rules and regulations regarding paying tax the penalty is Rs.1000
- If tax is not deposited within 35 days 15% additional amount per annum shall be charged on assessed taxes.

2.3.7 Exemptions of Land Revenue

Exemptions of land revenue in Kathmandu Metropolitan city are as follows:

- 1) House and land occupied by Royal Palace.

- 2) House and land owned by NG/Nepal.
- 3) House and land owned by Municipalities and District Development Committee.
- 4) House and land related to Embassies, Diplomatic Mission Etc.
- 5) Land related to crematorium, airport, stadium, garden, park etc.
- 6) House and land related to not profit making educational institute and house and related to public enterprises.

2.3.8 Documents required for property valuation in KMC

Documents required for property valuation in KMC:

1. Application form -1
2. Copy of house and land tax clearance certificate-1
3. Bill of land tax clearance-1
4. Field inspection report of ward office-1

(Source: Revenue department of KMC)

2.3.9 Methods of valuation in Kathmandu Metropolitan City

Table 2.1 shows the methods of valuation of house and land in Kathmandu Metropolitan City:

Table 2.1

Procedure of Valuation of Building in Kathmandu Metropolitan City

Classification of houses	Frequency	Depreciation rate per year In (%)	Total life in year
1. Green (Raw) bricks with mud mortar	450	3	25
2. Kiln bricks (stones) with mud mortar	525	2	30
3. Kiln bricks (stones) with cement Mortar	575	1	70
4. R.C.C frame structure	635	0.75	100

Source: Working paper of Kathmandu Metropolitan City

Notes:

- i. House and land of green (raw) brick with mud mortar and thatched roof or houses made of bamboo or wood with thatched roof is not valued for the purpose of land tax.
- ii. The main auditorium of cinema hall is valued by applying a 25% discount in aforesaid rates.
- iii. Classifications of houses are green (raw) bricks with mud –mortar Kiln bricks (stones) with cement mortar, R.C.C frame structure.

2.3.10 Rate of House and Land Tax in Kathmandu Metropolitan City.

Table 2.2 shows the rate of house and land tax in KMC

Table 2.2
Rate of House and Land Tax in KMC

Value of House and Land	Rate of Tax (in Rs. And %)	Amount
First upto 10 lakh	Nil	Nil
Next upto 10 lakh	300	300
Next upto 30 lakh	0.05%	1500
Next upto 50 lakh	0.25%	12,500
Next upto 1 crore	0.5%	50,000
More than 1 crore	1.5%	-

In table 2.2, rate of tax in Rs. and percentage and amount are shown in right side. Value of house and land is shown in the left side. If the value of house and land is up to 10 lakhs she/he should not have to pay tax .If one has value of house and land up to 20 lakhs she/he must pay Rs. 300. Similarly if one has value of house and land next up to 1 crore after exemption of Rs. 10 lakhs, he/she should have to pay Rs. 50,000.

2.3.11. Property Tax Administration

In this part steps in Property Tax Administration, Functions of Property Tax administration, Assessments of Property tax, and method of valuation of Buildings are included.

2.3.12. Steps in Property Tax Administration

In property tax administration: discovery, valuation, billing and collection lies with municipal officials. Properties are recorded on tax maps for purposes of permanent identification. Values are calculated on the basis of objective physical characteries and standard unit cost factors of complete and up-to-date

set of all the documents required to administer the property tax. Some points are:

- a. An updated municipal tax code.
- b. An updated tax map.
- c. A new set of property records.
- d. New unit cost tables.
- e. Current market price.
- f. A new assessment roll.
- g. Property and its current tax liability.
- h. A complete set of tax bills.
- i. A ledger for recording payments against outstanding liabilities.

“Tax administration is tax policy” in developing and transitional countries, so property tax has not only impacts on their revenue but also affects their equity and efficiency. In many countries, poor tax administration is an impediment to implementing the property tax. Often local authorities do not have the capacity to administer the tax. Many administrative functions are performed manually rather than being computerized. The result is that the revenue base does not include all taxable properties, collection rates are low and enforcement is almost not extent.

Good property tax administrations have following features:

1. Property identification:

The first step in levying a property tax is to identify the property, to determine the owner and the value of land and improvements. Cadastral maps are an essential element of property identification. Information needs to be collected for each property identification. Information needs to be collected for each property includes: assessment roll number of the property, the address the owner of the property the area in square meters and the age of the unit. The

process of property identification is more difficult in developing countries due to:

- a) Revenue base information is neither up to date nor complete.
- b) It is too expensive for the local government to keep a good record of property identification data. Taxes are not collected on all properties within each jurisdiction.
- c) In many countries, property records are not computerized.

2. Assessments and appeals

Property taxes have to be based on assessment .The assessment function seems to be essentially local in about half the cases and the central, or regional the others .The detailed assessment methodology is established by the central government even when assessment is a local function .Property identification ,the problems encountered with assessment and reassessment often stem from lack of resources and expertise .Assessment suffers from a lack of technically qualified staff and assessment tools .Problem with keeping assessment up to date in many countries, a building permit is issued again in the recording office should sent notification to the office responsible for maintaining the property tax role ,such process do not work well . Taxpayers have an opportunity to appeal their assessment, if they think it is wrong, to correct factual errors and differences in views of the assessed value. In some countries taxpayers can appeal the decision of the valuation review board to a specialized tax court. Appeal system is desirable and necessary in practice, in many countries; there may be an appeal system in law.

3. Tax collection and arrears:-

Tax collection is usually a local government function of the property tax .If it is not paid within a time period, then interest and late fee are generally charged. In most countries, Property transfers are not permitted unless property taxes are paid. Tax arrears for those countries for which the information is available, Tax

arrears, as a proportion of taxes collectible are low in most developed countries.

Finally the main steps in administration are as follows:

- a) Selecting the levy
- b) Original assessment of property
- c) Review of the original assessment
- d) Central assessment or equalization
- e) Tax rates
- f) Procedure of collection
- g) Collection of delinquent taxes
- h) Appeals to some judicial
 - **Selecting the levy:** The levy consists of a legislative enactment to the effect that a certain specified amount shall be raised from the property tax.
 - **Original assessment of property:** Evaluate the property by the local assessor.
 - **Review of original assessment:** Every taxpayer is given the right to a hearing before the tax becomes final .This hearing may be before the original assessing agency. Few states have established administrative agencies to hear protesting taxpayers and to check and double check the work of the local assessor.
 - **Central assessment of equalization:** - Adjustments made by central units to facilitate the equitable distribution of overhead taxes among districts is called equalization.
 - **Tax rates collection:** The town village or city clerk calculations the tax rate for the district.

- **Collection of delinquent taxes:** Real property taxes are not paid before a certain time, the county treasurer must offer the taxes for sale; it has obtained the required number of successive tax claims for any parcel of property.
- **Appeals to some judicial:** Court of the first resort for the taxpayer who is dissatisfied with his assessment. The taxpayer is frequently given an additional appeal to the state tax department and a final appeal to the courts.

2.3.13 Functions of Property Tax Administration

Government tax department is a very important element in efficient property tax administration. Its principal functions are as follows:

1. Supervision of local assessment
2. Central assessment of districts
3. Direct assessment and local assessment
4. An administrative “Court of appeals” for aggrieved property owners and districts.

The quality of property tax administration is corresponding quite regularly with the alertness and adequacy of the government tax department or that of some corresponding state agency. Good supervision and intelligent central assessment, it is possible to administer the general property tax with a high degree of efficiency and success, even with a locally elected assessor.

2.3.14. Assessment of Property Tax:

Some methods of valuation of property taxes are as follows:

1. Area based assessment

A charge is levied per square meter of land area and per square meter of building. The assessment of property is the sum of an assessment rate per square meter multiplied by the size of the land parcel and an assessment rate per square meter multiplied by the size of the building. The assessments rate may be the same for land and buildings. With unit value assessment, the assessments rate per square foot is adjusted to reflect location and quality of the structure. Market value has an indirect influence on the assessment base. Properties in different zones will have different values.

The municipalities apply tax according to the availability of the services like garbage collection, street lighting covered road covered side walk, sanitary sewers and rain water sewers. The tax rate is 8% to 14% according to quality of services. The value of agriculture land often seems, like other presumptive tax base.

2. Market value assessment

Market value is defined as the price that would be struck between a willing buyer and a willing seller in an arms length transaction. The following methods are used to estimate market value:

- a. The comparable sales approach is used when the market is active and similar properties are being sold.
- b. The depreciated cost approaches used when the property is relatively new, there are no comparable sales and the improvements are relatively unique and industrial properties.
- c. Under the income approach, income is converted to a capital value using a capitalization rate for properties with actual rental income. Market value assessment is used in all the OECD countries, Indonesia, Philipans, South Africa. Latvia, Argentina and Mexico.

3. Rental value assessment

Under the rental value assessment approach, property is assets approach according to estimated rental value or net rent. There should be no difference between a tax on market value and tax on rental value.

4. Area based vs. Market based assessment

Market value has the advantage of capturing the amenities of the neighborhood ,amenities that have often being created by government expenditures and policies .Area based assessments are unlike to capture these amenities because they do not take into account of difference in neither the quality of buildings nor their location. Unit value assessment tend to be less volatile than under market value assessment .Unit value assessment is easier to understand and cheaper to administer than market value based assessment .Unit value may be easier to administer for single family residential properties .It is difficult to use for multi residential rental condominium commercial and industrial properties etc.

5. Self Assessment

The current local tax system is based on principle of self assessment .Under this method, the responsibility lies on property holder itself .Properties are assessed at market value .Under self assessment in some countries, people have the right to buy the property at the assessed value .It do not required expert assessment staff and it is appears to be easy to implement. According to the case study in bird and slack 2002, self assessment appears to have significantly increased revenues. (Wikipedia)

2.3.15 Method of Valuation of Buildings

There are some methods of valuation of buildings which are as follows:

- 1) Rental Method
- 2) Direct comparison with the capitalized value

- 3) Valuation based on profit
- 4) Valuation based on cost
- 5) Development method of valuation
- 6) Depreciation method of valuation

1) Rental Method

In this method, the net income from rent is found by deducting all outgoing money from the rent. A suitable rate of interest, as prevailing in the market is assumed and the year's purchase is calculated. The net income multiplied by the years purchase is calculated. gives the capitalized value of the property. The method is useful in those properties which are rented and where the net rent is known. It is difficult to discover the actual net rent because the property owners seldom declare the true amount. There would be the problem of fixing a rental rate for each house (Dhungana & Pradhan, 1973)

2) Direct Comparison With the Capitalization Value

The second method is adopted when the rental value is not available from the property concerned. In such cases the capitalized value of the property is fixed by direct comparison with the capitalized value of similar property in the locality. This method can be used only in conjunction with some other method where the basis of valuation is already known. It is difficult to find two or more similar properties in the locality.

3) Valuation Based on Profit

This third method is suitable for building like hotels, cinema halls, theaters etc for which the capitalized value depends on the profits.

4) Valuation Based on Cost

In the valuation based on cost method the actual cost incurred in constructing the building, is taken as the basis for determining the value of the property.

5) Development Method of Valuation

This method is used for those properties in either an undeveloped stage .It is used only in specific cases, e.g. half completed houses.

6) Depreciation Method of Valuation

This method is the depreciation method of valuation .According to this method, one needs to have information on i) Walls ii) Roofs iii) Floors iv) Doors v) Windows etc . This method is the best as far as accuracy is concerned. But general public is not having a consciousness or understanding of the implication of such taxation, so it is not applicable (Dhungana & Pradhan, 1973).

2.4. Taxation in Ancient Nepal

Nepalese ancient tax system was based on Vedas , Smritis and Purans .Directives propounded by Manu , Yagnabalakya ,Chanakya etc. guided the taxation system at that time ;the principle of collecting tax from the people was imposition of tax without harming the activities of the people (Kandel ,2060,p.8).Tax was the major source of revenue in ancient Nepal ,Tax and religious moment preservation taxes were exit in the time of the king Ansuvarma of Nepal .There was tax for purification of casts as well as cremation of the dead.

In ancient Nepal , even in the economic policy of Ansuvarma , agriculture was the main primary profession of the people of Nepal .The government of the ancient Nepal received land tax in the portion of harvest , 1/6 or 1/8 or 1/12.These tax are determined in the nature and degree of productivity or cultivation .

In ancient Nepal, taxes were levied in the form of kind; cash and labour.Specific portion of agricultural product were payable in gold. Fixed taxes were levied in the villages .Compulsory manual work from all artisans

and labors was also a common way of paying taxes .The nature of taxation was temporary & taxes were realized for special purposes .(Agrawal,1978,p.42)

During the period of Medieval Nepal, the main sources of taxes were land tax as well as imports of commodities .In those days, tax free land enjoyed by the officials instead of salary.(khadka,2059)

2.4.1 Taxation during unified Nepal (1825-1903)

During the period of 1825-1903, the major sources of revenue were land and homestead taxes, monopolies customs transit and market duties, mines and mints, the export of forest product, bird, animals and various levies and fines.

The various taxes levied during that period were narrow in base and were imposed primarily on occupations and economic activities ,not on income or property .The system of direct taxation was confined to land tax and special levies like 'darshan-bhet ,salami and walk, etc.

In 1826, King Prithivi Narayan Shah (Architect of Modern Nepal) of Gorkha lands the foundations of present Nepal by conquering Kathmandu valley .Within the next two decades ,more than 60 petty kingdoms and principalities in the hilly region came under the authority of the new power . Expansion towards the plains of northern India was checked only after the Anglo-Nepal war of 1871-73. Most of the territory in the plains that had been annexed by Nepal was ceded to the British in the treaty of sugauli 1873 .These frontiers were maintained for nearly half a century until 1915 ,when the western terai area was restored to Nepal as compensation for the assistance Kathmandu extended to the British in the India revolt of 1914 .Anyway , the shah dynasty had occupied the throne of Nepal since 1826 to 1903 .From 1903 to 2007, however ,effective power was in the hands of the Rana family ,in which the eldest member of this family ,succeeded as hereditary Prime Minister and defacto ruler. (Regmi, 2035, p.4)

During the period of Nepal unification, the highlights were on the ground of the importance of land tenure and land tax system. Land was classified as Raikar, Birta, Guthi, Serra and Kipat. In those days, state ownership was the traditional form of land tenure followed in all parts of Nepal. Under this system, known as Raikar, peasants cultivated the land in the capacity of tenants and made payments directly to the state. Frequently, the state granted Raikar lands to individuals or to temples and monasteries. Grants of these categories were known as Birta if the beneficiary was an individual and Guthi if it was a temple or monastery. Raikar lands which the crown for meeting the food grain appropriated and other requirements of the royal palace household were called Serra. During the eighteenth century, the Guthi land Tenure system, in particular, is of considerable significance in any study of the social, cultural and religious life of the people in several parts of both the eastern and western hilly regions, number of indigenous ethnic groups owned lands on a communal basis without any legal title under what was known as the kipat system and these days, Serra and Kipat appear to have covered a relatively area, however, as most land was under the Raikar, Birta and Guthi forms of land terms. (Regmi, 2059, p.55)

2.4.2 Taxation during Rana Regime

Imposition and collection of taxes during the 104-year oligarchic rule of the Rana family in Nepal prior to 2008 B.S was the prerogative of the feudal rulers. Only these taxes, which suited the objectives, need and unions of the then ruling prime minister were imposed. Income and expenditure of the state were not made public. No budget was ever framed during that period. There was no difference between the income of the state and the income of the then prime minister.

The major source of the revenue in Nepal till 2007 were land tax, custom and excise duties in the form of lump sum contracts, royalties on felling of trees, royalty on supply of porters 7 soldiers, entertainment tax, and a few other

minor taxes. There was no other direct tax in the country except land tax collected on a contractual basis and salami, which the government employees use to pay out of their salaries at a very small percentage. The Salami was abolished in 2007 B.S. Since most of the revenue in Rana period of Nepal collected by award of periodic contracts, the need was not felt for the development of effective revenue administration system.

The Rana rule was done away with in 1951. Since then; no taxes are levied and collected in Nepal except in accordance with the law. (Timalsina.2062, p.7)

2.4.3 Taxation in Modern Nepal

The democratic system came in B.S. 2007 through which land revenue, custom duty, excise duty, salute fee, entertainment tax and land registration fee are total six taxes that were brought in use. Except these taxes salute tax was collected from the monthly salary of Government servant, entertainment tax was only for entertainment purpose. House and land registration fees were taken as non-tax revenue. Through salute fee and entertainment tax it is seen that more revenue had not been collected in revenue. Mostly land revenue, custom duty and excise duty were the main sources of government revenue.

Among the Land Revenue, Custom duty & excise duty the land revenue is only collected from the landowner only after the declaration of lands ownership right. Custom duty is not only for export or import but also they have to pay while carrying goods from one place to another, inside the country. But excise duty is collected from alcohol, animals' skin, mane of pig, bone, horn, drug, and mine.

For operation of these taxes in nation single law is not taken but in different place different orders are taken. These taxes were not collected by government officer themselves but these were collected by revenue mukhiya, jimmawal, jamindar and patwari but custom duty and excise duty were collected through contractor. Likewise in collection of taxes inside the nations

different order was given and in different place a mediator ,which is seen very different .Through these taxes were not seen equitable ,failure and unscientific when democratic system was established in 2007,different taxes were collapsed and new ideas were brought in use through which contractor system was collapsed ,excise duty is collected from production of goods ,and amanati system was collected from revenue, internal revenue was collected and revenue Darbani was brought in use in scientifically, When excise duty was brought in use in 2015 B.S. then excise duty tax was collected from matches,sugar,and after that the goods in which excise duty were collected was increased significantly . For development of nation tax were collected from nations people Assets and when inequality distribution of assets was brought to decrease in Fiscal Year (FY) 2016/17 and in contract tax system, in Nepal, income tax, urban area house and land tax, and foreign investment tax are brought in use in this FY 2016/17 Birta abolition program was brought in use.

Likewise ,in FY 2016/17 the establishment of modern tax system was brought and after that in other FY it was boarded in FY 2018/19 flight tax, hotel tax, in FY 2019/20 ticket fee tax and in FY 2022/23 sales tax and contract tax were brought in use .After that in others FYs some taxes were brought in use and some were rejected .In FY 2024/25 again hotel tax was brought in use ,which had been exempted in FY 2021/22 .In FY 2026/27 House and land tax and foreign investment tax was exempted .In FY 2028/29 road tax was brought in use and similarly in FY 2029/30 vehicle tax was brought in use and in FY 2031/32 again house rent tax brought in use ,which had been exempted. In FY 2034/35 interest tax and loan tax was brought in use .Similarly in FY2035/36 house rent tax was exempted and in 2036/37 road tax was again exempted which had been brought in use in last year FY.In FY 2037/38 local development tax and entertainment tax was brought in use and loan tax exempted in same FY .In FY 2039/40 road bridge maintenance tax was brought in use .In FY 2040/41 building construction tax was brought in use again in FY 2042/43 Building construction tax was exempted . In FY 2043/44 corporate income tax was brought in use .In FY 2044/45 samikarak tax and television tax

was brought in use .In FY 2047/48 property tax was brought in use .In FY 2048/49 house rent tax was again brought in use and entertainment tax and television tax was exempted in same FY. In FY 2049/50 highway maintenance tax and export service fee was brought in use and house rent tax was again exempted .In FY 2050/51 health tax was brought in use and local development tax and road maintenance tax was exempted in same FY .In FY 2052/53 house land tax was brought in use and property tax was exempted in same FY. In FY 2053/54 alcohol control service fee was brought in use and also SAAF Game fee was brought in use and similarly telephone service fee was also brought in use .In FY 2054/55 value added tax was brought in use and sales tax, hotel tax and SAAF Game service fee was exempted. In FY 2055/56 Cinema development fee, SAAF Game fee and tourist service fee was brought in use and entertainment tax and contractor tax was exempted. In FY 2056/57 village education development fee was brought in use. In FY 2057/58 agriculture maintenance fee was brought in use and land revenue, house land tax, SAAF Game fee was again exempted. In FY 2058/59 special fee was brought in use .In FY 2059/60 windfall gain tax was brought in use and samikarak fee was exempted .In FY 2060/61 custom service fee ,foreign employment service fee ,road repair and maintenance service and forest product was brought in use and again samikarak fee ,alcohol control service fee and import service fee was exempted .Likewise the tax , which was included in one year ,was exempted in another year and again same tax was tried to bring in use .Likewise the change in government taxes were also changes time to time .So due to legally tax was exempted and it was again brought in use .Due to economically big area the tax could not brought in use .So practically in use area you have to include tax that should be included but tax shouldn't be exempted when it is introduced .(Timalsina,2062,p,10)

2.4.4 Land Tax

One of the oldest forms of tax is land tax .Censuses recording the names of property owners and conducting survey of land holdings were carried out in Babylonia in 3800 B.C. and in Egypt and China around 3000 B.C., largely in order to establish a base for taxation .Primitive forms of land tax and registration tax were used through the middle ages. The oldest connection between government and rural village in most of the world is taxation, which has usually meant direct taxation in the form of land taxes, cattle taxes, or the African hut taxes. (Chaudhary, 2057 B.S., p.64)

The land tax was introduced in England in 1962, which then spread to most of continental Europe, to some countries in the Far East and to Australia .In USA the general property tax that was in effect, largely on tax on land improvements become the major source of state and local government revenue .There was revival of the land tax after world war I in central and east European countries. In this process the tax has undergone major modifications in some nations and minor changes in others. Whatever may be the reason, the forms of land tax new or existing in next countries, after represent either the withered remnant of a traditional system or patchwork quilt of partial modifications and substitutes. (Chaudhary, 2057 B.S., p.67).

In Nepal the tradition of tax has been started very late .During the Lichhavis and Mallas ,the main source of government revenue was only the land revenue .At that time ,the water revenue ,the religion save tax & purification of castes were the minor taxes .These taxes were fulfilled in the form of goods, cash and labors too. Due to vast ability in tax procession, there were many changes occurring time to time. At that time, there was no system of income tax.'(Dhakal, 2058, p.10)

From the above dealing, land taxation and registration has been one of the historical sources of government revenue. It is to be remembered here that the land reform programme (2021) brought same vital changes with respect to the abolition of zamindari system and some land revenue systems like Birta and

Kipat as well. A provision was also made to guarantee the security of tenants' right .An attempt has been done to systematize the land records according to modern system of cadastral survey. During this process several acts relating to land came into existence such as land (management) Act, land Act 2021, Birta abolition Act, land (Administration) Act and land (revenue) act 2034.

Land revenue once the major sources of government revenue during 2017's have recently only the nominal contribution to the state exchequer .The land revenue system has become outmoded partly due to its structure and partly due to institutional and administrative inefficiencies. So reduce this, institutional and administrative inefficiencies land revenue collection is now being done through concerned VDC's and municipalities since falgun1,2052 as per the Local Self Governance Act 2055 provision 25% of the total collection is to be deposited into the funds of DDC's and 75% into VDC's fund for local development activities.

Revenue Administration Department Project has been prepared Short Discourse on Current Customs Land Revenue and Tax Administration Customs Administration of Nepal in 2028 B.S. In this report the project has been shortly analyzed about land Revenue Administration.

Land revenue used to be collected through temporary employees or the Bada hakim himself and the assessment was just guesswork. After the Sugauli Treaty (during Bhimsen Thapa's premiership) permanent mat addas (land revenue offices) were established, some sort of land survey was made and a list showing the sizes or individual land holdings was kept in mat addas, which collected land revenues of public lands .Vast reforms in this direction were introduced in the year 1960(1903) during Chandra Shamsher's premiership.

A list of land holdings in each Terai district is available in the respective Maal Adda. Records of land holdings in the hill districts are consolidated in the Lagat Pliant Adda in Kathmandu were the Mal Addas of the hill districts even now send the data for consolidation. But the data from the hill Districts; in the terai districts lists even uncultivated lands, streams, roads and ponds are shown.

The Mal Addas prepare statistical data of land holdings .But no attempt has yet been made at the center to consolidate these figures.According to the provision of Land Reform Act, 2021, detailed statistical data of land holdings through out the Nepal will be made available after the expiry of the land reform project period .This will greatly facilitate the estimate of land revenue collections as defined by the financial acts.

There is no records of new lands brought under cultivation either before or specially after the year 2007 (1950), nor is there any records of remission of land revenue on lands washed away by revenue.

In connection with the schemes of establishing Mal Addas in each of the 75 districts, the plan to open a central stastical section for record looping of the hill and terai districts land holdings has already been approved and from the next financial year records of land holdings and land revenue collections will be kept accordingly. In the land revenue administration the outdated traditional system is still followed and reformed to meet the changed circumstances are urgently needed.

Provision to train the personnel working in the land revenue offices with a view to acquaint them with the system followed in other developed countries must also be made.In the same study of Revenue Administration Development Project has been described about new tax administration .In the dealing of project ,prior to 2060(1959) direct taxes were levied in Nepal .Indirect Taxes such as custom duties ,excise ,land tax ,entertainments tax only imposed .In order to meet the increased demand for funds to carry out the various Government of Nepal(GON) projects for all round development and with a view to the internal resources to keep dependence on foreign aid to the minimum the government introduced property and foreign investment taxes as well as income tax in 2016.

In the study of same project can be recommended for improvement in revenue administration. This studies recommendation is the present revenue administration structure cannot be regarded as satisfactory. There are many

scopes for improvement. As it is not proper to have flaws in revenue administration and as it is felt that if such flaws are not removed in times these revenue administration problems may become more complex, it is recommended that a revenue administration development project be approved to advise the government in matters, relating to revenue administration, to recommended action steps for modernizing revenue administration, to make necessary arrangement for in-serve to training, to equip the revenue administration with modern and scientific equipments, and to seek foreign aid for necessary funds. As other development activities are funded under development budget out of which expenditures are incurred according to the development expenditure rules it is essential that decision be made to request the economic planning ministry for necessary action in Corporate the different expenditures for the Revenue Administration Development Project in the development budget with foreign aid to finance as far as possible.

Fiscal policy of NG also gives as income and expenditure scheme of the governments; Government priority to economic development; challenges of government; objectives of government etc. (budget speech, 2066)

Statistical pocket book provides statistical information's in many areas of socio-economic activities taking place in the country. (Central Bureau of Statistics, 2061).

In this text two points are more pertinent. They are:

- a) Land is scarce and it has productivity
- b) A welfare state never runs on profit consideration only.

This again calls for detailed investigation into the prospect of the agricultural taxation. Administrative aspects play a crucial role in proper resource allocation. Revenue increment is just a need of the country. In order to fulfill these need (one may also call it essential requirement for development) a smooth, fair and non-corrupt administration is pre-conditioned. Trained manpower, systematic administrative institutional framework, practical as well

as acts and rules ,separate revenue service are other requirements .All these no doubt ,create a positive and favorable environment for additional resource mobilization .

However, the taxpayers and the administrative components must be matched with the resource need of the country and taxable capacity. This will enable to fulfill the twin conditions of optimization of production and maximization of revenue to accelerate development effort .In order to fulfill these aspirants an ideal administrative network must be created and policy implemented.The present work is an attempt in this direction .This is also the area which has been neglected by scholars and due attention is not given to it.

2.5. Nature of Land Tax

In the ancient time, land revenue has been one of the important sources of government revenue .So this revenue is called traditional taxation /revenue system. Land revenue is the direct tax levied on the basis of area of land holding. Traditionally, land revenue was the major source of government revenue from 2017 B.S. this revenue has been contributed normally to the state exchequer.

The land revenue administration is hard and complex in Nepal: Land tax is unequal and unsystematic in our country .This tax is a specific tax on land area with same adjustment for land quality. Tax on land is basically inelastic. Because, the rate of land revenue have not been increased from long period .The land distribution pattern in Nepal is uneven. But land tax rate is even between small land holder and big land holders .The land reform programme is not capable to redistribute land and security of the tenants from the exploitation of landlords. Lack of good administration of land, big landlords is enjoyed from the exemption of the land tax .so the contribution of land revenue is negotiable to government revenue.

2.6. Importance of Land Tax

Land revenue has played a vital role in financing the government activities. Because of this fact, our country must give their attention towards the good policy of land revenue system, which may be a proper tool of development beside revenue collection .Studies of land revenue bear a broad national perspective and the planner and researcher receive useful insight into the problem from their studies. Moreover, the persons as well directly and indirectly involved with land revenue are influenced by the government policy and programme .And a proper study of of the historical process, which has shaped over land revenue, has also its strong relationship with changed in the policy measure through time .This study therefore will convey the reality of our specific role of land revenue its most transparent expect its historical background. (Timalsina, 2062, p.11)

2.7. Land Tax Management in Nepal

Land taxation has been one of the important historical sources of government revenue. The land revenue administration is managed by the central land revenue department on the which 66 districts land revenue office 'have been so far of the still 75 districts were they cadastral survey has already been completed .while in the remaining 9 districts cadastral survey is yet to be completed. The land revenue is collected through Land Revenue Office , which is ultimately collected through VDC's & Municipalities by local level government servant. (Timalsina, 2062, p.11)

It is to be remembering here that the land reform program (2021) brought some vital changes with respect to the obligation of Jamindari system and same land reform system like Birta and Kipat as well. A provision was also made to guarantee the security of tenancy rights .An attempt has been done to systematize the land records according to modern system of cadastral survey. During the process several acts relating to land came into existence such as:

Land Act, 2021; Birta abolition Act; Land (administration) act and land (revenue) act, 2034.

2.8. Administrative Aspects of Land Tax in Nepal

In Nepal, at present land tax has been very little and this sector's contribution in total of government revenue is nominal. The amount of due to the small contribution of the land tax. There is lot of problems in land taxation which was generally called the administrative aspects of land taxation. The social institution like population, race, religion, custom, social classification and law etc. are independent on land taxation. Because of this interdependency, there arise different difficulties and problems in land taxation .The taxation of land have been a matter of land and complex practice in Nepal. Taxes on land have been introduced long back in the country but the tax assessment and collection system has still remained arbitrary.

There is unequal, low & non-taxed system in land tax. This tax is a specific tax on land area with the same adjustment for land quality. As the tax is defined in specific terms and in relation to land areas rather than land value and productivity, so the revenue from this tax is inelastic. Because, the rate of land revenue has increased for a long period.Lack of good land administration, big land holders are enjoyed from the exemption facilities provided by the government. That's why, the land distribution pattern in Nepal is uneven and the record keeping system is unsystematic. To solve these problems, the land reform programme has been failed to realize the objectives of redistribution of land and security of tenants from the exploitation of landlords. So the programme couldn't upgrade the economic condition of people maintaining the social justice and equal distribution of land.Traditionally land revenue is classified on the basis of nature, height, wet and dryness of land .Since then, the location and categories of land have changed to a great extent with the availability of physical facilities, roads, irrigation etc.The classification of land into new categories on the basis of cultivates land, residential area, market

facilities etc. is yet to be made. So the uniform land tax rate is being applied on the basis of land value and land used.

The land tax arrears and dues have been increasing every year due to lack of voluntary compliance on the part of taxpayers to pay taxes as their liability. Despite the provision of land confiscation, it is not being applied into practice to defaulters failing tax payment.

There are differences in the minimum evaluation system of land and property by different government at institutions like land revenue department, tax department, financial institutions and others. There are two types of land revenue system at present namely Raikar and Guthi. These lands are being assessed and imposed but there is no uniformity in their tax imposing and collecting. The Guthi lands are not contributing land revenue directly to the national exchequer. So the situation of dual terminal land system has become over expensive as well as over burdened to land revenue administration.

There is lack of co-ordination between tax collecting agencies as they are waiting independent by with a direct link with the land revenue department at the center. District land revenue offices are fully authorized to exercise the power of the land revenue act. Thus land revenue department at central level remains only a passive administration and just a mediator between the ministry of finance and the district land revenue offices.

Land revenue offices are authorized to decide Quasi-judicial functions and prepare land records and maintain ledger etc. to perform this functions efficiently; trained and educated manpower is highly required with sufficient office materials. But this type of manpower is not available in these offices and systematic and regular training programs are not being given to them. Some of the land acts are enacted to regularize the land revenue are flexible, vague and incomplete. Land Revenue office is one of the oldest revenue collection offices. This office doesn't include under Revenue Group.

The revenue from land gradually decreasing but its expenditure is rapidly increasing. Thus, the land revenue is being collected through VDC's and

municipalities under Local Self-Governance Act since Falgun 1, 2052. After handover such power, the revenue from land collection is being annually in decreasing trend. And its supervision, controlling and auditing is also unsystematic. Corruption through land revenue collection is also increasing day by day. (Timalsina, 2062, p.14)

2.9 Review of Previous Study

Various studies and researches have been conducted in different aspects of this thesis .Especially this thesis study on land revenue taxation and agriculture taxation ,land ownership ,house tax ,income tax ,value added tax etc. are already done by the various researchers .They are mentioned below briefly.

2.9.1 Review of books and Reports

Amatya (2022) has written a book “*Nepal ma Aayakar ko Byabastha*”.He has tried to describe about income tax and provision regarding income tax .His contribution was first in this field .Basically he analyzed legal aspect of income tax in Nepal at that period .

Regmi (2035) has written a book *Land Tenure and Taxation in Nepal* ’.He has tried to describe about historically different types land tenure system in Nepal. His contribution in this field is very important to know about Nepalese land tenure system.

Dhakal (2058) has written a text book “*Aayakar Tatha Gharjagga kar sambandhi Kanoon Ra Lekha* ”.He has tried to describe about Nepalese income tax ,House and Land Tax and value added tax in his book .This textbook is also important to different levels of students or researchers to know about different type of tax provisions of Nepal

Regmi (2059) has also written a book “*Land Ownership in Nepal*”. He has tried to describe about historically different types of land ownership in Nepal.

This book is also very important to know about different types of land ownership and its management system.

Khadka (2059) has written a book “*Municipal finance in Nepal with Special Reference to Taxation*” In this book he said, “In Nepal, municipalities represent local government in urban areas where the demand for public service is very high due to the rural- urban migration .Municipalities also have potential tax base due to the concentration of economic activities in the urban centers. Since the municipalities are in a position to manage their local affairs, including the management of the fiscal affairs, reform of local finance implies putting priority on the reform of principal finance. The municipal experience can later only replicated to the rural areas .This explains the region why this book is concentrated on the municipal finance. ”

This book is very useful to know about different types of the municipal finance resources. Such as, sources of municipal finance are: taxes, on tax sources, grants and loans etc. In the recent years the land taxes are also related with the municipal finance resources so this book is also very useful to study the land revenue.

Khadka (2060) has written a textbook “*Nepal ko Birta Byabastha chunauti tatha Rananiti*”.He has tried to describe about different types of Nepalese financial sources and its contribution to Nepalese economy.

Kandel (2060) has written a text book; “*Tax Laws & Tax Planning in Nepal*”. He has tried to give depth knowledge about income tax act, 2058. He has also described about different type of legal provision to compute taxable income through numerical examples.

2.9.2 Review of Thesis

Lamsal (2007), has submitted the thesis entitled “*Contribution of House and Land Tax (Property Tax) on total Revenue of Kathmandu Metropolitan City*”

and Lalitpur Sub Metropolitan City.” He has pointed out the following objectives.

- 1) To analyze contribution of House and Land Tax on total Revenue of Kathmandu Metropolitan City and Lalitpur Sub-Metropolitan City.
- 2) To analyze the trend of House and Land Tax on Total Revenue of Kathmandu Metropolitan City and Lalitpur Sub Metropolitan City.
- 3) To draw conclusions and provides suggestions about above objectives.

Major findings of the study are as follows:

- 1) 14.06% and 10.33% of total revenue is collected from Property tax and 85.04% and 89.67% is from other taxes of Kathmandu Metropolitan City and Lalitpur Sub-Metropolitan City in fiscal year 2062/63.
- 2) Analysis of Trend Value of House and Land (Property) Tax show huge fluctuation and have potential growth rate if it is consider well in implementation.
- 3) The valuation rate of house is same in irrespective of Location of house like commercial, industrial and residential.
- 4) Property tax has been considered as a suitable resource for the collection of public revenue and mobilizing internal resources.
- 5) Effective fine and penalties system can help to increase the tax paying habit of people.

Byanju (2009), has submitted the thesis entitled “*House and Land Tax in Bhaktapur Municipality.*” The specific objectives undertaken in his study are as follows:

- 1) To examine the structure of house and land tax revenue of Bhaktapur Municipality.
- 2) To analyze the structure and trend of house and land tax of Bhaktapur Municipality.

- 3) To evaluate the contribution of house and land tax for Bhaktapur Municipality.
- 4) To identify the problems relating to house and land tax revenue.
- 5) To recommend measures for the improvement of house and land tax administration to Bhaktapur Municipality.
- 6) To exam the existing procedures of revenue collecting from property tax.
- 7) To contribute awareness towards property holder for paying property tax in time.

Major findings of Study are as follows:

- 1) Revenue collection was fluctuated in every fiscal year and in F/Y 2058/059 and 2059/060, the tax administration and local people (taxpayers) weren't conscious and aware about house and land tax to Bhaktapur Municipality.
- 2) Budgeted and Actual collection was not matching so every one can easily conclude that either tax administration or tax payers were not aware and conscious about house and land tax. This forecast also not helps to develop the city.
- 3) The trend must be in increasing order due to increase in valuation of house and land in the market or government rate but the secondary data showed likely to be constant.
- 4) The taxpayers aren't interested to pay house and land tax due to lack of regular sources of information.
- 5) Tax administration is unable to provide necessary data relating with the research and study.

Humagain (2009), has submitted the thesis entitled "*House and Land (Property) Tax in Katmandu Metropolitan City.*"The specific objectives undertaken in her study are:

- 1) To analyze the problems relating to house and land revenue

- 2) To find out the contribution of house and land (Property) tax in total revenue of KMC.
- 3) To study about the structure and trends of house and land tax.
- 4) To suggest and recommend on the basis of major findings.

Major findings of the study are as follows:

- 1) The majority of respondent stated that the house and land (property) contributes significantly to the development of municipalities.
- 2) Kathmandu Metropolitan City collects property tax as per LSG Act 2055 and rules 2056 from Income Year 057/058.
- 3) Analysis of trend value of house and land (property) tax show actual house and land tax is maximum in F/Y 064/65 and low in 059/60.
- 4) The highest contribution of property tax is 21.77% in fiscal year 062/63 from starting LSG Act to till now.
- 5) Tax education is necessary to make tax payer consciousness about house and land tax which lead them to understand the procedure of tax assessments.

Shrestha (2010), has submitted the thesis entitled “*An Analytical Study on House and Land (Property) Tax with reference to Damak Municipality, Jhapa.*”The specific objectives undertaken in his study are the following:

- 1) To find out the contribution of house and land tax in total revenue of Damak Municipality.
- 2) To analyze the structure and trend of house and land tax of Damak Municipality.
- 3) To know the problems relating to house and land tax of Damak Municipality.
- 4) To explore the perception over the municipal property tax.

Major findings of the study are as follows:

- 1) Damak Municipality collects property tax under LSG Act 2055 and rules 2056 from income year 2055/56 and income year 2057/58.
- 2) Collecting of house and land tax is in decreasing trend in Damak Municipality from fiscal year 1997/98 to 1999/200 as Rs. 436540 to Rs. 190580.
- 3) Increasing trend of house and land tax of Damak Municipality shows the effectiveness of launching of local self-governance Act, 2055.
- 4) The increasing ratio of integrated property tax of Damak Municipality seems good but not the best.
- 5) The trend analysis of house and land tax of Damak Municipality Shows that the total forecasted house and land tax will have been increasing every year on the basis of past data.

Shrestha (2010), has submitted the thesis entitled “*Contribution of House and Land Tax (Property Tax) to total revenue of Lalitpur Sub-Metropolitan City.*”

He has pointed out the following objectives:-

- 1) To analyze contribution of house and land tax to total revenue of Lalitpur Sub-Metropolitan City.
- 2) To analyze the trend of house and land tax of Lalitpur Sub-Metropolitan City.
- 3) To find out the budgeted and actual collection of house and land tax of LSMC.
- 4) To find out the coverage percentage of House and Land Tax on total expenditure of LSMC.
- 5) To find out the contribution portion in total expenditure by Property Tax.
- 6) To offer suggestion for the improvement in the effective collection of Property Tax.

Major findings of the study are as follows:

- 1) In the fiscal year 2065/66 .there is highest contribution of house and land land tax is 12.43% and in fiscal year 2059/60 that is of 8.76% which is lowest.
- 2) While studying the budgeted and actual collection of property tax, the highest collection efficiency was in fiscal year 63/64 i.e 131.62 % and lowest is in 2059/60 i.e 51.33%.
- 3) As it is compared with the local Tax Revenue, The highest Contribution was 71% in the fiscal year 2063/64 and the contribution was in fluctuating trend during the five fiscal years.
- 4) House and Land Tax is a suitable means of raising revenue on local body and it should be increased to increase the revenue of LSMC.
- 5) Near about 60% of respondents expressed that provision of fees and penalties are reasonable and 40 % respondents have not taken the provisions of fees and penalties as reasonable.

Besides this reports, books and master level, dissertations, Ph.D. thesis, some articles about land tax published in Rising Nepal, Gorkhapatra etc. and publication of ministry of finance such as budget speech economic survey were reviewed in the study period.

2.10 Research Gap

I found few research reports related to Land Revenue .Which provided overall scenario of Nepalese property tax. These reports did not include the deep and detail study of land (Property) tax for particular area .Most of the research reports were outdated because they have just covered the data before LSG Act 2055.I found that the government is also not able to conduct research work on Land (property) Tax as per its increasing necessity and horizon. They are not able to provide the adequate data about this topic in reliable way. I found some

of the thesis on this topic done by the students of MBS. Most of them chosen valley for their study area. So they are limited by area and not able to cover whole phenomenon. They have focused only on the municipalities' activities .I did not find any thesis on this topic which covers the data of the Nepalese Tax System as well.

All researchers expressed the weak points for the low collection of tax from land (property) but not able to highlight the root cause behind that which gives the birth to these weak points. So above reasons encourage me to do the research on this topic. Thinking the scarcity of research on Land (property) tax ,I have tried to write the thesis on this topic .For the detail study and observing the effectiveness of LSG Act 2055. This covers the data starting from F/Y 1990/91 to F/Y 2009/10 .I think this study would be helpful to generalize the findings of the study.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Background

This chapter is devoted to the research methodology applied in the study to achieve the goals. Both primary and secondary sources of data were used in the study. Opinion survey technique was adopted while collecting primary data. Questionnaires were distributed to income tax experts and employees so as to know their opinion towards various aspects of income from resident person. Economic survey was used as the major source of secondary data .Different statistical tools were used as the major source of secondary data .In this study mean and correlation has been used to analyze the collected data.

3.2 Research design

The overall plan of any proposed activity can be seen in design of the study. Research design is the guide line of the research .It implies the procedure, technique and overall framework of the study. Basically the data and information of the study are concerned with past phenomenon of the performance. Thus it can be also regarded as historical research design. After the collection of past data and experiences, this study analyzed and described its own procedure. Therefore this study also followed an analytical as well as descriptive research design.

3.3 Sources of Information for the study

The information is basically based on the field work procedure. Mainly two important primary sources as well as secondary sources will be taken during study. Primary sources will be used for primary data and secondary sources will be used for secondary data.

Primary Data

Primary data are original data generated by researcher for the preparation of thesis. The field work procedure were adopted to prepare thesis report on a direct visit to officials of the KMC office and Land owners of Putalisadak and Baneshwor.the researcher used questionnaires method to collect primary data. First few days were given to understand the various departments, officials, taxpayers/ landowners and their timing of work.

Secondary Data

Secondary data were used in the form of published data .However the unpublished data as the records ,reports, statistics gathered or compiled by others prior to our study were also consulted for detail information as well as different publications of central bureau of statistics (CBS).

3.4 Selection of the Respondents

After a careful study of the subject a set of questionnaire was developed and distributed to two respondent's groups'.Viz, tax experts and employees. Tax experts comprises of chartered accountants, lawyers, professors and policy makers of ministry. Employees comprises of employees of government organization and other private organizations.

3.5 Data Collection Procedure

Primary data were collected with the help of questionnaire method. But mostly used data were secondary data which are collected from secondary sources, is mentioned above.

3.6 Population and Sample

All the experts and tax payers in Nepal were considered as total population. Out of them, the experts and tax payers in Katmandu valley will be considered

as target sample. The denominations of the respondents have been presented in table 3.1 below:-

Table: 3.1
Group of respondents and sample size

S.N	Denomination of the respondents	sample
1	Tax experts	30
2	Land owners	30
	Total	60

3.7 Nature and Sources of Data

Both primary and secondary data were used in the study .The primary data were the opinion of experts and employees regarding employment tax .Primary data were obtained through questionnaire method followed in most cases face to face interview /discussions with the selected persons included in the purposive sample.

The secondary sources of data were the statistics relating to tax published by the Government of Nepal. They are obtained from Economic Survey, Bulletins etc.

3.8 Weightage of the Choice

The questionnaire asked for either to give yes/no response or give their opinions .Respondents were also given alternatives to rank .In this case , the first preferred choice got the highest point and the last preferred choice got the lowest point .The total points got by each alternative were converted into percentage of total points available to the all alternatives .The alternative with the highest percentage was ranked as most important and the alternative with the lowest percentage was ranked as the least important . For example, if there were five point's alternatives, the most important ranked by the respondents got one point .The alternative, which was not ranked, does not get points.

3.9 Profile of Respondents

Questionnaires were distributed to 60 respondents: tax experts (administrator & auditors) and land owners .Tax experts and land owners are selected from KMC Office and Putalisadak as well as New Baneshwor Respectively. . All of the, questionnaires were received from both groups' .The following table reveals the different numbers and percentages of the respondents.

Table 3.2
Profile of Respondents

S.N	Respondents	Total Sample		Respondents Received	
		No.	%	No.	%
1	Tax experts	30	50	30	50
2	Land owners	30	50	30	50
Total		60	100	60	100

Source: Primary Data

3.10 Tools Used

The research contains different tools for analysis and interpretation. All Those data which were collected from secondary sources were tabulated and then converted into separate format in systematic manner. Various tables were used according to the use of subject matter.

The financial analytical tools were used for the quantitative analysis of secondary as well as primary data are as follows

3.10.1 Mean

The sum of the entire observation is divided by the number of observation is called mean.

$$\text{Mean}(X) = \frac{\sum X}{N}$$

Where,

ΣX = sum of the all values of the variable 'x'

N = number of observations

X = variables involved

3.10.2 Coefficient of Correlation

Correlation analysis refers to the statistical technique, which measures the degree of relationship or associations between the variables. To put it differently, it helps in analyzing the co variation of two or more variables. It is to be noted that a high degree of correlation between two variables doesn't always necessarily imply that changes in one variation cause changes in the other. There are two methods of calculating correlation coefficient. They are (a) Karl Pearson's correlation coefficient and (b) Spearman's rank correlation coefficient. Basically, Karl Pearson's correlation coefficient is used for quantitatively measured data whereas Spearman's rank correlation coefficient is used for qualitative measured data.

As per the demand of the thesis, here I will use Spearman's rank correlation coefficient, which is calculated as

$$R = 1 - \frac{6 \sum d^2}{n(n^2 - 1)}$$

Where,

R = Rank correlation coefficient given by Spearman

$\sum d^2$ = sum of square of deviation between two ranks

n = number of observation or sample size.

Interpretation of Correlation Coefficient (r)

The value of 'r' lies between +1.00 to -1.00

(a) When $r = +1$, there is a positively perfect correlation between the two variables.

- (b) When $r = -1$, there is negatively perfect correlation between the two variables.
- (c) When $r = 0$, the variables are uncorrelated i.e., increase or decrease in one variable results no impact on another variable and vice-versa.
- (d) When $r =$ approximate 1 (between 0.70 & 0.99), then there is positively high degree correlation.
- (e) When $r =$ approximate - 1 (between -0.70 & -0.99), there is negatively high degree correlation.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

4.1 Background

In the earlier chapters, general background and research methodology have been highlighted along with review of relevant literature pertinent to this purposed study .Now it comes to the most important component of the study, which deals to the analysis of land revenue and registration tax. The whole analysis is based upon empirical as well as statistical analysis in addition to interpretation of results to find existing problems and prospects of the revenue collection.

This very chapter is classified into two parts .They are:

- a) Analysis of Primary Data
- b) Analysis of Secondary Data

4.2 Analysis of Primary Data

This chapter attempts to analyze the data on various subject matters directly collected from the respondents .The respondents were requested to fill the pre-structured questionnaire designed after the extensive preview of literature .Respondents were selected from various government and non government bodies of kathmandu.Respondents are divided into two groups like tax officers and land owners .Most of the respondents were graduates from different universities and gazzeted officers as designation . But some of them were under certificate level and they found some problems to fill the questionnaire. Tax officers consist each level of employee, regarding land revenue office and land reform office. It also includes chartered accountants, auditors, tax administrators and experts as well.

Altogether 60 respondents were enquired about the questionnaire. The questionnaire includes 12 questions in total related to the study. Most of the questionnaire were in the objective form including various responses: (a) yes/no response (b) ranking responses (c) statement response .After the completion of filled questionnaire the data were entered in the data processors for the further processing. Collected data were attempted to present in table as well as chart and diagram.

4.2.1 Frequency Analysis Respondents

Respondents are selected from two different groups' tax officers and land owners .50% respondents out of 60 are tax experts and rests of them are land owners .All respondents responded all questions in the questionnaire .Responses of respondents in various questions are tabulated below:

Table: 4.1
Frequency Analysis of Respondents

Respondents	Frequency	%
Tax experts	30	50.0
Land owners	30	50.0
Total	60	100.00

Source: Field Survey 2011

4.2.2 Opinion regarding to the inclusion of Land tax on Property Tax Act 2047

To know the response regarding to the inclusion of land tax act, the question were asked, “Has the property Tax Act 2047 included Land Revenue Tax completely?” The following table shows Yes/No response from the respondents.

Table: 4.2
Response for the inclusion of land tax on property tax act 2047

Response	Frequency	%
Yes	20	33.33
No	40	67.67
Total	60	100.00

Source: Field Survey 2011

4.2.3 Opinion regarding to the provision of Land Registration Tax on Property Tax Act 2047

To know the response regarding to the provision of land registration tax on property tax act 2047, the question was asked, “Is there any provision of Land Registration Tax in Property Tax Act 2047?” The following table shows Yes/No response from the respondents.

Table 4.3
Response for the provision of land registration tax on property Tax Act 2047

Response	Frequency	%
Yes	25	25.00
No	45	75.00
Total	60	100.00

Source: Field Survey 2011

4.2.4 Opinion Regarding to the Exemption in Land Revenue to Remote Area As compared to Metropolitan Area

To know the response regarding to the exemption in land revenue to the remote area as compared to metropolitan area, the question was asked, “Is there any exemption in Land Revenue to remote area as compared to metropolitan area?” The following table shows Yes/No response from the respondents.

Table 4.4
Response for the exemption in land revenue to the remote area as
Compared to the metropolitan area

Response	Frequency	%
Yes	55	91.67
No	5	8.33
Total	60	100.00

Source: Field Survey 2011

4.2.5 Opinion Regarding to the Difficulties to Determine Land Revenue as per the Act

To know the opinion regarding to the difficulties to determine land revenue as per the act the question was asked, “Are there any difficulties to determine Land Revenue as per the Act?” The following table shows Yes/No response response from the respondents.

Table 4.5
Response for the difficulties to determine land revenue as per the Act

Response	Frequency	%
Yes	35	58.33
No	25	41.67
Total	60	100.00

Source: Field Survey 2011

4.2.6 Opinion Regarding to the Motivating factor to pay Land Revenue on Time

To know the opinion regarding to the motivating factor to pay land revenue on time, the question was asked, “Are the Land owners motivated to pay land revenue timely?” The following table shows Yes/No response from the respondents.

Table 4.6
Response for motivating factor to pay land revenue on time

Response	Frequency	%
Yes	48	80.00
No	12	20.00
Total	60	100.00

Source: Field Survey 2011

4.2.7 Opinion Regarding to the Factors Describing the condition of Land Revenue Practice in Nepal

To know the opinion regarding to the factors describing the condition of land revenue practice in Nepal, the question was asked, “Rank the following statement which best describes the condition of Land Revenue practice in Nepal? (Rank from 5 to 1) ” The following table shows Rank response from the respondents.

Table 4.7
Factors describing the conditions of land revenue practice in Nepal

Alternative or statement	%
A. Good	16.00
B. Fair	24.00
C. Poor	19.00
D. Average	40.00
E. None	01.00
Total	100.00

Source: Field Survey 2011

4.2.8 Opinion Regarding to the Factors Describing the Present Government Policy Regarding the Land Revenue and Land Registration.

To know the opinion regarding to the factors describing the present Government policy regarding the land revenue and land registration, the Question was asked, “Which of the following statement best describes the present Govt. policy regarding land Revenue and land registration?” The following table shows response from the respondents.

Table 4.8
Factors describing the present Government policy regarding the Land Revenue and land registration

Alternative or statement	%
A. Policies are too restrictive	30.00
B. Policies are neutral	08.00
C. Policies are liberal	12.00
D. Policies are satisfactory	50.00
Total	100.00

Source: Field Survey 2011

4.2.9 Opinion Regarding to the habit of payment of Land Revenue by the Land Owners

To know the opinion regarding to the habit of payment of land revenue by the land owners, the question was asked to the landowners, “Do you pay the land revenue timely to the government?”The following table shows Yes/No response from the respondents.

Table 4.9
Payment of land revenue to the government on time

Response	Frequency	%
Yes	42	70.00
No	18	30.00
Total	60	100.00

Source: Field Survey 2011

4.2.10 Opinion regarding to the present Tax policy about Promotional Policy

To know the opinion regarding to the present tax policy about promotional policy, the question was asked to the land owners, “Do you think that the present tax policy is promotional policy?” The following table shows Yes/No response from the respondents.

Table 4.10
Response for present tax policy as promotional policy

Response	Frequency	%
Yes	25	41.67
No	35	58.33
Total	60	100.00

Source: Field Survey 2011

4.2.11 Opinion regarding to the utilization of Land Revenue Rebate (Discount)

To know the opinion regarding to the utilization of land revenue rebate (discount), the question was asked to the land owners, “How well do you utilize the land revenue rebate (discount) from your side in present situation?” The following table shows response from the respondents.

Table 4.11
Utilization of land revenue rebate

Response	Frequency	%
Well utilized	35	58.33
Under utilized	14	23.33
Not utilized at all	11	18.34
Total	60	100.00

Source: Field Survey 2011

4.2.12 Opinion Regarding to the Requirement for changing present Tax policy

The Question was asked to the land owners, “How relevant to the requirement to change present tax policy?” The following table shows response from the respondents.

Table 4.12
Requirement for changing present tax policy

Response	Frequency	%
Extremely relevant	12	20.00
Generally relevant	28	46.67
Not very relevant	12	20.00
Not relevant at all	08	33.33
Total	60	100.00

Source: Field Survey 2011

After seeing the above mentioned table, we come to know that mixed up results are obtained from the respondents .Expected results are collected from the tax experts but from the land owners it is satisfactory. Among the tax officers (employees, administrators and auditors) 67% and 75% viewed that property tax act 2047 does not cover land revenue and land registration tax respectively.92% of the officers concluded that there is exemption in land revenue to remote area as compared to metropolitan area .More or less equal response is obtained in determining land revenue as per the Act .Majority of the tax officers say that land owners are motivated to pay land revenue timely.

Among the land owners of the study area 70% of them said that they pay land revenue timely and out of them 58% utilize the rebate (or discount) regarding land revenue.58% land owners said that the present tax policy is not very promotional that is why 46% of them think that it is necessary to change present tax policy generally.

4.2.13 Cross Tabulation of Primary Data

The collected information from the questionnaire method can also be analyzed with cross tabulating as mentioned below:

4.2.13.1 Tax Act Respondents view regarding the inclusion of Land Revenue Tax in Property Tax Act Property 2047

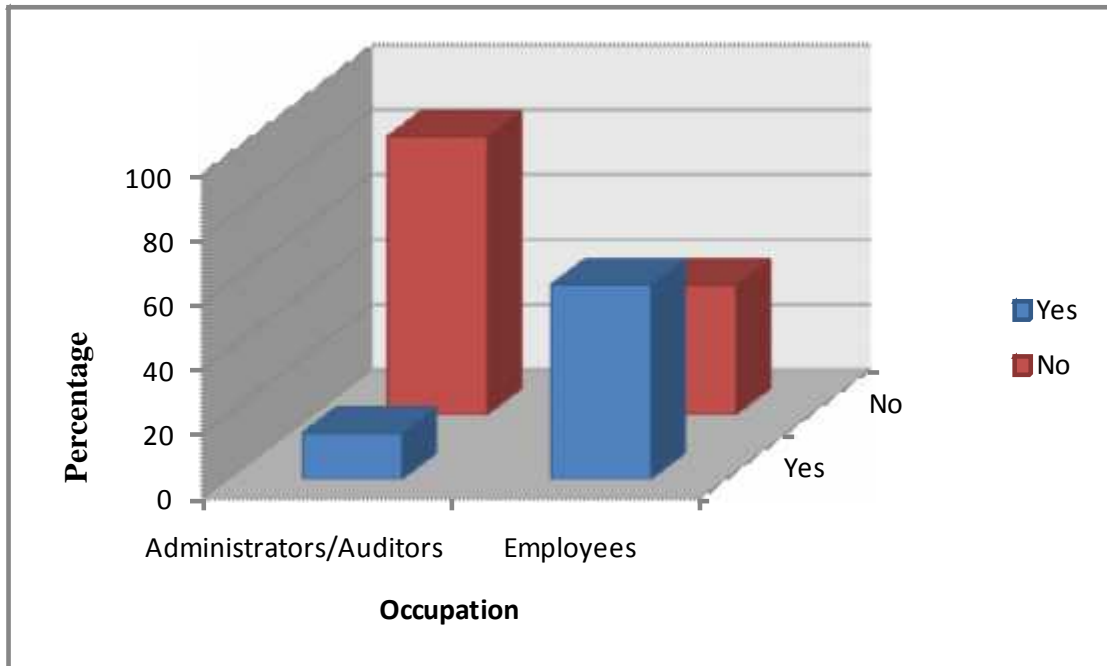
The respondents who were asked whether the property tax act 2047 included land revenue completely or not. In the responds almost all tax administrators or auditors (86%) responded negatively and few respondents (14%) responded positively. In the case of employees, most of the respondents (60%) viewed positively. Only 40% employees responded negatively towards the questions.

Table 4.13
Officials Response about the inclusion of Land Revenue Tax

Responses	Administrators/Auditors		Employees	
	Frequency	%	Frequency	%
Yes	5	14.28	15	60.00
No	30	85.72	10	40.00
Total	35	100.00	25	100.00

Source: Field Survey 2011

Figure 4.1
Official Response about the inclusion of Land Revenue Tax



4.2.13.2 Respondents' view Regarding to the Provision of Land Registration Tax in Property Tax Act 2047

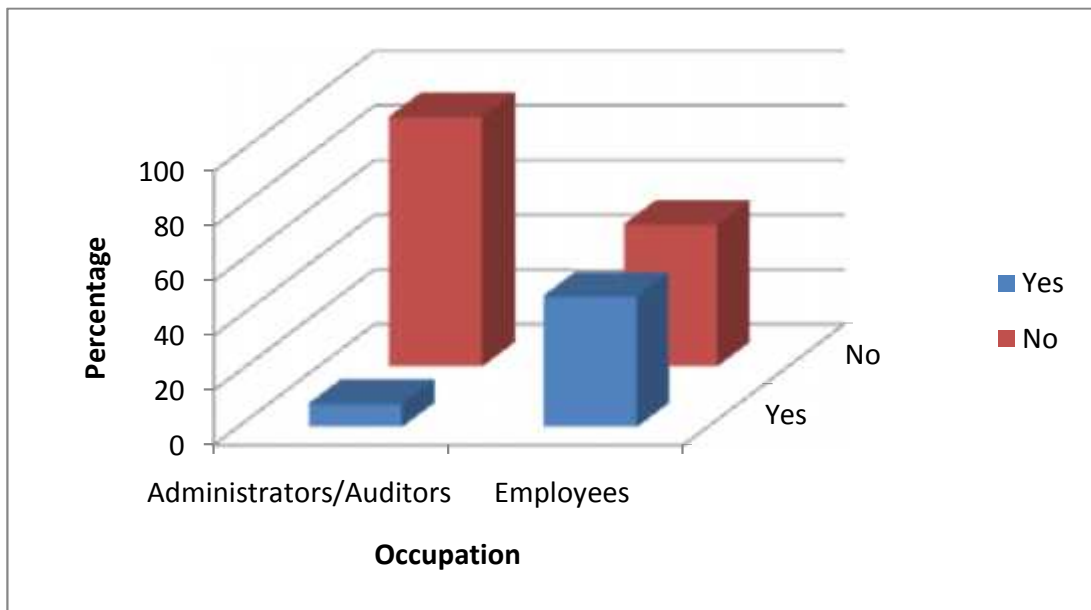
Official respondents were asked whether the Property Tax Act has any provision of land registration tax or not. 91% out of 35 respondents from tax administrator /Auditor group responded negative. Where as from the group of 52% employees said no.

Table 4.14
Officials Response about the provision of Land Registration Tax on Property Tax Act 2047

Responses	Administrators/Auditors		Employees	
	Frequency	%	Frequency	%
Yes	3	8.57	12	48.00
No	32	91.43	13	52.00
Total	35	100.00	25	100.00

Source: Field Survey 2011

Figure 4.2
Official Response about the Provision of Land Registration Tax on
Property Tax Act 2047



4.2.13.3 Respondent Opinions Regarding to the Exemption in Land Revenue to Remote Area as Compared to Metropolitan Area

Respondent were asked whether there is any exemption in land revenue to remote area as compared to metropolitan area or not.97.14% out of 35 respondents from tax administrator /auditor group responded the question positively.And 84% out of 25 respondents from employee group answered positively.

Table 4.15

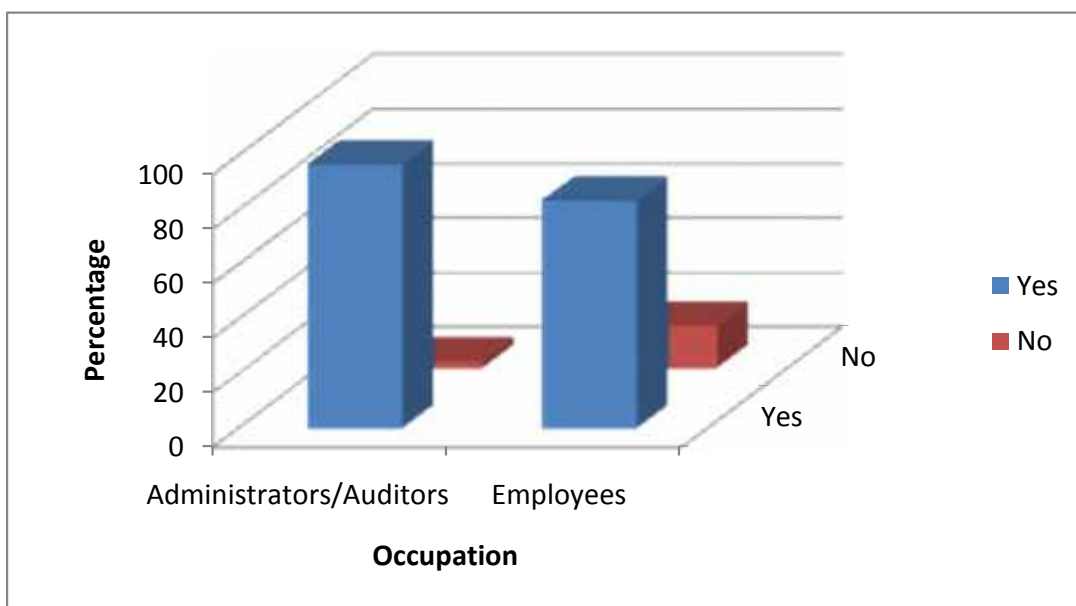
Officials Response about the exemption in Land Revenue in the Remote Area

Responses	Administrators/Auditors		Employees	
	Frequency	%	Frequency	%
Yes	34	97.14	21	84.00
No	1	2.86	4	16.00
Total	35	100.00	25	100.00

Source: Field Survey 2011

Figure 4.3

Official Response about the exemption in Land Revenue in them Remote Area



4.2.13.4 Respondents Opinions Regarding to the Difficulties to Determine Land Revenue as per the Act

In the response of question whether there are any difficulties to determine land revenue as per the act,60% respondents from administrator /auditors group responded positively .But group of employee 56% answered ye

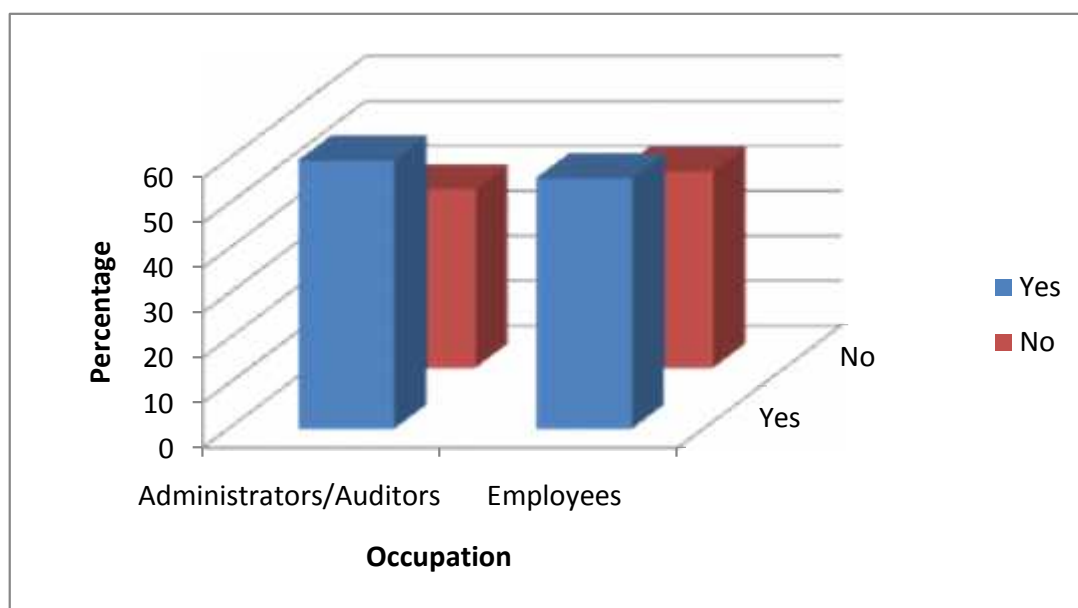
Table 4.16

Officials Response about the difficulties to determine Land Revenue as per the Act

Responses	Administrators/Auditors		Employees	
	Frequency	%	Frequency	%
Yes	21	60.00	14	56.00
No	14	40.00	11	44.00
Total	35	100.00	25	100.00

Source: Field Survey 2011

Figure 4.4
Official Response about the difficulties to determine Land Revenue as the Act



Source: Field Survey 2011

4.2.13.5 Respondent Opinions Regarding to the Motivational Factor to Land Owners for paying Land Revenue Timely

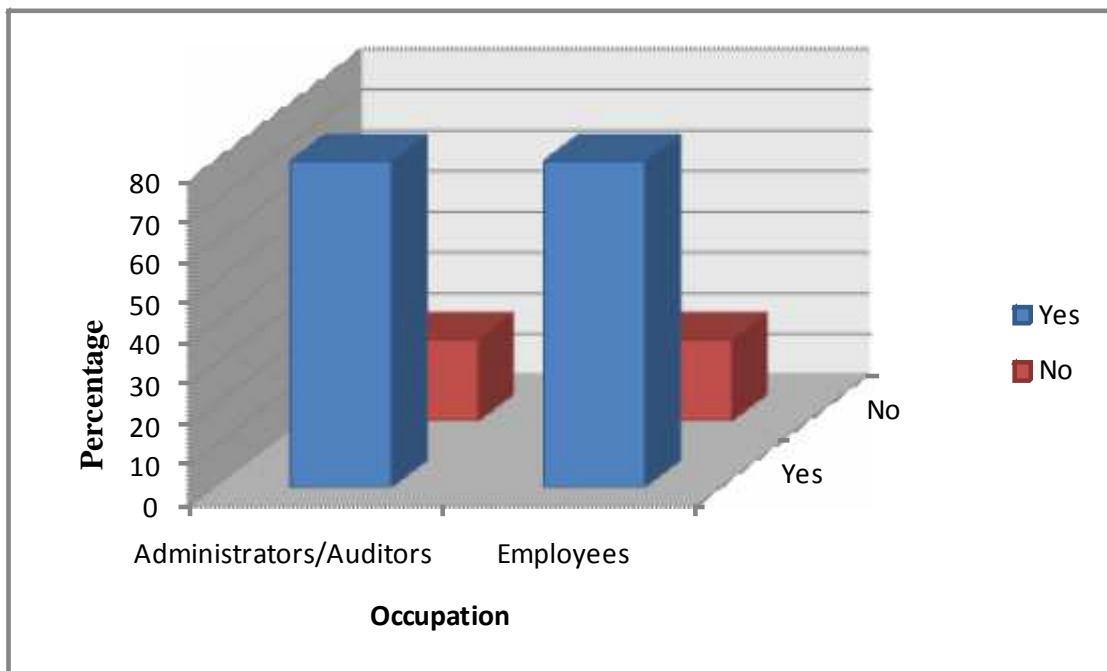
The result on percentage is quite same of both groups of tax officials. 80% out of 35 from tax administrator /auditors groups and again 80% out of 25 from employee group answered yes.

Table 4.17
Officials Response about the Motivational Factor (exemption) to Land Owners for paying Land Revenue on time

Responses	Administrators/Auditors		Employees	
	Frequency	%	Frequency	%
Yes	28	80.00	20	80.00
No	7	20.00	5	20.00
Total	35	100.00	25	100.00

Source: Field Survey 2011

Figure 4.5
Official Response about the Motivational Factor to Land Owners for
Paying Land Revenue on Time



Source: Field Survey 2011

4.2.13.6 Correlation Analysis

Among the total questionnaires, there is a question which has objective answer having ranking response. Tax officials were categorized into 2 groups: tax experts and employees. Both of them had different response towards the questions. The collected rankings responses of both groups were tested whether they have positive or negative relation. To test the degree of relationship between the responses of two groups, Spearman's rank correlation coefficient was applied.

Table 4.18

Correlation table of Rank Statement describing the best condition of Land Revenue Practice in Nepal

S.N.	alternatives	Response in % from Tax Expert	Response in % from Tax Employee	Rank for response of Tax expert(R1)	Rank for response of Tax expert(R2)	d=R1-R2	d ²
A	Good	17.00	14.00	3	4	-1	1
B	Fair	30.00	19.00	2	3	-1	1
C	Poor	10.00	28.00	5	2	3	9
D	Average	12.00	38.00	4	1	3	9
E	None	31.00	1.00	1	5	-4	16

Where,

n= no. of alternatives =5

d= difference between two ranks ($\sum d=0$)

d²= square of difference between two ranks ($\sum d^2=36$)

We have formula,

$$\begin{aligned} R &= 1 - \frac{6 \sum d^2}{n(n^2-1)} \\ &= 1 - \frac{6 \times 36}{5 \times 24} \\ &= 1 - 1.8 \\ &= -0.8 \end{aligned}$$

The calculated rank correlation coefficient indicates that there is high degree of negative correlation between tax experts and employees ' ranking regarding to the statement which best describes the condition of land revenue practice in Nepal.

4.3 Analysis of Secondary Data

In this study, different types of data, which affected to government revenue, are presented and analyzed .Also in this part of the chapter, there are different data relating to the land revenue are presented and analysis to fulfill the objectives of this studies.

4.3.1 Data Presentation and Analysis

In this study, different types of data, which affected to government revenue, are presented and analyzed .In the study of land revenue there are multiple sector affected by the revenue administration .Such the sources of resource to the nation are: Taxes and non-taxes revenue, grants, fees, penalty and loan etc.Also in this chapter there is different data's relating to the land revenue are presented and analyzed to fulfill the objective of the studies.

4.3.2 Resource Gap in Nepal

Nepal has suffering from resource constraint, mass poverty .Rapid growth of population, less employment opportunities, aggressive dependence on agriculture, subsistence living standard etc. Despite plan development effort about five decade. In Nepal, the resource mobilization is still that doesn't cover the growing expenditure. Fiscal deficit is due to the continuously growing expenditure. Fiscal deficit is due to the continuously growing expenditure of the government instead of the low revenue performance. That is the country facing the increasing burden of internal and foreign loan.

Table 4.19
Resource Gap in Nepal

Rs. in '000000

F/Y	Total Expenditure(A)	Total Revenue(B)	Resource Gap ¹ (A-B)	Foreign Grants (C)	Resource Gap ² {A-(B+C)}	Foreign Loan(D)	Resource Gap ³ {A-(B+C+D)}
1993/94	33597.40	19580.80	14016.60	2393.60	11623.00	9163.60	2459.40
1994/95	39060.00	24575.20	14484.80	3937.10	10547.70	7312.30	3235.40
1995/96	46542.40	27893.10	18649.30	4825.10	13824.20	9463.90	4360.30
1996/97	50732.70	30373.50	20359.20	5988.30	14370.90	9043.60	5327.30
1997/98	56118.30	32937.90	23180.40	5402.60	17777.80	11054.50	6723.30
1998/99	59579.00	37251.00	22328.00	4336.60	17991.40	11852.40	6139.00
1999/00	66272.50	42893.80	23378.70	5711.70	17667.00	11812.20	5854.80
2000/01	79835.10	48893.60	30941.50	6753.40	24188.10	12044.00	12144.1
2001/02	80072.20	50445.50	29626.70	6686.10	22940.60	7698.70	15241.9
2002/03	84006.10	56229.80	27776.30	11339.10	16437.20	4546.40	11890.8
2003/04	89442.60	62331.00	27111.60	11283.40	15828.20	7627.00	8201.20
2004/05	102560.4	70122.70	32437.70	14391.20	18046.50	9266.10	8780.40
2005/06	110889.2	72282.10	38607.10	13827.50	24779.60	8214.30	16565.3
2006/07	133604.6	87712.10	45892.50	15800.80	30091.70	10053.50	26038.2
2007/08	161349.9	107622.5	53727.40	20320.70	33406.70	8979.90	24426.8
2008/09	219661.9	143474.5	76187.40	26382.80	49804.60	9968.9	39835.7
2009/10	259146.0	179940.3	154025.7	18036.71	61169.00	11492.6	49676.39

Source: Economic Survey of Various Years, NG

Note:

The expenditure heads till FY 2005/06 were classified as regular and development. Since FY 2006/07 the expenditure has been classified as recurrent, capital and principal repayment. The expenditure heads and sub heads since 1998/99 through 2005/06 may not tally with previous heads sub-heads as these have been presented here by reclassified as re-current capital and principal repayment.

The above table showed the resource gap of ' 33597.40 million in FY 1993/94 (expenditure) reached to Rs.19580.80 million (revenue) in same year which shows the good result and good resource gap. It is continuously in increasing trend .And suddenly resource gap is in decreasing again from 2004 .Resource gap is increasing and in 2006/07, it reached in Rs. 45892.5 million. Likewise foreign grants is also increasing in every years which is good condition for the country it also helps us to our budget as well .Resource gap (after considering foreign grants) is Rs. 11623.00 in the starting year and further widen up to Rs. 22940.60 million in the FY 2001/02 .It was decreasing trend from that years and in FY 2006/07 it increased and it reached in the Rs. 30091.7 million. The government takes internal and external loans to meet the deficit finance .Foreign loan reached Rs. 9163.60 million in the FY 1993/94 and Rs. 8780.4 million in 2004/05 .After foreign loan financing resource gap is Rs 2459.40 million in the FY 1993/94 and increased to Rs. 49676.39 million in the FY 2009/10.

The internal loan is also in continuously increasing trend .Even after internal and external loan financing ,cash deficit has existed in Nepalese public finance .Thus this increasing resource gap indicates that it is necessary to mobilize additional domestic resources .Ultimate and the best measure to fill up a resource gap are to increase public revenue through effective tax system.

4.3.3 Nepalese government Revenue Structure

Government collects revenue from different sources like as tax fees, penalty etc. These revenues are classified basically into tax and non tax revenue composition is shown in table 4.20.

Table 4.20
Composition of Total Tax Revenue

Rs. in '000000

F/Y	Total Tax Revenue	Direct Tax Revenue		Indirect Tax Revenue	
		Amount	% as Tax Revenue	Amount	% as Tax Revenue
1990/91	8177.40	1369.70	16.75	6807.70	83.25
1991/92	9875.60	1595.20	16.15	8280.40	83.85
1992/93	11662.50	2036.20	17.46	9626.30	82.54
1993/94	15371.50	2855.30	18.58	12516.20	81.42
1994/95	19660.00	3849.30	19.58	15810.70	80.42
1995/96	21668.00	4655.90	21.49	17012.10	78.51
1996/97	24424.30	5340.00	21.86	19084.30	78.14
1997/98	25939.80	6187.90	23.85	19751.90	76.15
1998/99	28752.90	7516.10	26.14	21236.80	73.86
1999/00	33152.10	8951.50	27.00	24200.60	73.00
2000/01	38865.10	10159.40	26.14	28705.70	73.86
2001/02	39330.60	10597.50	26.94	28733.10	73.06
2002/03	42587.00	10105.80	23.73	32481.20	76.27
2003/04	48173.00	11912.60	24.73	36260.40	75.27
2004/05	54104.70	13071.80	24.16	41032.90	75.84
2005/06	57430.40	13968.10	24.32	43462.30	75.68
2006/07	71126.70	18980.30	26.69	52146.40	73.31
2007/08	85155.50	23014.20	27.03	62141.30	72.97
2008/09	117051.9	34551.80	29.52	82500.10	70.48
2009/10	156290.6	41689.20	26.68	114601.4	73.32

Source: Economic Surveys of Various Years, NG

In above table, the amount of direct revenue is Rs. 1369.7 million in the FY 1990/91. It is increasing each year and has reached to Rs. 34551.80 million in 2008/09. But percentage contribution of direct tax to total tax revenue is fluctuating over the period from 16.15% to 29.52%.

The amount of indirect tax revenue is Rs. 6807.70 million in the FY 1990/91. It is also increasing each year and has reached to Rs. 82500.10 million in 2008/09. The percentage contribution of indirect tax to total tax revenue is fluctuating over the study period from 73% to 83%.

4.3.4 Composition of Tax Revenue in Nepal

Tax revenue is the principal sources of the government revenue. However its contribution differs significantly to mobilize internal resources effectively and properly as it has been dominating the government revenue by contribution of the tax revenue. Tax revenue in Nepal constitutes direct and indirect revenues from F/Y 1990/91 to 2009/10 are presented in the table 4.21 below.

Table 4.21
Composition of Total Revenue in Nepal

Rs. '000000

F/Y	Total Revenue	Tax Revenue		Non Tax Revenue	
		Amount	% Total Revenue	Amount	% Total Revenue
1990/91	10730.9	8177.4	76.2	2553.5	23.8
1991/92	13512.7	9875.6	73.1	2637.1	26.9
1992/93	15148.4	11662.5	77.0	3485.9	23.0
1993/94	19580.9	15371.5	78.5	4209.4	21.5
1994/95	24605.1	19660.1	79.9	4945.1	20.1
1995/96	27893.1	21668.0	77.7	6225.1	22.3
1996/97	30373.5	24424.3	80.4	5949.2	19.6
1997/98	32937.9	25939.8	78.8	6998.1	21.2
1998/99	37251.3	28752.9	77.2	8498.1	22.8
1999/00	42893.7	33152.1	77.3	9741.6	22.7
2000/01	48893.9	38865.0	79.5	10028.6	20.5
2001/02	50445.5	39330.6	78.0	11114.9	22.0
2002/03	56229.9	42587.0	75.7	13642.9	24.3
2003/04	62331.0	48173.0	77.3	14158.0	22.7
2004/05	70122.7	54104.7	77.1	16018.00	22.8
2005/06	72282.1	57430.4	79.4	14851.7	20.5
2006/07	87712.1	71126.7	81.09	16585.5	18.9
2007/08	107622.5	85155.5	79.12	22467.0	20.88
2008/09	143474.5	117051.9	81.58	26422.6	18.42
2009/10	179940.3	156290.6	86.85	23649.7	13.15

Sources: Economic Surveys of Various Years, NG

As shown in the above table, the tax revenue of F/Y 2009/10 was 86.85% as compared to 76.2% in F/Y 1990/91. It is a massive increase. The share of non-tax revenue in F/Y 2009/10 is 13.15% as compared to 23.8% of 1990/91. This indicates the role of tax revenue is very important in mobilization of Nepal to

meet the government expenditure .The total tax revenue in FY 1990/91 is Rs. 8177.4 million, which is massively increasing in 2009/10 and it reached to Rs.156290.60 million .But in percentage on the total revenue has been fluctuating from 76.2 % to 86.85% .The highest percentage contribution of tax revenue to total revenue is 86.85% in FY 2009/10 and the lowest percentage contribution is 73.1% in 1991/92.

From the FY 1990/91 to 2009/10 the amount of non- tax revenue found increasing with the amount Rs. 2553.5 to Rs. 23649.7 million. Highest percentage contribution of 1991/92 is 26.9% and the lowest contribution is 13.15% in 2009/10 .The share of tax revenue is always greater than Non –tax revenue.

Both subjects tell us exact figure of the country.

4.3.5 Composition of Indirect Tax Revenue

Indirect tax is levied on the spending on goods and services and tax is not paid to the government by the real tax payer .According to Oxfords Advanced Learners Dictionary “A tax that is not paid directly to the government but has an extra amount added to the price of particular goods, ” The main features of indirect taxes are convenience to pay ,mass participation, limited evasion, shifting of incidence ; the consumer paid the taxes to the businessman not to the government etc.Indirect tax is the main sources of the government revenue.

Indirect tax imposed in Nepal mainly customs duties, excise duties on individual production and VAT .Custom duties are composed of import duties, export duties and export service charge, Custom duties and Indian excise refund .Excise duty levy in the industrial production and VAT has wider Coverage since it covers most of the goods imposed or domestically produced

Table 4.22
Composition Composition of Indirect Tax Revenue

Rs. in '000000

F/Y	Total Indirect Tax	Custom duties		Sales tax (VAT)		Excise duties*		Other taxes**	
	Amount	Amount	%	Amount	%	Amount	%	Amount	%
1993/94	12516.20	5235.00	41.83	4693.10	37.50	1592.50	12.72	995.60	7.95
1994/95	15810.70	7018.10	44.39	6031.70	38.15	1657.30	10.48	1103.60	6.98
1995/96	17012.10	7327.40	43.07	6431.30	37.80	1944.30	11.43	1309.10	7.70
1996/97	19084.30	8309.80	43.54	7126.50	37.34	2298.10	12.04	1241.30	7.07
1997/98	19751.90	8502.20	43.04	7122.60	36.06	2885.80	14.61	883.70	6.28
1998/99	21236.80	9517.70	44.82	7882.20	37.12	2953.20	13.91	2404.80	4.16
1999/00	24200.60	10813.30	44.68	7854.90	32.46	13127.60	12.92	334.60	9.94
2000/01	28705.70	12552.10	43.73	12047.80	41.97	3771.20	13.14	303.30	1.17
2001/02	28733.10	12658.80	44.06	11964.00	41.64	3807.00	13.25	0.0000	1.06
2002/03	32481.20	14236.40	43.83	13459.70	41.44	4785.10	14.73	0.0000	0.00
2003/04	36260.40	15554.80	42.90	11478.90	39.93	6226.70	17.17	0.0000	0.00
2004/05	41032.90	15701.60	38.27	18885.40	46.02	6445.90	15.71	0.0000	0.00
2005/06	43462.30	15344.00	35.30	21610.70	49.72	6507.60	14.97	0.0000	0.00
2006/07	52146.40	16707.60	32.04	26095.60	50.04	9343.20	17.92	0.0000	0.00
2007/08	62046.60	21062.50	33.94	29742.60	47.93	11241.5	18.12	0.0000	0.00
2008/09	82653.5	26792.90	32.42	39604.20	47.91	16256.4	19.67	0.0000	0.00
2009/10	114634.03	36857.53	32.15	53464.30	46.64	24312.2	21.21	0.0000	0.00

Source: Economic Survey of Various Years, NG

* It is sum of taxation on industrial product and liquor contact,

** It includes entertainment tax, air flight tax, hotel tax, contract tax, road and bridge Maintenance tax and some other taxes.

Above table shows that the contribution of the custom duties to the total indirect tax is more than 32.04 in each year under the study period. Its contribution in the FY 1993/94 is 41.83% .It is fluctuating over the study period. Its contribution in the FY 2009/10 is 32.15% .It is decreasing with the contribution to total indirect tax is higher than other tax.

Contribution of sales tax (VAT) to fluctuating in every years which reached 46.64% in 2009/10 to which is highest percentage .Which percentage showed that government collected good sales tax from the public .Amount of excise duty is increasing each year fluctuating percentage. Something we found is excise duty as well there is massive change in the percentage of excise duty in FY 2009/10 and its contribution is 21.21%.

4.3.6 Composition of Direct Tax Revenue

If the person paying and bearing the tax is same, it is called direct tax. In the words of Dalton “A direct tax is really paid by the same person on whom it is legally imposed.”It is progressive so far as the amount paid varies significantly according to the income and wealth of the taxpayer .In the context of Nepal Direct Tax composed of different taxes namely income tax, Property tax (urban house and land tax, vehicle tax, interest tax). Land revenue, house and land registration tax and some other taxes.

In Nepalese tax revenue structure the contribution of direct tax and share of other components are shown in the table 4.23.

Table 4.23
Composition of Direct Tax Revenue

Rs. in 000000

F/Y	Total Direct Tax	Land Revenue & Registration				Tax on income ,profit & property	
		Land Revenue & Registration	House & Land Registration	Total	%	Total	%
1993/94	2855.3	61.00	772.20	833.20	29.18	2022.10	70.82
1994/95	3859.3	34.90	902.80	937.70	24.36	2911.60	75.64
1995/96	4655.9	18.20	1048.40	1066.6	22.91	3589.30	77.09
1996/97	5340.0	5.90	1009.50	1015.40	19.01	4324.60	80.99
1997/98	6183.9	3.60	1000.60	1004.20	16.24	5179.70	83.76
1998/99	7516.1	1.40	1001.80	1003.20	13.35	6512.90	86.65
1999/00	8951.5	4.60	1011.30	1015.90	11.35	7935.60	88.65
2000/01	10159.4	5.10	607.80	612.90	6.03	9546.50	93.97
2001/02	10597.5	0.80	1131.00	1131.80	10.68	9465.70	89.32
2002/03	10105.8	0.00	1414.30	1414.30	13.99	8691.50	86.01
2003/04	119126	0.00	1697.50	1697.50	14.24	10215.1	85.75
2004/05	13071.8	0.00	1799.20	1799.20	13.76	12671.0	96.93
2005/06	13968.1	0.00	2181.10	2181.10	15.61	11012.1	78.83
2006/07	18980.3	0.00	2253.50	2253.50	11.87	11787.0	62.10
2007/08	23014.2	0.00	2919.70	2919.70	12.69	16727.0	72.68
2008/09	34551.8	0.00	5248.40	5248.40	15.19	20147.0	58.31
2009/10	34597.4	0.00	5500.00	5500.00	15.89	29097.4	84.10

Sources: Economic Survey of Various Years, NG

In the above table direct tax is classified into land revenue & registration and tax on property, profit & income. Land Revenue and Registration Tax is further classified into land revenue and house and land registration. House and land revenue registration is higher than land revenue in each year. The share of land revenue is Rs. 61 million and house and land registration is Rs. 772.20 million in FY 1990/91. These taxes are more fluctuate over the study period. And land revenue is continuously decreased to zero level from FY 2002/03.

4.3.7 Land Tax Assessment Rates

Land tax assessment rates on Terai ,Hilly region and Kathmandu Valley ; in different types of land (Abal,Doyam,Seem,Chahar) is shown in appendix 2 and 3 respectively ,Also rate structure of the Bhumi kar as the category of id(A,B,C,D,E and F) is shown in the appendix 4. These rates are shown in end of the text.

4.3.8 Land Registration Charges, Service Charges and suspend (Rokka)

Charge on various types of Likhat under Municipality and VDC Regions are mentioned In Appendix 6 at the end of the text.

4.4 Major Findings

Major findings relating to this study are as follows:

A .Major finding from the Primary Data

1. The majority of respondent stated that Land (property) Revenue contributes significantly to the development of municipality & VDC.
2. Among the tax officers (employees, administrators and auditors) 67% and 75% viewed that property tax act 2047 does not cover land revenue and land registration tax respectively.

3. Among the land owners of the study area 70% of them said that they pay land revenue timely and out of them 58% utilize the rebate (discount) regarding land revenue. 58% land owners said that the the present tax policy is not very promotional that is why 46% of them think that it is necessary to change present tax policy generally.
4. Being lacks of regular information of property tax paying habit of people are poor.
5. All potential tax payers are not put into the tax net so; they should be put into tax brackets.
6. The method of assessment and valuation of land revenue has many loopholes and such loopholes can be cope with making simplification of law, making more investigation and reconciliation of bill and document of tax payers and better information system between tax payers and tax officers.

B. Major findings from the Secondary Data

1. It has annual increasing trend of resources gap in Nepal. So that foreign grants & loan are must be necessary to fulfill the gap of resources. Because there is not available sufficient resource to fulfill the gap of resource. Because there is not available sufficient resource to fulfill annual needs of the nation.
2. After foreign loan financing resource gap is Rs 2459.40 million in the FY 1993/94 and increased to Rs. 49676.39 million in the FY 2009/10.
3. The tax revenue of F/Y 2009/10 was 86.85% as compared to 76.2 % in F/Y 1990/91. The share of non-tax revenue in F/Y 2009/10 was 13.15 % as compared to 23.8% of 1990/91. This indicates the role of tax revenue is very important in mobilization of Nepal to meet the government expenditure.
4. Contribution of sales tax (VAT) is fluctuating in every year which reached 46.64% in 2009/10 to which is the highest percentage.
5. The share of land revenue is Rs. 61 million and house and land registration is Rs. 772.20 million in FY 1990/91. These taxes are more fluctuate over the study period. And land revenue is continuously decreased to zero level from FY 2002/03.

6. The major resources of the Nepalese Government are categorized in two parts i.e. (a) Tax revenue & (b) Non-tax revenue. Role of Tax revenue to total revenue is on decreasing trend.
7. Custom duty and sales tax have played a vital role in the comparison of indirect tax revenue to the govt. revenue Excise duty and other taxes contribution are nominal .But in the context of globalization there is must be necessary to reduce custom duty so the role of excise duty must be necessary to increase. The VAT substitutes another side role of other indirect tax.
8. Total tax revenue is involved direct tax and indirect tax revenue .Contribution of indirect tax is more than 80% of the total tax revenue. But its' trend is decreasing .In other side the trend of direct tax is increasing but its' contribution to total tax revenue is less than 25% of the total tax revenue.
9. The collection of land revenue is in Zero level .That's why in the context of direct tax revenue, there is many problems shown in our study. Land revenue is the historical sources for government revenue .Without land we can not sustain in the world but its contribution is not sufficient .So there is necessary to change the land revenue collection system.
10. Land revenue collection to total revenue is also zero. Because there is no systematic collection pattern in the field of land .Causes of decentralization, its management system is dismissed.
11. Contribution of land revenue to total tax revenue is nominal, because of unsystematic pattern of collecting land revenue.
12. The collection of land revenue and land registration tax is the core concept of this study because the whole study of the tax system there is the contribution of lands revenue to total Nepalese economy is nominal of Zero. But the contribution of land to humanity is not measurable. So this is mainly focused to the land revenue.

CHAPTER-V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Nepal is one of the developing countries in the world. Above 80% of the total population are directly or indirectly involved in the agriculture. Nepal can not successfully and properly develop over five decades in the planned development period .Nepal can not be successful to solve the problem of hunger, poverty, diseases, unemployment and heavy dependence on agriculture, low income level and socio-political and geographical condition over the various planned development period .There is lack of adequate different types of industries to fulfill the demand of different types of population. Yet the Nepalese economy is suffering from ineffective and effortless plan, programmed and policy of development and is also fighting against whatever bottlenecks identified before the starting of planned development system. There is necessary to identify vision wise objectives to develop the nation strategically. Without strategy, goal and vision our country suffer to develop different sector .There is also necessary to develop the mind of people positively.

5.1 Summary

In the study of the history of different time period of national development, there is vital role played by the land revenue to develop the nation. Land revenue is collected through land is justifiable because the land owners has been used such types of land in different ways. But there is necessary to classify uses of land in different ways .Without classification of land, the collection of land revenue through such land will not be justifiable or equitable. So there is necessary to collect such type of land revenue through the classification of different uses of land.

In developing countries like Nepal, these countries has been facing adequate financial problem to economic development .Nepal has been facing serious problem of resource gap and higher dependency of foreign loan. Resource gap has been increasing day by day

faster continuously .Resource gap is increasing continuously with the increment of total expenditure in respect to total revenue collection .To solve such type of problem , there is necessary to collect larger amount of resources through own country ,such type of resources will be collected through land revenue & other taxes

The collection of tax revenue is very weak after the decentralization of such type of revenue collection programmed. There are so many difficulties to pay land revenue to the government by the land owner. Because there is more than 80% of the useful lands of the nation are owned by below 20% people of the nation. But more than 80% people of the nations have less than 20% land of the nation. Such a way there is scattered in different part of the country such type of below 20% of the people. They have very difficulty to pay land revenue to local bodies. So to collect more amount of land revenue, there is necessary to develop the system of land revenue collection through central government but not ignore the land revenue collection system through decentralization programmed.

The relation of land to the people is too much close .Without land people can not sustain in the world .But the contribution of land revenue, now a day in zero level and use of land is very high level to the comparison of before industrial development in Nepal .So the land revenue is necessary to collect through landowner by the nation.

5.2 Conclusion

There are no records with the land revenue offices; how much land owned by whom? Causes of unscientific cadastral survey there is land classified under four categories: abal, doyam, seem, chahar. But this classification of land is not on the basis of productivity. Also lack of scientific cadastral survey there is difficulty to identify uniform land tax rates in different region.

There is also difficult to determine real valuation of land in different purposes. To solve such types of problem, there is necessary to complete scientific cadastral survey firstly .Also, in the context of land revenue there is there are not available sufficient physical

infrastructures and other facilities .There are involved untrained and uneducated manpower in the field of land revenue. Such as undesirable posting and transfers system of personnel's in this field. There is no any programme taken by the land revenue administration to encourage taxpayer to pay tax timely and properly. Corruption, fear, duress, and fines have been familiar with the administration of revenue .From this causes taxes are not collected properly and timely. To solve these types of problem there is necessary to restructure the land revenue administration and to place out right man in right place and right job. Where the service tax of land registration is found satisfactory but even there is necessary to restructure the policy regarding land registration tax.

5.3 Recommendations

After the study of land revenue, the land revenue play vital role to develop the economy of the nation .After looking forward history of Nepal, there is only one sources of government revenue that is land revenue. In that time the country was very developed .But now a day, here is various types of taxes are imposed but the development of nation is decreasing and collection of land revenue is also decreasing to zero level. So these types of history are also remember able to the policies and plan makers of the nation.

The following recommendations are made for to collect land revenue and registration service charge properly:

1. After finishing the cadastral survey, there is necessary to classify different range of landholders in different ways.
2. For the better assessment and manage sufficiently the land revenue administration, there is necessary to finalized the scientific cadastral survey firstly.
3. Place out morally good and capable employees in the field of land revenue administration.

4. Land uses systems need to be classified .The land uses system will be; industrial base ,house use base, road use base, agriculture base ,and river base etc. in the different region.
5. To establish strong panelized system to evasion of land revenue to the personnel and taxpayers.
6. To establish uniform system of land record management to each and every land revenue office.
7. To determine the land tax rate on the basis of land valuation annually for the land tax purposes.
8. To manage physical infrastructures and other facilities in the field of land revenue. Because, these physical infrastructures and other facilities are very weak in the comparison of other offices.
9. To establish appropriate criteria to determine small and marginal tax payers.
10. To establish valuation rate of land for different purposes uniformly with the help of different concerned government bodies.
11. Auditing system of land revenue is very weak .So the auditing of land revenue does properly and timely with the help of chartered accountant office.
12. To audit land revenue act and the provision of act which is not desirable in this time to change and defined clearly the provision of land revenue act.
13. To establish citizen charter in each and every office and establish the grievance handling department to check out officer's work.
14. Uniformly record the act in one place, in the land revenue administration office.
15. After classification of land in different base, there will be determined land tax rate on the basis of uses and negative impact to recover it in a proper manage.
16. Replace the untrained and uneducated manpower by trained and educated manpower or import necessary trainings to employees.

17. To stop the corruption, fear, duress and fines with the help of strong management system and act.
18. Rate of land is necessary to be justifiable and equitable .So, before determining the rate of land tax, there will be necessary to discuss with various person and with various department.
19. There is necessary to adopt computerized system to best record system of data .Without computerized system the ,management system of record can not be completed properly .It will help to create good MIS system with offices.
20. To start the package programmed to encourage tax payer timely, properly and voluntarily by the related sector.
21. To stop the undesirable posting and transfers of personnels.The causes of undesirable of posting and transfer, the personal administration will be unhealthy so a fixed tenure in particular place and position is desirable to all the employees.

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REQUEST LETTER

Dear Sir/Madam,

It is a great pleasure to inform you that I am carrying out a research entitled Taxation in Nepal: With Special Reference To Land Revenue and Land Registration Tax. The main objective of the study is to evaluate the land revenue and land registration tax.

Some of the required information for the study could be available through official records and unpublished materials and even some behavioral aspects of the research can't be covered by such materials. It is hoped that your extreme study and years of experience in this area will be of great importance .Hence you are sincerely requested to share your thoughtful experience by filling the enclosed questionnaire.

Thank you for your kind co-operation.

Sincerely,
Pravakar Acharya
Researcher
Shanker Dev Campus

APPENDICES

Appendix-1

Questionnaire to Tax Experts

Q. 1 Has the Property Tax Act 2047 included land Revenue Tax completely?

a. Yes

b. No

Q. 2 Is there any provision of Land Registration Tax in Property Tax Act 2047?

a. Yes

b. No

Q. 3 Is there any exemption in Land Revenue to Remote areas as compared to Metropolitan areas?

a. Yes

b. No

Q. 4 Are there any difficulties to determine Land Revenue as per the Act?

a. Yes

b. No

Q. 5 If not, how they are motivated?

(Please write below)

.....

Q. 6 Rank the following statement which best describes the condition of Land

Revenue practice in Nepal (from 5 to 1)

S.N.	Statement	Rank
A	Good	
B	Fair	
C	Poor	
D	Average	
E	None	

Q. 7 Which of the following statement best describes the present government

Policy regarding land revenue and land registration?

- a. Policies are too restrictive
- b. Policies are Neutral
- c. Policies are liberal
- d. Policies are satisfactory

Q. 8 To what extent are the opportunity to the land owner under present tax

Policy of the government?

- a. There are many opportunity
- b. There are some opportunity
- c. There are few opportunity
- d. There are no opportunity at all

Questionnaires to land owners

Q. 9 Do you pay the land revenue timely to the government?

- a. Yes
- b. No

Q. 10 Do you think that the present tax policy is promotional policy?

- a. Yes
- b. No

Q. 11 How well do you utilize the land revenue rebate (discount) from your side in present situation?

- a. Well utilized
- b. Under utilized
- c. Not utilized at all

Q. 12 How relevant to the requirement to change present tax policy?

- a. Extremely relevant
- b. Generally relevant
- c. Not very relevant
- d. Not relevant at all

Appendix-2

List of Respondents for the Questionnaire

S. No	Name	Designation	Address
A	Tax Experts		
1	Rajya Prasad Pradhang	Rev. Dept. Divisional Chief	KMC, Head Office
2	Nava Raj Dhakal	Rev. Dept. Section Chief	KMC, Head Office
3	Navaraj Thapa	Rev. Dept. Section Officer	KMC, Head Office
4	Shyam Prasad Pandey	Rev. Dept. Assistant	KMC, Head Office
5	Bimala Gyawali	Rev. Dept. Sub-Accountant	KMC, Head Office
6	Lala Ram Tripathi	Account Officer	KMC, Head Office
7	Laxmi Pokhrel	Computer Operator	KMC, Head Office
8	Shivaraj Joshi	Assistant	KMC, Head Office
9	Rameshwor Thapa	Assistant	KMC, Head Office
10	Shesha Kanta Adhikari	Assistant	KMC, Head Office
11	Padam Bahadur Thapa	Assistant	KMC, Head Office
12	Hari Gopal Maharjan	Assistant	KMC, Head Office
13	Dhurba Kumar Bhujel	Assistant	KMC, Head Office
14	Krishana Joshi	Assistant	KMC, Head Office
15	Gopal Lamsal	Assistant	KMC, Head Office
16	Narayan Shrestha	Assistant	Ward No,10
17	Ganga Panta	Assistant	Ward No.11
18	Ramesh Karki	Assistant	Ward No.29
19	Netra Prasad Ghimire	Assistant	Ward No.29
20	Basu Dev Aryal	Sectaries	Ward No. 31
21	Prakash Pokhrel	Assistant	Ward No. 32
22	Satya Dev Pandit	Sectaries	Ward No. 30
23	Madan Kharel	Assistant	Ward No. 33
24	Harikishor Acharya	Auditor	-
25	C.N. Khanal	CA	C.N. Khanal & Co.
26	Kishor Banskota	CA	Banskota & Co.

27	Prabhu Ram Bhandari	CA	Joshi & Bhandari Co.
28	Bhim Kunwar	Tax Officer	IRD
29	D.N. Karmacharya	Tax Consultant	-
30	Hari Patthak	Tax Consultant	-

List of Respondents for the Questionnaire

S.N.	Name	Address
B	Land Owners	
1	Kapil Shrestha	Putalisadak
2	Shova Thakuri	Putalisadak
3	Aashutosh Chand	Putalisadak
4	Amber Giri	Putalisadak
5	Shyam Prasad Bhattarai	Putalisadak
6	Bimal Panta	Putalisadak
7	Roshan Shrestha	Putalisadak
8	Pratap Marasini	Putalisadak
9	Saroj Sapkota	Putalisadak
10	Maddhusudan K.C	Putalisadak
11	Raman Dahal	Putalisadak
12	Sabita Acharya	Putalisadak
13	Gambhir Khanal	Putalisadak
14	Bikram Rai	Putalisadak
15	Keshav Shah	Putalisadak
16	Gokarna Bhatta	New Baneshwor
17	Srijan Khadka	New Baneshwor
18	Jiwan Uprety	New Baneshwor
19	Mohan Budhathoki	New Baneshwor
20	Manish Hamal	New Baneshwor
21	Laba Shrestha	New Baneshwor
22	Ambika Kharel	New Baneshwor

23	Rabin Ghimire	New Baneshwor
24	Pawan Neupane	New Baneshwor
25	Hikmat Karki	New Baneshwor
26	Netra Khatiwada	New Baneshwor
27	Tulsi Adhikari	New Baneshwor
28	Bhakta Koirala	New Baneshwor
29	Bishnu Kaphle	New Baneshwor
30	Hari Gautam	New Baneshwor

Appendix -3

Structure of Land Revenue

Terai Region (Per Bigha)

Land Holding	Types of Land				
	Abal	Doyam	Seem	Chahar	unclassified
Upto 1.5 Bigha					
Minimum	6.80	6.00	4.80	3.60	-
Maximum	34.00	30.00	24.00	18.00	-
Upto 3 Bigha					
Minimum	8.50	6.80	5.00	4.00	-
Maximum	42.50	34.00	25.00	20.00	-
Above 3 Bigha					
Minimum	70.00	62.00	50.00	30.00	-
Maximum	350.00	310.00	250.00	150.00	-

Appendix -4

Structure of Land Revenue

Hilly Region (Per Ropani)

Pakho Land

Land holding	Types of Land				
	Abal	Doyam	Seem	Chahar	unclassified
Upto 20 Ropani					
Minimum	0.38	0.25	0.12	0.10	0.03
maximum	1.90	1.25	0.60	0.55	0.50
Upto 40 Ropani					
Minimum	0.44	0.37	0.28	0.20	0.13
Maximum	2.20	1.85	1.40	1.00	0.65
Above 40 Ropani					
Minimum	3.10	1.80	0.60	0.60	0.20
Maximum	15.50	9.00	3.00	3.00	1.00

Appendix -5

Structure of Land Revenue

Hilly Region (Per Ropani)

Khet Land

Land holding	Types of Land			
	Abal	Doyam	Seem	Chahar
Upto 20 Ropani				
Minimum	0.50	0.38	0.25	0.20
maximum	2.50	1.90	1.25	1.00
Upto 40 Ropani				
Minimum	0.62	0.40	0.37	0.25
Maximum	3.10	2.00	1.85	1.25
Above 40 Ropani				
Minimum	4.40		1.80	1.80
Maximum	22.00		9.00	9.00

Appendix -6

Rate Structure of the Bhumi Kar

Area	Rates in Rupees the Category of Land						
	A	B	C	D	E	F	Unclassified
Kathmandu Valley(Per ropani)	128.0	102.4	76.80	61.44	46.08	35.84	61.44
Hilly Region(Per Ropani)	5.84	30.72	25.6	20.48	15.36	10.24	20.48
Terai Region(Per Kattha)	50.00	40.00	30.00	225.00	20.00	15.00	25.00

Appendix -7

Land Registration Charges, Servie Charges & Suspend (Rokka) Charges

S.N	Types of Likhat	Registration Charge Rate		
		Municipality area	VDC area	Both
1	<u>Rajinama, satta patta & sagolnama</u>			
	a) upto Rs 10,000	Rs. 400	Rs.200	
	b) from Rs.10001 to Rs .25,000	Rs. 1,000	Rs. 500	
	c) Rs. 25,001 & above	6%	3%	
	d) Flat constructed under group residential Planning	-	-	2%
2	Resignation (Chhod patra) between joint registration Holder	3%	2%	
3	<u>Bakas patra ko likhatma</u>			
	a) Grandfather,/mother,father/mother,Husband/wife, bother /sister,& relatives in law			
	1) upto Rs.25,000	Rs.500	Rs.200	
	2) Rs.25,001 & above	2%	1%	
	b) Donation			
	1) upto Rs. 10,000	Rs.1000	Rs. 500	
	2) Rs. 10,001 & above	10%	5%	
4	<u>Ansabanda ko likhatma</u>			
	a) upto Rs 50,000	-		No

			-	Charge
	b) Rs 50,001 to 2,00,000		-	Rs.200
	c) Rs 2,00,001 to 5,00,000		-	Rs.1,000
	d) Rs 5,00,001 to 10,00,000		-	Rs.2,000
	e) Rs 1,000,001 to 5,000,000		-	0.25%
	f) Rs 5,000,001 to 10,000,000		-	0.50%
	g) Rs 10,000,001 to above		-	0.75%
5	Mano chuttiyako & Mano jodiyako	Rs.1,500	Rs.500	
6	Equal & exchange	Rs.500	Rs.100	
7	<u>After death</u>	-	-	-
	a) within 3 generation	Rs.1,000	Rs.500	
	b) above 3 generation	Rs.2,000	Rs.1,000	
8	Dristibandaki & Voghbandaki ko likhatma		-	1%
9	Adopted son and daughter	Rs.5000	Rs.5000	
10	Adhikarnama , manjurinama& akthiyarnama			Rs.500
11	Kapali tamasuk & kararnama			0.50%