CHAPTER –I
INTRODUCTION

1.1 Background of study

A government requires sufficient resources to carryout development plans, handle day to dayadministration, maintain peace and security and launch other public welfare activities. Thegovernment collects the required resources mainly from two sources: debt and revenues. The debt can be collect either from internal or external sources. The internal debt is collected within the country while external debt is collected from outside the country. The debt financing of the government is known as deficit financing. The revenues on the other hand, come basically from like gifts, grants, revenues from public enterprises, administrative revenues such as registration fees, fines and penalties. The sources include customs duty, excise duty, VAT and income tax.

Among internal resources taxation is prime factors; it is the pillar of the fiscal policy.It is the backbone of the welfare state and government most imposes taxation to finance various welfare and social services like education, health, electricity, transportation communication etc. (Kadel, 2003)

In general, tax can be defined as a levy or other type of financial charge or fee imposed by state or central government on legal entities or individuals. It is a compulsory levy from individuals, households and firms to central or local government. It is a kind of money which it is the legal duty of every citizen of the country to pay honestly. It may be levied on income, property and even at the time of purchasing a commodity. Tax is computed and paid as prescribed in the law. If a person denies the tax payment, he may be punished in the court of law. A taxpayer is not entitled to compel the government, while paying taxes, to give something to him return of the amount he has paid. Taxation can considered as a convenient method of raising revenue which in turn is linked with the welfare of the people directly or indirectly.

A tax is compulsory contributions imposed by a public authority, irrespective of exact amount of services rendered to the taxpayer in return and are imposed as a penalty for any legal offense(Dalton, 1954).

According to Seligman, tax is a compulsory contribution from a person to the government to defray expenses incurred in the common interest of all without reference to special benefit conferred. Tax may be classified as direct tax and indirect tax on the basis of impact and incidence. Direct taxes are those, which are imposed initially on the individual or household that is meant to bear the burden e.g. income tax, property tax, vehicle tax etc. In the word of Dalton, A direct tax is really paid by the same person on whom it is legally imposed. In contrast to direct tax, an indirect tax is that tax where the person paying the tax and the person bearing the tax is different. In the word of Dalton, an indirect tax is imposed on one person but paid partly or wholly by another. Customs, excise, value added tax, contract tax are the examples of indirect tax. Taxes on income may be levied on individual as well as business firm. The former is known as personal income tax and the later is known as corporation tax. A proper tax system should be able to generate the required amount of revenue.

Among varioustaxes, income tax plays an important role in tax revenue. Income tax is imposed on those activities contributes towards the creation of wealth is created with the help of labour, capital and labour activities that generate income from employment investment and business. Being a developing nation, Nepal still has been unable to maximize the collection of income tax. The important of income tax has been increasing day by day and it has not only remained a source of revenue for emergency but has become regular sources of income for government (Bhattaraiand Koirala, 2068).

A company or corporation body is a legal organization that is voluntarily created, organized or characterunder law. It is artificial people, which can own property, execute contracts, rise debts, and generate profits. Therefore, corporate tax is a tax levied on companies or corporate bodies in contrast to unincorporated enterprises. It is the tax on capital income that occurs in the form of profit and originates the corporate sector i.e. company. There are some obvious arguments in favour of raising a large amount by way of corporation taxation in developing countries. The first is the ease of collection. Corporations are easily identifiable, keep accounts and cannot escape tax liabilities by, for instance, rapid changes of their place of residence. In these respects they are almost administrators dreams, a further point is that, taxes collected in this way often appear painless.

Although Nepal has a long history of taxation, corporate tax was introduced only in 1960 when the Business Profits and Remuneration Tax Act, 1960 was enacted, at the beginning, it was not differentiated from the personal income tax. The same tax rate with progressively and exemption limit were prescribed by the Finance Acts of 1960 to 1964 to all companies, private firms, individuals and families. From the financial year 1965/66, the tax exemption given to companies similar to personal taxpayers was withdrawn.

A separate tax system to companies was introduced by the Finance Act 1976, Finance Act 1985 made a provision of giving 5percent tax rebate from highest marginal rate of 55percent to listed public companies and government enterprises. Financial year 1986/87 was the year when the corporate tax was really recognized by imposing a flat rate of 40percent tax on taxable income of listed companies. By the same coin, Finance Act imposed tax on dividend also to be deducted at source at the rate of 20percent which after the filing of return by shareholders was to be reconciled. But this dividend tax was changed exempting divided to a level of 85percent in 1987/88.

Finance Act, (1992/93) introduced compulsory self-tax assessment system for public and private ltd. co. Besides these changes, taxing corporate income at flat rate to the private limited company was enacted from the financial year 1994/95. This change at last ended the discrimination between private company and the public company. Another major change is the inclusion of divided of non-industrial within the tax net, since the financial year 1998/99(Kandel, 2000). The corporation sector has been classified into three groups according to establishment and ownership.

The major three groups are government sector, public sector and private sector. There are also special industries according to nature and liability of paying tax. Special sector's companies are levied 20percent tax rate on the taxable income of the companies, as per Income Tax Act 2058. Normal industries including trading company and manufacturing industries have been taxed at 25percent and 20percent flat respectively and other industry at 25percent. Banking and insurance industries have been taxed at 30percent flat rate. The industries established in backward areas are provided certain facilities, concessions, rebates and tax holding as per the ITA 2058 and Industrial Enterprise Act 2049. Similarly, dividend and capital gains have been also included in tax net.

1.2 Statementof the Problems

Economic development is the prime concern of every nation of the world. Underdeveloped countries are facing serious problem in the process of economic development. Nepal is also not an exception to this condition. The majority of people have not been able to get even basic facilities. The government wants to fulfil the basic needs of the people and accelerate development activities one at a time. Thus, every nation of the world is accomplishing various activities to fulfil these objectives. It needs huge amount of capital.

Despite the various measures adopted by the government to boost revenue collection, there is still a substantial resource gap between expenditure and revenue. The rate of government expenditure is exceeding the rate of growth revenue almost every year. In other words, Nepal has been facing persistent budget deficit from the beginning of its development phase. External deficits, currency depreciation, inflationary pressure, rising interest rates which may cause crowding out effect and reduction in economic growth are the consequences of the budget deficits. The mobilization of revenue has not increased to the level in which the level and speed of our expenditure is rising. Raising the government revenue helps to overcome from the serious bottleneck of resource gap in the process of economic development programs by mobilizing additional resources from domestic sources.

Income tax is one of the component of taxation and major sources of government revenue. Income tax in developing nations has been regarded as an instrument of growth and social justice. But Government of Nepal is being unable to mobilize the expected income tax from personal as well as corporation. Most of the personal taxpayers do not reveal the income sources even they earn significant amount. They hardly keep and show their proper accounts.

Similarly, many research reports have addressed that tax evasion has become a serious problem as a result the actual collection of income tax is being very low. So, the role of corporate income tax revenue is justifiable. Corporations are easily identifiable, keep their accounts and cannot escape tax liabilities. But corporate sector is still in initial state of development in Nepal. The performance of corporate sector, especially, the industry is very poor. Their number, profitability, investment in fixedassets, share in market transaction are all in weak position.

There is no agreement as regards to various issues in corporate tax area. The debate is going on as regards to base of tax, method of taxing corporation, method and rate of depreciation, use of appropriate type of tax incentive, treatment of tax inflation etc.
In view of the discussions of problem taken from the above studies, the research questions are as follows:

1. What is the proportion contribution of income tax to total tax revenue?
2. What is the share and trend of corporate income tax on governmentrevenue, total revenue and direct tax revenue?
3. What are the problems/difficulties of Income Tax Act 2058?

1.3 Objectives of the Study

The main objective of study is to analyse the income tax structure of Nepal showing its contribution on government revenue of Nepal and point out some problems/difficulties of Income Tax Act 2058. Other specific objectives of the study are listed below:

1. To find out the proportion of contribution of income tax to total tax revenue.
2. To examine the trend of corporate income tax on government revenue, total revenue and direct tax revenue of Nepal.

1.4 Need and Significance of the Study

Nepal is an agro-based developing country with low speed in industrialization process. There are only a limited number of corporate bodies and their economic performance is very dismal. So, there is need to growth and development of corporate sector in our nation. The government needs huge amount of funds to spend on daily expenses as well as development activities. Every year, Nepal has been presenting deficit budget, there is increment in resource gap. Most of the development activities depend on bilateral and multilateral grants and loans. The nation is hardly bearing the loan and the internal source of revenue is not sufficient even to meet the ordinary expenses.

In this context, the easy and long lasting way to increase revenue to strengthen theinternal source is through income tax in which corporate income tax is one of the major components. Thus, the contribution of income tax on government revenue and its impacts on fulfilling resource gap has been chosen as a relevant topic for the study.

The study is useful to economists, planners, tax officers, tax administrators, government and other interested persons about the structure of income tax and its contribution in internal resources and the problem and prospects of corporate sector. It also provides the information about trends and projection of corporate income tax.

1.5Limitations of the Study

The study has the following limitations:

a) This study is based on secondary data. The reliability depends on them.
b) Main focus is given to corporate income tax of Nepal.
c) This study has been conducted to fulfil the requirement of the MBS program of T.U. forthe prescribed time, not for generalization purpose.
d) This study covers the information of only fiscal years 2008/09 to 2015/16.

1.6 Organization of the Study

The entire study has been designed into five main chapters. They are:

Chapter 1: Introduction

Introduction chapter covers background of the study, statement of the problem, objectives of the study,need and significance of the study, limitations of the study and organization of study.

Chapter 2: Review of Literature

The second chapter review of literature is done to know what research had been done in the related topic in previous days and what is to be done at present or in future. This chapter has been divided into two main aspects: (1) Conceptual framework and (2) Review of related materials i.e. review of books, review of thesis, review of newspapers, magazines, journals etc.

Chapter 3: Research Methodology

This chapter concern with research question, research design, sources of data, population and sampling, data collection procedures and tools used for analysis.

Chapter 4: Presentation and Analysis

Presentation and analysis of data have been made in the fourth chapter. The data collected from various sources have been tabulated in their sequential order and data have been described and analysed with statistical tool as well as general accounting and taxation principle.

Chapter 5: Summary, Conclusion and Recommendation

The fifth chapter consists of brief summary, conclusions and recommendations of the study. Lastly, essential bibliography or reference and annex has been presented at the end of the study.

CHAPTER- II

CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

2.1 Conceptual Framework

2.1.1 Concept of Tax

Economic development and enhancement isthe prime concern of every nation. To achieve this goal government of the nation has to operate various development projects in nation. Government has to spend a lot of funds in the field of education, construction, electricity, health, communication, security etc. In order to carry out these projects the government needs sufficient fund. So the government collects revenue from different sources such as tax revenue from public enterprises, special assessment,fees, fines, penalties grants and loans etc. Among these sources tax is the most important and reliable resources of governmentrevenue.

In general, tax can be defined as a levy or other type of financial charge or fee imposed by state or central government on legal entities or individuals. It is a compulsory levy from individuals, households and firms to central or local government. It is a kind or money of which it is the legal duty of every citizen of the country to pay honestly. It may be levied on income, property and even at the time of purchasing a commodity.

Tax is computed and paid as prescribed in the law. If a person denies the tax payment, he may be punished in the court of law. A taxpayer is not entitled to compel the government, while paying taxes, to give something to him return of the amount he has paid. Taxation can considered as a convenient method of raising revenue which in turn is linked with the welfare of the people directly or indirectly.

According to Professor Seligman, “A compulsory contribution from a person to the government todefray the expenses incurred in the common interest of all without reference to special benefit conferred.” (Lekhi, 2000:146)

According to Taylor,"A tax is a compulsory payment to the government without expectation of direct benefits in return to the payer." (Amatya, 2013)

From the above definitions, it can be concluded that tax is not a voluntary contribution by the taxpayer but it is compulsory in nature. It is levied on persons as per the prevailing laws. Those who pay tax do not get corresponding benefits from the government. It is spent for common interest of the people. This mean the government of the amount of tax paid by the tax payer provides no special benefit.

2.1.2 Classification of Taxes

There is a variation in classification of taxes between economics and tax accounts. The major classification of tax may be direct taxes, indirect taxes, progressive taxes, regressive taxes, degeneration taxes, multiple taxes single taxes etc. However taxes are broadly classified into two groups:Direct and Indirect.

Direct tax:

A direct tax is a form of tax paid by a person on whom it is legally imposed. It is collected directly by the government from the person who bears the tax burden. Taxpayers need to file tax returns directly to the government. Therefore, direct tax cannot be shifted. The impact or the money burden and the incidence are on the one and the same person. In other words, the same person pays and bears the tax burden. It is the tax on income and property. Examples include income tax, property tax, vehicle tax, interest tax, expenditure tax, death tax, gift tax etc.

Advantages of Direct tax:

The advantages of direct tax are as follows:

- It is equitable as it is imposed on person as per the property or income.
- Time, procedure and amount of tax to be paid are known with certainly.
- It is flexible. The government can change tax rate with the change in the level of property or income.
- It enhances the consciousness of the citizens. Taxpayers feel burden of tax and so they can insist the government to spend their contributions for the welfare of the community.

Disadvantages of the Direct tax:

The disadvantages of direct tax are as follows:

- It gives mental pinch to the taxpayer as they have to curtail their income to pay to the government.
- Taxpayers feel inconvenience as the government imposes tax progressively.
- Tendency to evade tax may increase to avoid tax burden.
- It is expensive for the government to collect tax individually.

Indirect Tax:

An indirect tax is a form of tax imposed on one person but partly or wholly paid by another. It is collected by mediators who transfer taxes to the government and also perform functions associated with filing tax returns. Hence, indirect tax can be shifted. In indirect tax, the impact and incidence of tax are on different persons. In other words, the person paying bearing the tax is different. It is the tax on consumption or expenditures. Examples include VAT, excise duty, import and export duty, etc.

Advantages of Indirect Tax:

The advantages of indirect tax are as follows:

- It is convenient as the taxpayer does not have to pay a lump sum amount for tax.
- Each and every person getting goods or services has to pay tax.
- There is a less chance of tax evasion as the taxpayers pay the tax collected from consumers.
- The government can check on the consumption of harmful goods by imposing higher taxes.

Disadvantages of Indirect Tax:

- The disadvantages of indirect tax are as follows:
- It is uncertain. With the fluctuation in demand the amount can also fluctuate.
- It is regretful as the tax burden to the rich and the poor is same.
- It has bad effect on consumption, production and employment. Higher taxes reduce all of them.

- Most of the taxes are included in the price of goods or services. As a result, taxpayers do not know how much tax they are paying to the government.

2.1.3 Introduction of Income tax

Income is the consumption and saving opportunity gained by an entity within a specified time frame, which is generally expressed in monetary terms. Howeverfor households andindividual,Income is the sum of all the wages,salaries, profits, interest payments, rents and other forms of earning received in a given period of time.For firms,Income generally refers to net–profit: what remains of revenue after expenses have been subtracted. In the field of public economies, it may refer to the accumulations of both monetary and non-monetary consumption ability, the former being used as a proxy for total income.

Income is defined in the framework for the preparation and presentation of financial statements, issued by Nepal Accounting Board as increases in economic benefits during the accounting period in the form of inflows or enhancement of assets of decrease of liabilities that result in equity, other than those relating to contributions from equity participants.

Economists define the term 'income' in a broad sense. It is an economic gain or receipt to a person during a particular time by way of wages, interest, profit and rent. The money income of the people is generally used for two purposes. Part of income is spent on consumption and part is saved. This definition can be expressed in the formula as follows:

$Y= C+ S$

Where,
Y = Income

C = Consumption

S = Saving

But for the purpose of taxation, the definition of income is somehow different from the aforesaid definition. According to Income Tax Act 1974 (2031) " Income means the income earned or received in cash or kind from the sources mentioned in sec. 5". In this section five different heads of income were mentioned. They were as follows:

1. Agriculture
2. Industry, Business, Profession or Vocation
3. Remuneration
4. House and land rent
5. Other sources

Income derived for a certain period is considered for taxation purpose. In Nepal the period for twelve months commencing from 1st Shrawan to end of Ashad of next year is treated as one income year .Income Tax Act, 2058 has classified the taxable income into three:income from business, income from employment and income from investment .The total of the incomes of a person is said to be an income of the person.

The existing Income Tax Act 2002 (2058), which has been enacted since 2058 Chaitra 19, (April 1, 2002), has defined income in section 2/a as "person's income from any employment business as calculated in accordance with this Act (ITA, 2002). It includes all sorts of income received for the provision of labour or capital or both of whatever form or nature in the taxable income.

Tax, in simple terminology, is a liability to pay an amount to the government. It is a compulsory contribution to the national revenue from the taxpayers according to law. In the word of Seligman, taxation is the "compulsory contribution from a person to the government to defray expenses incurred in the common interest of all without reference to special benefit conferred."

From the definition given above it can be said that firstly, a tax is a compulsory levy and those who are taxed have to pay it without getting corresponding benefit of services or goods from the government. Secondly, taxpayer cannot receive any quid pro quo for the payment of tax. The taxpayer does not receive equivalent benefit from the government. Thirdly, the tax is paid to the government for running it. Fourthly, in case of tax, the amount is spent for common interest of the people. The tax is collected from haves and basically, spent for the interest of have-nots in the society. Fifthly, a natural or an artificial person pays the tax. (Kandel, 2004)

In conclusion, it can be said that tax is a liability to pay an amount to the state. The basis of a minimum amount from certain specified or that they own certain tangible or intangible property or that they carry-on certain activities which have been chosen for taxation. (Kandel, 2001)

Income tax refers to the tax levied on the income of a person and profits of corporation for the specific time period, particularly one year. Income tax is levied on the taxable income of a person or a company after deducting allowable expenses. Accounting profits may differ from taxable profits. For the computation of taxable income, generally incomes are added and expenses are subtracted and losses, which are allowed to deduct under the provision of Income Tax Act are also subtracted. Then, tax-free incomes allowances and common expenses are also deducted to get taxable income. After giving the exemption limit as per law, the amount of tax to be levied on this computed income is the income tax.

2.1.4 Evolutionof Taxation

In early days, taxes were collected at the time of emergencies, to finance wars and to provide communal services. Taxes were levied on the basis of welfare of the people. At that time tax was not compulsory payment. People voluntarily paid the tax because non-payment of tax was taken as sin in the Hindu tax system. According to Hindus' scripture, the duty of king was to serve and secure his people, maintain peace and harmony and carryout social works. For those purpose king used to levy tax by collecting crops and cattle from farmers, gold and silver and other metallic goods from traders.

Great Britain was the first country in the world to introduce the modern income tax. It introduced income tax in 1799 to finance the war fought with France. USA introduced income tax in 1862 to generate revenue to finance civil war. In India, while income tax in its modern form was adopted in 1860, several experiments were made from 1860 to 1866 and finally the systematic income tax legislation was enacted in 1866. This, income tax was adopted by different countries gradually. Italy started it in 1864, and New Zealand adopted in 1891, Australia and Canada have followed the income tax in 1915 and 1917 respectively.

2.1.5 HistoricalBackground of Income Tax in Nepal

The history of the taxation is as long as the history of a man. According to Dr.GovindRamAgarwal, “Taxation is as old as time itself.”

In early days taxes were collected by tribe rules, community heads etc. for communal services rendered and as a contribution to communal resources for times of emergencies. These taxes were in the firm of cattle, food grains, animal skin and labouretc. If we go through Vedas, we will find that the work of the king was to serve and secure people, maintenance peace and other social work. To perform these works, he used to take cattle from animal product crops from agricultural producers and gold, silver, copper etc. from trade .If we overview the ancient Hindu tax system we will find that this tax system was based on the theory like such as the water of the earth goes in the sky from the heat of the sun latter it rains again on the earth .Similarly, the duty of the king was to tax people and to spend the taxes amount for the welfare of the people.

According to K.P.Jayaswal, “The Hindu theory of taxation is of immense importancefrom the constitutional point of view, taxes had been fixed by law and scales had beenembodied in the scared common law. The consequences was that whatever the form of government, the matter of taxation was not an objectof ruler’s caprice. No friction could therefore legally arise between the crown and the people on the question of taxation”(jayaswal,237,238). In these days, the people were eager to pay tax because they thought not paying the tax was a great sin .At that time, there was not the problem of leakage of tax.

We can classify the history of taxation in Nepal in the following manner.

- Taxation in ancient Nepal.
- Taxation in unified Nepal.
- Taxation in Rana regime.

2.1.5.1Taxation in Ancient Nepal

Reliable records about taxation in ancient and medieval nepal are not available. However, tax has been one of the major sources of government's revenue from the ancient time in Nepal. Taxes were then levied on the merchants, travellers and farmers in the form of cash or kind, labour and goods. On some occasions gold and agricultural products were also paid as taxes; but the nature of these taxes was temporary. In the Lichhavi's regime, income taxes from agriculture and business were introduced as a direct tax for the first time in Nepal. Agricultural income tax was called "Bhaga". The 1/6, 1/8, and 1/12 quality of the land that they owned. It shows the meaning of taxes on income not on profit. Income tax, which was levied on business income, was called 'kara'. It was a tax in cash. There was irrigation and religious tax also in existence during the regime of king of Anshubarma of Nepal.

2.1.5.2Taxation in Unified Nepal (1768-1846)

After the national unification (1968AD), expenses for administration, military and other operational activities were increased significantly. During that period, taxation has been taken as main source of revenue and different types of taxes like land tax, transit tax, market duties, various levies and fines, forest product tax and mining tax were levied. Maximization of revenue was the main objective of the tax policies during that period. Local administrations were directed "to take whatever is paid willingly by the people." Taxes were collected from the three levels. (Agrawal, 1980)

a) Royal Palace: To finance occasional and ceremonial needs. The taxes were broad based and progressive.
b) Government: To finance administrative, military and other purposes assessed on official functionaries, occupational groups and other people.
c) Local: Prerequisites of local officials, functionaries, collectionof customs, transit and excise duties were given on contracts. In some part of tarai, tax were collected at specific rates on jewellers, textiles, falcons, horses, elephant, homespun cloth, yarn, blankets, borax, wax copper, iron, paper tobacco, herbs, drugs, cotton, salt, yak’s tail, musk, sheep and goats levying duties on timber exports was revenue from forests..

The various taxes levied during this 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 "Darshanbhet", "Salami", “Walal" etc. After the unified period, land revenue system was divided into five main forms: Raikar, Birta, Guthi, Sera and Kipat. The main sources of revenue from land were Birta and Kipat.

2.1.5.3 Taxation in Rana Regime (1846-1950 A.D.)

Imposition and collection of taxes during 104 years oligarchic rule of the Rana family in Nepal prior to 1951 was the prerogative of the feudal rulers. Only those taxes, which suited the objectives, needs and whims of the ruling Prime Minister, were imposed. No budget was framed during the Rana regime. Taxes were collected at the time of requirement due to lack of Income Tax Act and finance act. The collected taxes were directly deposited into the Prime Minister's Account. Main sources of revenue wereland tax, custom and excise duties in the form of lump sum contracts, royalties on felling trees, royalty on supply of porters and soldiers, entertainment taxes. There was no direct tax in the country except land tax collected on a contractual basis and "Salami" which the government employees used to pay out of their salaries at a very small percentage.

Rana Prime Minister levied taxes for meeting specific expenditure of the royal household or extraordinary expenditure necessitated by war or other crisis rather than mobilizing revenue in the nation. During Nepal-Tibet war (1855/56), the first Rana Prime Minister Jung Bahadur had imposed a tax on the income of selected groups. Similarly, BirShamsher imposed a levy of 1percent in the official value of Jagir assignment of government employees in 1891, to finance the transportation of water pipe supply in the capital. Ranoddip Singh imposed a 50percent tax in the income made by fishermen in Deukhuri from the sale of fish in 1882.

2.1.6 Income Tax in Modern Nepal

After the independence of the country from Rana rule in 1951, the government was bound to operate development activities besides performing the regular functions of maintenance of law and order. In order to raise excess government revenue, for the implementation of development activities ,the idea introducing income tax in Nepal originated only in the early 1950s when multi-party democratic political system was introduced in 1951 (2007 BS Falgun),the finance ministry in his budget speech declared the intention of the government to levy an income tax. As a result, it issued first finance ordinance in 1959(2016) to impose tax on business profit and remuneration at the rate of 5percent to 25percent rating taxes into 10 types.

This Act also made Small and Big scale industries were given concession by

25percentand 50percentrespectively on their tax liability. In 1960(2017 B.S) the income tax act named "Business Profit and Remuneration Act, 2017 was made with the provisions of finance ordinance 1959. That was the first Income Tax Act, which had 22 sections. But that act was found narrow and vague. So, it was replaced by the Income Tax Act 1962(2019). That act had 29 section and it had defined nine headings of income .They were Business, Profession and vocation, Remuneration, House and land Rent ,Cash or kind investment, Agriculture, Insurance Business, Agency Business and other sources . That act continued for 12 years and it was also replaced by the Income Tax Act 1974 (2031 B.S). That act had 66 sections and classified income sources into 5 groups. They were Agriculture, Remuneration, Industries, Business, Profession or Vocation, House and Land and Other Sources. That act was amended for eight times. That tax act was replaced by new Income Tax Act, 2002 (2058 B.S.). This is the fourth income tax act of Nepal.

2.1.7 Development of Income Tax Act and Laws

2.1.7.1 Business Profit and Remuneration Tax Act, 1960 (2017 B.S.)

The government of Nepal introduced a formal tax for the first time in Nepal in 1960 (2017 B.S) in the form of “Business Profit and Remuneration Tax” which had 22 sections. In that act, income tax was levied only on business profit and salaries.

The Main features of income tax act 1960 were as follows:

i. Only remuneration and business profit were subject to tax. Deductions were not specified for the purpose of calculating the income.

ii. Tax on remuneration was to be deducted at source.

iii. The basis for calculating the tax liability for remuneration was the income of the current year and for the business profit, it was the profit of preceding year.

iv. There was a provision of fines rangedfrom Rs.500 to Rs 5000 in case of defaults.

v. The first court of appeal against the tax officer’s assessment was local; “Badahakim” of Magistrate. Thereafter, taxpayer could appeal to the Revenues and tax court but need to deposit fixes amount of tax (Dhungana, ibid).

vi. The tax officers were empowered to assess tax on the basis of best judgment estimates only in case of false statement of in absence of income tax return.

vii. Profits from industries were granted a rebate of 25percent and profits from small industries were granted a rebate of 50percent.

viii. There was special provision for newly opened industry in which the Government might wholly exempt income tax for 10 years and 25percent exemption after 10 years.

2.1.7.2Income Tax Act, 1974 (2031B.S)

The Income tax act 1974 was enacted to overcome the weakness of Income Tax Act 1962 in light of growing requirement of peplum government and national economy. This act had 66 sections and it was amended for eight times respectively in 1977 (2034), 1979 (2036), 1980 (2037), 1984 (2041), 1985 (2042), 1986 (2043), 1989 (2046), and 1992 (2046).Government enacted the income Tax Rules, 1982(2039) in 1982 in accordance to the authority given under section 65 of the ITA 1974the Financial Act is also equally applicable for the proper administration of income tax in Nepal. Some of the features are as follows:

i. This act had clarified certain definitions specially relating to tax, taxpayer, taxable income, gross income, net income, personal status of the tax payers and non-resident taxpayers, assessment of tax, Philanthropic work non-resident etc.

ii. This act had classified into five heads of income sources. They were. a) Agriculture, b) Industry, Business, Profession or Vocation, c) Remuneration, d) House and Land Rent and e) Other sources.

iii. The act had made it obligatory for taxpayer to register their industries, business, profession or vocation in the tax office and any changes should be notified.

iv. Carry forward of losses is allowed for within subsequent three years.

v. This act had made provision for self-assessment of tax for the first time if any mistake arose, of lower tax was,assessed; tax officer might make final assessment.

vi. Taxpayer was required to keep accounts and records of the income and to be preserved for six years.

vii. The punishment provision was specified in different headings viz. failure to submit particular of Income, false particulars, not maintaining the accounts, obstructions and others.

viii. The government might form an income assessment Committee consisting five members by publishing notice.

ix. Method of computing the taxable income from each head had been specified with deductions allowable.

x. The punishment limit to person for violating law and regulations was up to Rs.10000.

2.1.7.3Income Tax Act, 2002 (2058 B.S)

The government of Nepal enacted Income Tax Act 2002 (2058) to enhance revenue mobilization through effective revenue collection process for economic development of nation. This act came into effect on April 1, 2002 (Chaitra19, 2058).This Act was brought in Nepal to avoid the following defects of income tax act 2031.

a. This Act had a narrow tax base.
b. Dispersion of tax related Acts had arisen confusion in the effective implementation of the Act.
c. This act was not clear provisions regarding taxation of capital gains and also it was silent regarding to international taxation.
d. This act had no adequate terminology and provision.
e. The fine and penalty imposed by the Act were very low.
f. There was a weak mechanism to control the tax avoidance of taxpayer.
g. Unsuitable to modern economy.

The main objectives of ITA, 2058 are presented below:

a. To bring all income generating activities into tax net.
b. To increase tax base.
c. To make income tax revenue more productive and elastic.
d. To make responsible to income taxpayers emphasizing procedure of self-assessment system.
e. To minimize tax avoidance and tax evasion.
f. To integrate Nepalese tax system with the tax system of foreign countries.
g. To develop the tax system by means of extended scope, clear- cut, transparent and simple procedure.

h. To levy tax on all income sources and income earning transactions.

The special features of Income Tax Act, 2058 are as follows:

1. All income tax related matters are confined within the act by abolishing all tax related concessions, rebates and exemption provided by different acts.
2. The act has broadened the tax base. Tax rates have been spelled out in the act. The tax rates and concessions are harmonized on equity grounds.
3. The act has introduced a block system of charging depreciation. Intangible assets are also depreciated.
4. The act has first introduced taxation on capital gains taxation.
5. The act has provided liberal loss set-off and carry forward/backward provisions.Intershead adjustments of losses have been clearly specified.
6. The act has provided a stringent fine and penalty for the defaulters.
7. The act has introduced a provision for administrative reviews to allow the tax administration to correct mistakes made by tax administrators internally.
8. Global incomes of a resident are made taxable. Non- residents are also taxed on their incomes with source in Nepal.
9. The act has made provision of international taxation. Foreign tax credit has been introduced for the first time.
10. The act has separated administrative and judicial responsibilities by distinguishing civil liabilities of the taxpayers from criminal liabilities.
11. The scope of discretionary interpretation of the tax administration has been drastically reduces ensuring simplicity, uniformity and the transparency.

2.1.8 Corporate Income Tax

A corporate body or company is an artificial person created by law. A company is a legal person just as much as individual. It is separate and distinct from its individual members. A company like a natural person can do everything. It can conduct a lawful business and enter into contacts with others in its own name. A company or corporate body is a legal organization that is voluntarily created, organized or chartered under law. It is 'an artificial person' which can own property, execute contracts, raise debts and generate profits. Corporate tax, therefore, is a tax levied on companies or corporate bodies in contrast to unincorporated enterprise. It is the tax on capital income that occurs in the form of profit and originates in the corporate sector i. e. company.

A levy placed on the profit of a firm, with different rates used for different levels of profits. Corporate taxes are taxes against profits earned by businesses during a given taxable period; they are generally applied to companies' operating earnings, after expenses such as COGS, SG&A and depreciation have been deducted from revenues.

Corporate Income tax is compulsory levy of the government. It is levied on corporate income. Corporate tax or company tax refers to a tax imposed on entities that are taxed at the entity level. The income from Public LtdCompanies, Private Ltd Companies and Enterprises are actually treated as the corporate income for corporate income tax imposition.

The Corporate income tax is direct tax, which cannot be shifted from the corporation. In development country like Nepal, the corporate development is very necessary for the economic development process. Therefore it is required to country. The corporate body would generate income through the exploitation of resources of the country and the government levies taxes. When corporate development take place in a country and corporate are able to generate more revenue automatically the government can collect a substantial amount of revenue though corporate income tax.

2.1.9 Corporate Tax RateStructurein Nepal

Tax rate is the base of measurement of tax liability. Tax should not be so high only for minimum revenue realization but should be activator for the private investment. In development countries, the tax structure should be designed as instruments in mobilizing the available resources. However, in developed country, they provide slightly lower rate of tax on earned income than investment income on equity base.

In developing countries like Nepal, corporate tax rate plays vital role for to boost up their economic condition, development industries and trade. Imposition of tax on corporate profit was started with the enactment of Business Profit and Remuneration Tax Act, 1960; the starting corporate tax rate was 25percent and it was levied on progressive way. Thetax amount was calculated on different slabs before fiscal year 1985/86. The corporate tax rate structure was combined with individual tax rate structure. The limited companies and family owned or managed private companies were the major reason for this types of tax rate structure .The tax rate structure was progressive with different slabs. Because of increment in the number of public and private companies progressive rate of corporate become undesirable.

The progressive tax structure was abolished in cases of government corporations and public limited companies listed on Nepal stock exchange and in its place flats rate system wereintroduced. Thus, flat rate system has been continued for all corporate business sincethe fiscal year 1995/96.

The corporate tax rate structure was increased up to 60percent the maximum rate in the fiscal year 1995/1996 from 25percent. During 1960/61 to 1975/76, incrementof rates was made three times. After FY 1975/76, tax rate again decreased up to 51percent and 50percent. This rate was again increased to 55percent and remains continued from F/Y 1982/83 to till 1987/88. In the year, 1987/88 the listed public companies were levied 10percent less than others. This concession was given to such companies by only 5percent in the year 1985/86.After the F/Y 1987/88, the tax rate was continuously decreasing. Now, it is 20percent to industry (except cigarette and alcohol),25percent to general companies and 30percent to banks and financial companies. Special fee 3percent of taxable income was levied to all corporate bodies.

2.1.10 Corporate Tax Base in Nepal

Under the income tax act 2058 of Nepal corporation tax is levied on the total taxable income of the previous year. This act has divided the sources of income into three major heads. They are Income from Business, Income from Investment andIncome from Remuneration. The third amendment of Income Tax Act 2058 has further classified about calculating the adjusted taxable income and net taxable income from business, investment and remuneration. All the taxable income are added as per law and deduction allowable expenses such as general deduction, cost of trading stock, interest expenses, repair and maintenance expenses ,deprecation, reserve and risk bearing fund and expenses related with business and investment were deducted as per the law, which occurs adjusted taxable income .

Then incase of business income pollution control and R&D expenses should be deducted taking the adjusted taxable income from business before loss adjustment. Then, loss from business in current year and previous year are deducted to get the net assessable income from business. Likewise loss in business and investment of current year and business loss of previous year are deducted to get the net assessable income from investment.

Total assessable income is calculated by adding the net income from business and investment from where common expenses and donation expenses can be deducted as per the low to get total taxable income. No exemption limit is providing to the companies .Special additional fee of 15percent of taxable income is charged to the second slab where 25percent tax rate is charged.

2.1.11 Concept of Tax Incentives

Tax incentive to invest arises from the relaxation in normal taxation rules, which curtail the tax burden and thus increase the profitability of a particular investment activity. Tax incentive involves cost in the form of loss of revenues to the government but at the same time it result increase in corporate saving andinvestment. (Paudyal,1998)

An income tax is a disincentive to save or invest and therefore, the incentive if to mitigate the disincentive, Tax incentive may imply a partial or complete exemption from one or a variety of taxes and special allowances for a certain period to motivate the behaviour of saver or investor. (Agrawal, 1978)

The main aim of tax incentive is to increase savings and encourage and canalize the investment to desired area or sector. It is supposed that they encourage investment in selected manufacturing activities or improvement of product quality or utilization of domestic resource in manufacturing.

Tax incentives are necessary for stretching the scope of tax beyond its revenue objective to achieve certain social economic ends and to mitigate the adverse impact of high taxation on corporate saving and investment activities. Tax incentives reduce the burden of an organization thereby reducing the effective tax rates. The result is reducing in investment risks, more attractive public issue of equity share and enhancement in the borrowing capacity funds.

In different countries various tax incentives are offered, which are justifiable for reduction in tax burden and increase in investment. These incentives are investment allowance, investment tax credit, development rebate, depreciation allowances, extra shift allowance- initial depreciation allowance, tax holiday, liberal carry back or carry forward of losses, investment grants, deduction of interest payments to domestic or foreign creditors, deduction in respect of dividend promotion of tourist facilities of hotels, development of backward regions, rehab imitation of industries, permitting shareholders or creditors to offset against their ova's takes, the losses suffered by their corporation of debtors and a host of export and others incentives. (Paudyal, 2001)

2.2 Review of Related Studies

2.2.1 Review of Thesis

Tripathee (2007) had presented a thesis entitle, "Income Tax System in Nepal and Some Potential Areas for Reform." Deficit annual budget and deficit financing of the nation were his main concern of the study where he had tried to show the tax structure in Nepal, role of income tax in Nepalese economy, income tax administration and tax evasion in Nepal along with reforms.

Lamsal (2008) had also presented a dissertation entitled, "A study on Contribution of Income tax on Government Revenue". His research had mainly focused on the removing and controlling income tax evasion for better resource mobilization. As his main objective was to analyse the impact of income tax evasion in government revenue of Nepal, he set further objectives which were to identify the ways and causes of income tax evasion, to estimate the volume and tendency of income tax evasion in small trade sectors and to examine the role of income tax in utilizing the resources in Nepal.

Dahal (2008) has submitted a dissertation with heading "Income tax Management in Nepal". He has focused on many administrative aspects of income tax. He has concluded that the effectiveness of tax system depends that on the existing management and leadership. A vigilant an transparent tax administration and capability of timely reviews in policy back sliding the gains in the revenue front. He has suggested that, for the improvement of tax management is belonged to strong political commitment.

Ojha (2009) conducted a research entitled "A Study on Income Tax Structure ofNepal".

He concerned his study on share and trend of income tax on government revenue of Nepal. As his main objective was to analyse income tax structure of Nepal and to show the contribution of corporateincome tax in government revenue, to show the resource gap in Nepalese finance, to highlight the importance of income tax as a source to avoid financial deficit, to find out the rate and per capital burden of income tax and trend and structure of income tax in Nepal.

Neupane (2010) conducted a research entitled "Contributionof Direct Tax to National Revenue of Nepal". He concerned his study in the contribution of Direct tax and analysed its contribution to the national Revenue of Nepal. He found that the Nepal has been unable for proper mobilization on internal resources and fiscal deficit of Nepal has been increasing .To solve the fiscal deficit tax revenue should plays important role.

Ghimire (2011) has explained the contribution of income tax particularly focusing in Public enterprises in his dissertation "Income tax in Nepal; Its structure and Contribution from Public Enterprises to Government". He had evaluated the performance of tax administration of Nepal, particularly after implementation of tax ITA, 2002.He had found that the tax administration of Nepal is inefficient due to mainly lack of trained and competentemployees and complicated tax laws.

Prasai (2011) wrote a thesis entitled "Revenue collection from income tax inNepal:Problems and Prospects." He shows the problem that due to the various problems related to income tax revenue collection from income tax law in Nepal.

Prasai (2012)entitled"Contribution of Tax and Non Tax revenue to Total GDP in Nepal". He studied the contribution of direct tax and indirect tax to the national revenue of Nepal comparatively. His research has mainly focus on contribution of direct tax and indirect tax to national revenue. He found that the resources gap and contribution of CITR to government revenue, total tax revenue, total direct tax revenue; total indirect tax revenue during the study period seems to be increasing every year.

Neupane (2013) has explained in his thesis about Contribution of Income Tax from Commercial Banks and Finance Companies to National Revenue as the most important source of the nation revenue for the economic and social development of the country, which requires huge amount The study has focused on the tax collection and practice adopted by the sample banks and finance companies with a view to provide valuable suggestions which may be helpful to the formulation of optional income tax collection and contribution of tax paid by banks and finance company to the government revenue for development. The main objective of the study is to gain an insight into the income tax collection from commercial banks and finance companies institution and give appropriate suggestions to improve the tax system so that the government can collect more revenues.

Maharjan (2015), in her research has concluded "Value Added Tax andRevenue Collection in Nepal" that VAT is he most innovative, scientific and powerful tax with built in quality of universal application for both developed and developing countries. She also concluded the importance of VAT on tax revenue which contributes the highest position on tax collection.

Joshi (2015) wrote a thesis entitled "Income Tax and Gross Domestic Product in Nepal", she had explained the role of income tax in national economy. She had conducted an empirical investigation of income tax management in Nepal. She found the major problems of income tax system in Nepal were lack of managerial efficiency, lack of effective personnel management, lack of reward and punishment system, poor income tax assessment procedure, poor information about taxlaws and its provision about fines and penalties, lack of knowledge of income tax planning etc. She had much more focused on collection of income tax through implementation of fines and penalties.

2.2.2Review of Articles and Journals

Lent (1968) has presented a report entitled "Survey of Nepalese Tax structure" under the request of INF Fiscal Affairs Department. Hehas critically analysed the scope of income tax in Nepal, tax structure, taxable income, exemption and allowances given at that time.Lent has suggested reforming both the income law and administration to increase government revenue through income tax.

According to the expert group ofUnited Nations (2000)stated that, tax revenue share considerably to development and therefore, there is need to contour a nation tax system so as to ensure the realization of optimal tax revenue through equitable and fair distribution of the tax burden. In most of the developing country there is severe budgeting pressure due to demand for government expenditure, limited scope for raising extra tax revenues, as a result of non-compliance with corporate persons result from technicalities and tax avoidance poor record keeping and cash transaction.

Revenue Consultation Committee (2001) report has studied the overall taxation situation in depth. It highly emphasized to simplify the tax policy the tax policy to increase voluntary compliance. This report recommended for written communication between tax payer and tax administration rather that the informal relation. This report suggested widening the income tax base by including all kinds of taxpayers and income and to find out the taxpayers and clear in order to attract foreign and domestic investors. It was further suggested to increase income tax exemption limit considering purchasing power and inflation rate.

Musgrave and Musgrave (2004)stated that the economic burdens of tax include micro burden on the distribution in income and skilfulness of resource use as well as macro burden on the level of capacity output, employment, prices and growth. Lack of adequate fraud control planning in our tax laws is one of that major problems encountered in income tax generation.

Khadka (1989)stated that Capital goods purchased by a firm from other firm are not deductible for the tax base in the year of purchase.

Rao (2005)in his researchpaper on tax system reforms in India: achievement and challenges ahead focuses on the union and state level reforms. He state that the reforms are just the beginning and considerable distance in reforming the tax system is yet to be covered.

Jha (2013) in his research paper on "Tax structure in India and its effect on corporates" suggest that high dependence on indirect taxes should be reduced and direct taxes should be in increased on super rich to compensate the losses. He also states that corporate tax evasion techniques like transfer pricing should be checked.

Dhakal (2008) had written an article entitle" Historical perspective on income tax in Nepal" this article has been described previous income tax act and shows main fatigue of income tax act 2058 are as follows:

- Provision of set and carry forward of losses.

- Classification and pooling of depreciable Assets.
- Tax on capital gain

2.3 Research Gap

There is gap between this research and the previous research.Most of the previous researchersconcerned with study of laws, provisions, administrative aspects and structure of tax. Most of them have indicated the inefficiency of tax administration, widespread tax evasion. Contribution of income tax from corporate sector plays vital role in Nepalese economy. Regarding the fact that the considerable contribution of corporate sector in the economy of other developing countries, theresearcher found no more study done in the contribution of corporate income tax to government revenue of Nepal. So, this study has been undertaken, to find about the condition of problem in income tax collection and to analyse corporate income tax contribution to government revenue and fulfilling the resource gap.

Akintoye (2013), Oduh (2012) and AngaharandSani (2012),Tax administration and individual suffer from low manpower, fund, tools and equipment to meet the ever increasing challenges and difficulties. Political risk and instability pose the greatest business and regulatory challenges for companies during business in Nepal .Taxation build platform for income and wealth distribution accommodates that effect of taxation should be more for the rich people in the society than the poor ones, so that taxes collected are used to pay for social benefits for the less fortunate

CHAPTER-III:

RESEARCH METHODOLOGY

This chapter is dedicated to research methodology in the study for the achievement of desired objectives. There are five parts as research design, population and sampling, sources of data, procedure of data collection**.**

3.1Research Design

The research topic entitled "The Contribution of Income Tax to Total Tax Revenue" is abstracted from the socio- economic environment of Nepal. As the income tax system and structure is based on various rules, regulations and acts, which are always setting on different countries, own socio- economic infrastructure, descriptive research design is more suitable to analyse Nepalese corporate tax structure. For contribution of corporate income tax, the study needs to analyse its past performance in different time period with respective indicators. So, historical as well as descriptive research design is used.

3.2Nature and Sources of Data

Only the secondarysources of data have been used. Secondary sources of data have been collected in order to achieve the result from this research. All the available data has been collected.

Economic Survey, Budget speeches, Annual Report, publication of Inland Revenue Department of different year, published by MOF, Nepal Rastra Bank's Economic bulletin of various time , Central Bureau of Statistics and various magazines, newspaper, journals and souvenirs etc. are the sources of secondary data.

3.3Population and Sampling Design

The term population of data denotes for the data of each organization which is within the boundary of specific organization whereas the sample data are the data of those organization which has been selected from that whole population of the study. The population data for this study comprises all data of fiscal year of NepalRastraBank .The data of eight fiscal years is taken as sample for the analysis. It is assumed that this sample would represent the entire population.

3.4Data Collection Procedure

In this study, secondary sources have been used. Various numerical data and information are collected as per the objective of the study. Firstly, laws, rules, regulations and policies related to income tax and corporate tax are studied to get more information about corporate income tax including book related to public finance. Secondly, different libraries such as Chamber of Commerce, FNCCI, and NRB are also consulted. Thirdly, the numerical data are collected from the publication of annual reports of IRD/N, economic bulletin of NRB, economic survey of MOF, publication of security board, CBS, publication of CEDA/TU, budget speeches etc. Lastly, various journals, national newspapers are also reviewed.

3.5Tools for Data Analysis

Various tools are applied while conducting this study, which is table, percentage, correlation and time series analysis.

a. Table: Various tables are formulated to tabulate the data.

b. charts and diagrams: These tools are used for visually description of the data, trend line, bar diagrams and pie-charts are used for this purpose.

c.Analysis of time series: A series formed from a set of statistical data arranged in accordance with their time of occurrence is said to be a time series. A time series shows the relation between two variables one being the time. The size of the population in every decade, the price level of the different in every month the volume of population in every year indicate the relation between the time changes and the changes in the value of other variable. Time series analysis is mostly used in Business and economics, by which we can predict the value of variable for the future. Mathematically, a time series is defined as the functional relationship Y= f{t}, where y is the value of the variable consideration in time. The time 'T' may be yearly, quarterly, monthly, weekly etc. There is various method of analysing time series, least square method is chosen as the best method in showing trend and prediction in our research.

A widely and most commonly used method to describe the trend line and predication is method of least square. Under this method, a trend line is fitted to data satisfying.
$\Sigma(Y\text{-}Y1) = 0$ and $\Sigma(Y\text{-}Y1)^2$ is least from that the line obtained by this method is the line

of best fit.

Where, y is the actual value and Y1 is the computed value of Y.

Trend line, $y = a + bx$

Where,

y= Dependent variable

x= Independent variable

a= y intercept or value of y when x= 0

b = slope of the trend line of amount (of) change that comes in y for a unit change in x.

CHAPTER-IV:

PRESENTATION AND ANALYSIS OF DATA

4.1 Government Expenditure and Government Revenue Position

The relationship between government expenditure and government revenue is an important subject of analysis, especially for developing countries, most of which have experienced increasing levels of government expenditure over time. The government expenditure is the main source of gross national investment and capital formation.The general view is that government expenditure, notably on physical infrastructure or human capital, can be growth-enhancing although the financing of such expendituresbesides, providing national defence, nationalsecurities and transfer payments to maintain social welfare and harmony,Government can provide economic infrastructure to facilitate economic growth. Government expenditures on health and education can improve labour force productivity.

The tax structure is major source of revenue for the government. An increase in government expenditure creates additional demand in the economy through multiplier effects and thereby induces arise in aggregate output. The government resources have been concentrated more on expanding economic overhead in the form of transport, power and communication which will stimulate agriculture, industry and transport in the private sectors.

The increasing trend of government expenditure can be fulfilled either by internal resources or through inflow of foreign aid.Regular expenditure is fulfilled by internal resources whereas development expenditure is mostly depending in external resources.Revenue mobilization, foreign grants and foreignloans, domestic borrowing and change in cash reserves are used as fiscal instrument for financing government expenditure.

The table of next page shows the government revenue, government expenditure and its resource gap from fiscalyear 2008/09 to 2015/16.

Table: 4.1
Government Expenditure, Government Revenue and Resource Gap in Nepal
(Rs. in Million)

Fiscal Year	Gov. Expenditure (A)	Gov. 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)
2008/09	206992.40	143474.50	63517.90	24400.50	39117.40	3726.40	35391.00
2009/10	250816.70	179945.80	70870.90	25225.90	45645.00	4204.00	41441.00
2010/11	277615.00	199819.00	77796.00	26207.60	51588.40	4934.20	46654.20
2011/12	319850.10	244371.80	75478.30	46573.50	28904.80	5749.20	23155.60
2012/13	359040.70	296015.70	63025.00	24428.50	38596.50	9541.80	29054.70
2013/14	417465.90	356619.60	60846.30	36940.70	23905.60	15082.90	8822.70
2014/15	509213.90	405846.60	103367.30	28948.60	74418.70	2601.20	71817.50
2015/16	581704.40	481978.10	99726.30	39783.20	59943.10	29773.50	30169.60

Note: Nepal Rastra Bank- Quarterly Economic Bulletin…FY2008/09 to FY2015/16

From table 4.1, it is found that during the last eight years government expenditure was increasing .Through government revenue was also in increasing trend but it cannot afford government expenditure. That is why with the increasing government expenditure, resource gap also in increasing trend. Government expenditure in the fiscal year 2008/09 was Rs. 206692.40 million .Out of this government expenditure, revenue mobilization financed Rs. 143474.50 million, foreign grants Rs.24400.50 million and foreign loans Rs. 3726.40 million. With increasing trend of government expenditure and government revenue reached to Rs. 581704.40million and Rs. 481978.10million respectively in FY 2015/16, it created resource gap Rs. 99726.30 million and these resources gap fulfilled by foreign grants and foreign loans etc.

Resource Gap 1:(A-B)

It is taken as different between government expenditure and government revenue .It was Rs. 63517.9 million in FY 2008/09. It was in fluctuating trend during the study .It reached Rs. 99726.30 million in FY 2015/16.

Resource Gap 2: A-(B+C)

The resources gap is after foreign grants. It is taken as different between government expenditure and government revenue plus foreign grants. It was Rs. 39117.40 million in fiscal year 2008/09 and was Rs.59943.10 million in fiscal year 2015/16. .Government expenditure was increasing every year but not sufficient increased government revenue so resource gap also growing. These resources gap fulfilled by foreign grants, this shows that foreign grants should be encouraged to increase for minimizing the gap.

Resource Gap 3: A-(B+C+D)

This resource gap is taken as different between total government expenditure & government revenue plus foreign grants plus foreign loans. It was Rs.35391 million in FY 2008/09.But in fiscal year 2014/15 Foreign loans creates extra burden to the economy. These foreign grants should be taken as complementary resources to mobilization internal resources properly.

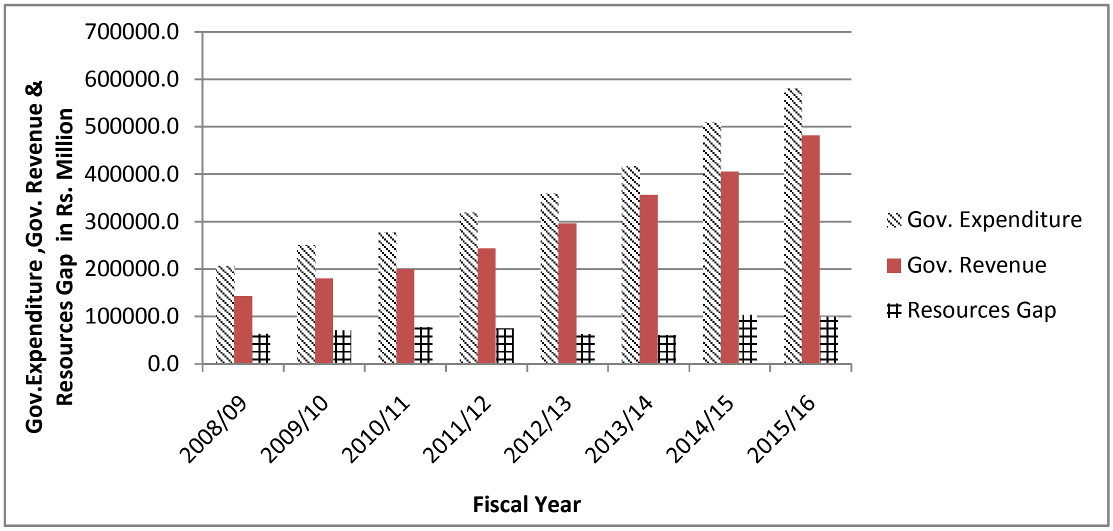

Figure: 4.1Government Expenditure, Government Revenue and Resource Gap in Nepal

In figure 4.1,x- axis shows fiscal year of different years and y –axis shows government expenditure ,governmentrevenue and resource gap. In the bar-diagram both government expenditure andgovernment revenue are in increasing trend. Government expenditure is greater than government revenue and its created resources gap. The resource gap is in increasing trend. The different between government revenue and government expenditure created resource gap.In another words, government revenue which was less than government expenditure .The difference between government expenditure and government revenue is resource gap. It was growing every year.

4.2 Composition of TotalRevenue

Total revenue in Nepal is composed of both tax revenue and non-tax revenue when Nepal government presented first national budget in 1951/52 .The share of tax revenue is greater than non tax revenue which is shown in below diagram:

Table: 4.2
Contribution of Tax Revenue and Non Tax Revenue to Total Revenue of Nepal
(Rs. In Million and percentage)

Fiscal Year	Total Revenue	Tax Revenue	Tax Revenue as % of total revenue	Non tax revenue	Non tax revenue as % of Total revenue	Total Revenue
2008/09	143474.4	117051.8	82	26422.6	18	100
2009/10	179940.4	156290.7	87	23649.7	13	100
2010/11	199819.6	172755.2	86	27064.3	14	100
2011/12	244369.7	211718.3	87	32651.4	13	100
2012/13	295936.5	259143.6	88	36792.9	12	100
2013/14	356620.6	312441	88	44179.5	12	100
2014/15	405846.4	355942.9	88	49903.5	12	100
2015/16	481966.3	421048.5	87	60917.8	13	100
Total	**2307973.9**	**2006392**	**691**	**301581.7**	**109**	**800**
Average	**288496.74**	**250799**	**86**	**37697.71**	**14**	**100**

Note: Nepal Rastra Bank- Quarterly Economic Bulletin…FY2008/09 to FY2015/16

The table 4.2 shows composition of total revenue of government which includes tax and non-tax revenue from FY 2008/09 to FY 2015/16. It seems that the share of tax revenue has been always greater than share of non-tax revenue. In fiscal year 2008/09, the share of tax revenue and non-tax revenue was 82 percent and 18 percent respectively. This indicates that the role of tax revenue is very much important for government revenue. Tax revenue has been placed as major sources of government revenue in Nepal.

The table 4.2 shows total revenue was gradually increasing in every year since 2008/09 amounting Rs.143474.4 million to Rs. 481966.3 million in the year 2015/16. The contribution of tax revenue was found increasing in every year. The contribution of tax revenue in 2008/09 was 82 percent and contribution of tax revenue in 2011/12 was 87 percent .The maximum contribution tax revenue was 88 percent in 2012/13, 2013/14 and 2014/15 during the study.

The non-taxrevenue was also in the increasing trend. It was Rs.26422.6million in F/Y 2008/09and Rs.60917.8 million in 2015/16 .But the contribution of non-tax revenue to total revenue was fund fluctuating during the study .The share of non-tax revenue was 18percent in F/Y 2008/09 and 13percent in FY 2015/16.The contribution of tax and non-tax revenue on total tax revenue is shown in the following trend line.

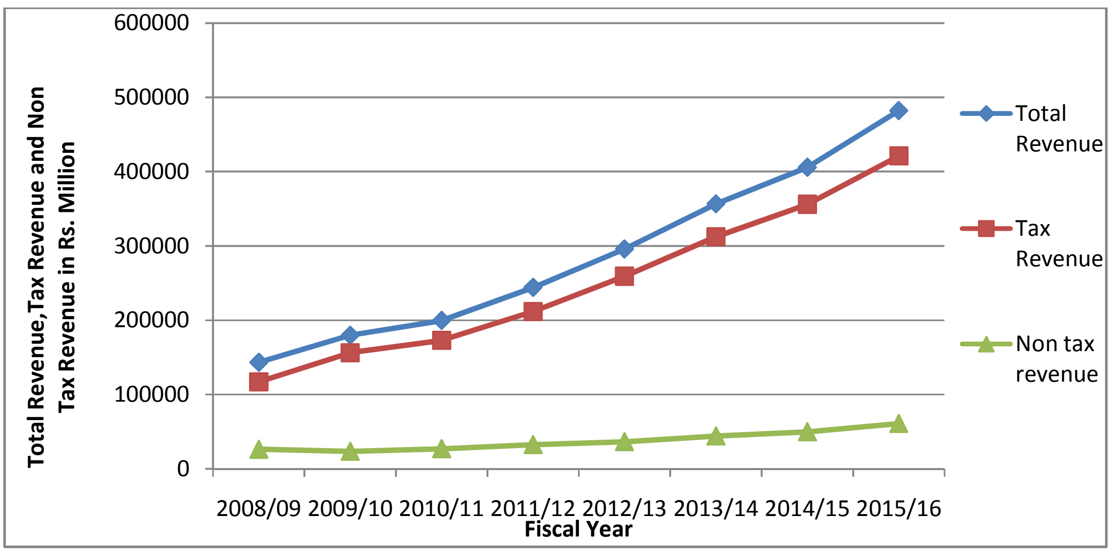

Figure: 4.2Contribution of Tax Revenueand Non-Tax Revenue to Total Revenue of Nepal

In the figure 4.2, total revenue, tax revenue and non-tax revenue shown in y-axis and fiscal year shown in x-axis. Figure shows three trend lines are tax revenue,non-tax revenue and total tax revenue. It is clear that the upper line is total revenue which is ascending upwards. Middle line is tax revenue which is greater thannon-tax revenue which represents lower line. So the total revenue is combining of tax revenue and non-tax revenue. Contribution of non-tax revenue on government revenue was very low during the study period.

4.3Contribution of Direct Tax and Indirect Tax on Total Tax Revenue

Direct tax and Indirect tax are directly affected to the total tax revenue of the country. The contribution of indirect tax is greater than direct tax that is shown in below.

Table: 4.3
Contribution of Direct Tax and Indirect Tax on Total Tax Revenue
(Rs. In Million and percentage)

Fiscal Year	Total Tax Revenue	Direct Tax Revenue	% of DTR on TTR	Indirect Tax Revenue	% of IND TR on TTR
2008/09	117051.8	34552.6	29.52	82499.2	70.48
2009/10	156290.7	41760.5	26.72	114530.2	73.28
2010/11	172755.2	48641.0	28.16	124114.3	71.84
2011/12	211718.3	66906.7	31.60	144811.6	68.40
2012/13	259143.6	81937.5	31.62	177206.1	68.38
2013/14	312441.0	97065.4	31.10	215375.6	68.93
2014/15	355942.9	113991.1	32.03	241951.8	67.97
2015/16	421048.5	149494.6	35.51	271553.9	64.49
Total	**2006392**	**634349.40**	**246.21**	**1372042.70**	**553.79**
Average	**250799**	**79293.68**	**30.78**	**171505.34**	**69.22**

Note: Nepal Rastra Bank- Quarterly Economic Bulletin from FY 2008/09 to 2015/16.

From the 4.3 table, we find that there has been simultaneous increase in direct tax, indirect tax and total tax revenue in absolute terms. In 2008/09, these amounts were Rs. 34552.6 million, Rs.82499.2 million and Rs. 117051.8 million respectively and during the period of eight years these amounts became Rs. 149494.6 million, Rs. 271553.9 million and Rs. 421048.5million respectively in FY 2015/16.

It is seen that collection of direct tax is in increasing trend in the study period but the contribution of direct tax on total tax revenue was found fluctuating in different year. Its contribution to total tax revenue in FY 2008/09 was 29.52percent amounting to Rs 34552.6 million, which increased up to 35.51percent amounting Rs.149494.6million in the FY 2015/16. The contribution of indirect tax was found also fluctuating in the study period. The contribution of indirect tax revenue to total tax revenue was 70.48percent in FY2008/09 and it was decreased up to 64.49percent which was minimum till our studyamountingRs. 271553.9 million in FY 2015/16 during the study period.

From the 4.3 table, we find that the contribution of direct tax on total tax revenue is lowerthan contribution of indirect tax on total tax revenue.

So, Indirect tax is a major source of tax revenue in Nepal. It has been playing significant role in the Nepal tax system.

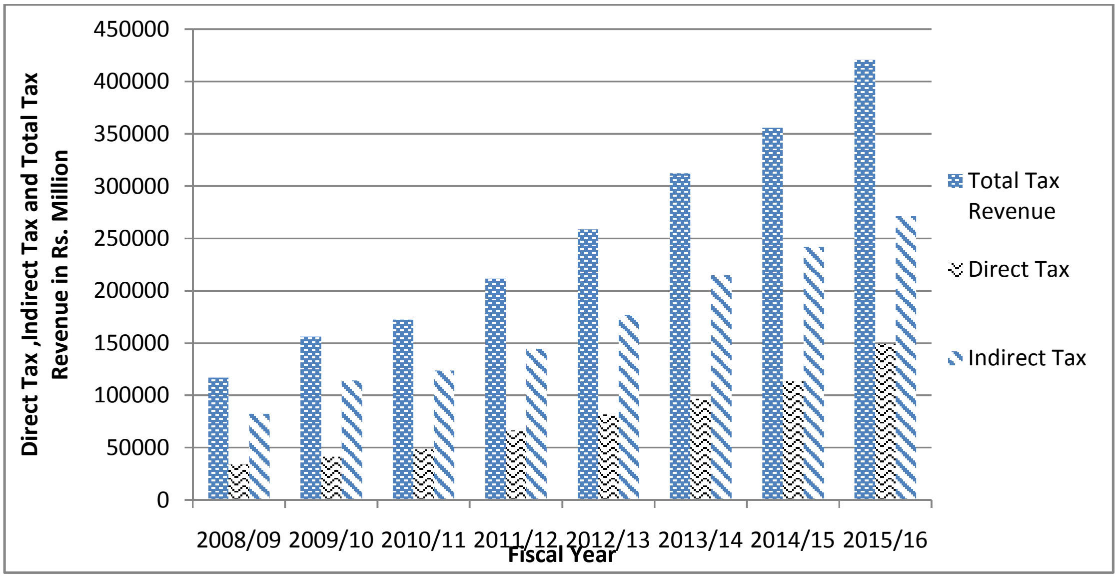

Figure: 4.3Contribution of Direct Tax and Indirect Tax Revenue on Total Tax Revenue

The figure 4.3 shows that our economy is heavily dependent on indirect tax in comparison to direct tax.Indirect tax anddirect tax was Rs. 82499.2 million and Rs. 34552.6 in FY 2008/09 which occupied 70.48percent and 29.52percent respectively of total revenue. It was increased up to Rs.271553.9 million and Rs.149494.6million respectively which contributed 64.49percent and 35.51percentrespectively of total revenue in FY2015/16 during the study. The above figure reflected that tax revenue has been overall dependency on indirect tax.Therefore the attention should be paid on the sufficient resource mobilization through internal sources.

4.4 Composition of DirectTax Revenue in Nepal

The major components of direct tax are income tax, land, house and land registration tax and vehicle tax and othertax. Income tax is summation of Corporate Income Tax, RemunerationIncome, Investment Income and Other Income from FY 2008/09 to FY 2010/11.Income Tax is summation of Income, Profits and Capital(a) and Payroll and Workforce (b) from FY 2011/12 to FY 2015/16. From FY 2011/12 to FY 2015/16, vehicle tax & other tax is calculated by subtracting the sum of income tax ,house and land registration tax and Property tax from Direct tax .i.e Vehicle Tax/Other Tax : Direct Tax - (Income Tax +House & land Registration Tax+ Property Tax)

The share of major components of direct tax is given in the following table.

Table: 4.4

Major Sources of Direct Tax Revenue and Their Relatives Percentage to Direct Tax (Rs. In million and percentage)

Fiscal Year	Direct Tax Revenue		Income Tax		House & Land Registration Tax		Property Tax		Vehicle Tax/Other Taxes	
	Rs.	Total %	Rs.	% on DTR	Rs.	% on DTR	Rs.	% on DTR	Rs.	%on DTR
2008/09	34552.6	100	27479.7	79.53	5248.4	15.19	-	-	1824.5	5.28
2009/10	41760.5	100	33832.1	81.01	5510.8	13.20	-	-	2417.6	5.79
2010/11	48641	100	42066.3	86.48	3552.0	7.30	-	-	3022.6	6.21
2011/12	66906.7	100	52879.9	79.04	3555.8	5.31	31.7	0.047	10439.3	15.60
2012/13	81937.5	100	66059.2	80.62	5309.0	6.48	3.8	0.005	10565.5	12.89
2013/14	97065.4	100	78058.4	80.42	6642.8	6.84	28.5	0.029	12335.7	12.71
2014/15	113991.1	100	89095.9	78.16	9386.3	8.23	9.0	0.007	15499.9	13.60
2015/16	149494.6	100	117443.1	78.56	13141.3	8.79	5.7	0.004	18904.5	12.65
Total	**634349.4**	**800**	**506914.6**	**643.82**	**52346.4**	**71.35**	**78.7**	**0.093**	**75009.6**	**84.73**
Average	**79293.68**	**100**	**63364.33**	**80.48**	**6543.3**	**8.92**	**9.84**	**0.012**	**9376.2**	**10.59**

Note: Nepal Rastra Bank- Quarterly Economic Bulletin from 2008/09 to 2015/16

Table 4.4 shows that the contribution of income tax to direct taxwas higher than other taxes and it occupied the largest share in the direct tax. The percent share of income tax to direct tax in FY 2008/09 was 79.53 percent amountingRs. 27479.7 million, which occupied 78.56 percent amounting Rs.117443.1 million in FY 2015/16.The average contribution of income tax is 80.48percent during the period. Remaining portion of direct tax was fulfilled by house and land registration tax, property tax, vehicles tax and other taxes.House and Land registration tax has contributed 15.19percent amounting Rs.5248.4 million in the FY 2008/09, which has decreased to 5.31percent in FY 2011/12. The averagecontribution of house and land registration tax on direct tax was 8.92 percent during the period. Property tax was decreasing over the year. Vehicle taxand other taxes was increasing trend, its average contribution on direct was 10.59 percent.

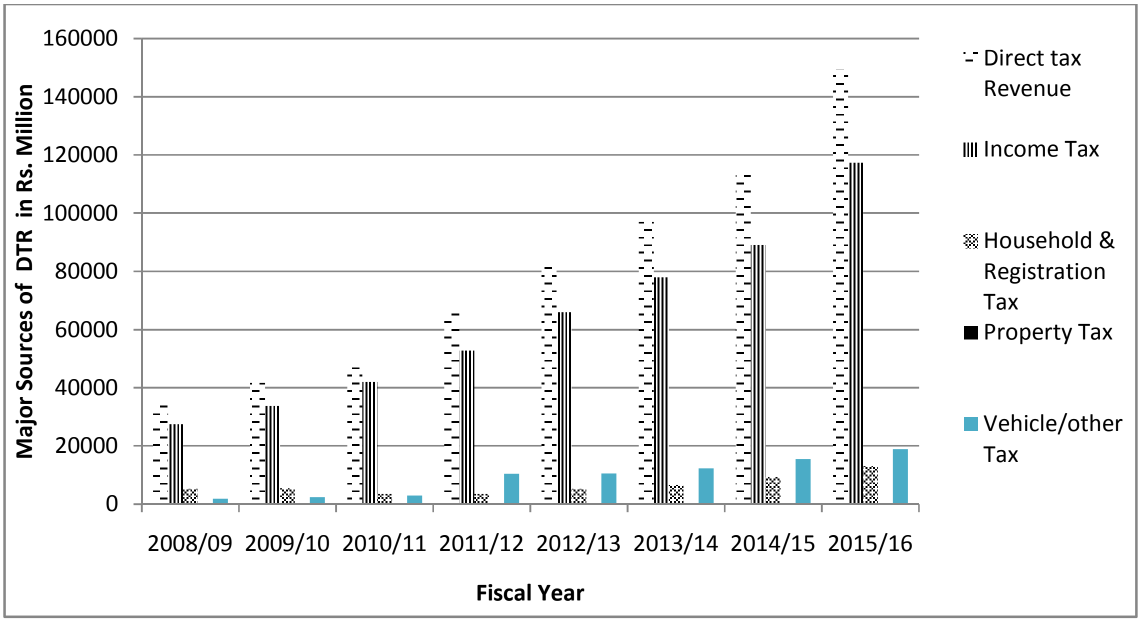

Figure: 4.4Major Sources of Direct Tax Revenue and Their Relatives Percentage to Direct Tax

In figure 4.4,major sources of direct tax revenue shown in y-axis and fiscal year shown in x-axis .The above bar diagram shows that the contribution of income tax on direct tax is higher than other tax. Income tax occupied large portion of direct tax revenue.Its contribution on direct tax revenue was in increasing trend during the study period. The maximum contribution of income tax wasRs.117443.10million inFY 2015/16 during the study period.The contribution of vehicle tax and house and land registration tax found to be very lower in comparison to income tax.

4.5 Composition of Indirect Tax

Nepalese tax structure is heavily dependent on indirect taxes, which constituted 64.49 percent of total tax revenue in 2015/16. Indirect tax played significant role in theNepalese tax system. Nepalese tax revenue is dependent mainly on international trade and sales tax/VAT on goods and services supplemented by taxes on income and property to some extent. The major components of indirect tax in Nepalese tax structure constitutes custom duty, excise duty, VAT, and other taxes. Table shows the composition of indirect tax given as follows:

Table: 4.5

Major Sources of Indirect Tax Revenue and Their Relatives Percentage to Indirect Tax

(Rs. In Million and Percentage)

Fiscal Year	Indirect Tax Revenue		Custom Duty		Excise Duty		VAT		Other Tax	
	Rs.	Total %	Rs.	% on DTR	Rs.	% on DTR	Rs.	% on DTR	Rs.	% on DTR
2008/09	82499.2	100	26622.5	32.27	16272.5	19.72	39604.2	48.01	-	-
2009/10	114530.2	100	35151.6	30.69	24315.1	21.23	54896.5	47.93	167	0.15
2010/11	124114.3	100	35708.6	28.77	26542.2	21.39	61659.1	49.68	204.4	0.16
2011/12	144811.6	100	43395.4	29.97	30256.2	20.89	70669.3	48.80	490.7	0.34
2012/13	177206.1	100	56914.9	32.12	36244.0	20.45	83391.1	47.06	656.1	0.37
2013/14	215375.6	100	67980.6	31.56	45411.0	21.08	101110.6	46.95	873.4	0.41
2014/15	241951.8	100	74844.5	30.93	53540.3	22.13	112518.2	46.50	1048.8	0.43
2015/16	271553.9	100	82185.4	30.26	65768.3	24.22	122315.2	45.04	1284.9	0.47
Total	**1372042.7**	**100**	**422803.5**	**246.58**	**298349.6**	**171.12**	**646164.2**	**379.97**	**4725.3**	**2.33**
Average	**171505.34**	**100**	**52850.44**	**30.82**	**37293.70**	**21.39**	**80770.53**	**47.50**	**590.66**	**0.29**

Note:-Nepal Rastra Bank- Quarterly Economic Bulletin FY2008/09 to 2015/16

Table 4.5 reflects that the custom duty and VAT occupies major portion in indirect tax. Its contribution to indirect tax was 32.27 percent and 48.01percent respectively in FY 2008/09. In fiscal year 2008/09, half portion of contribution to indirect tax contributed by VAT.The VAT has become an important source of overall tax revenue. Its contribution was 48.01 percent in FY 2008/09and 49.68 percent in FY 2010/11 which is the highest contribution in till date.Its averagecontribution was 47.50 percent during the study period.

Custom duty contributed a share of 32.27 percent in total indirect tax revenue in FY 2008/09.Then, its contribution declined down to 28.77 percent in FY 2010/11, which was minimum during the study period. It wasfluctuatingduring the period. The average contribution of custom duty was30.82 percentduring the study. The share of excise duty was 19.72 percent in 2008/09andit was increasing trendduring the study period and reached 24.22 percent in fiscal year 2015/16. Its average contributionwas 21.39 percent during the year. Remaining portion of indirect tax fulfilled by other tax, the share of other tax has the lowest contribution in indirect tax. Its average contribution was 0.29 percentduring the study period.

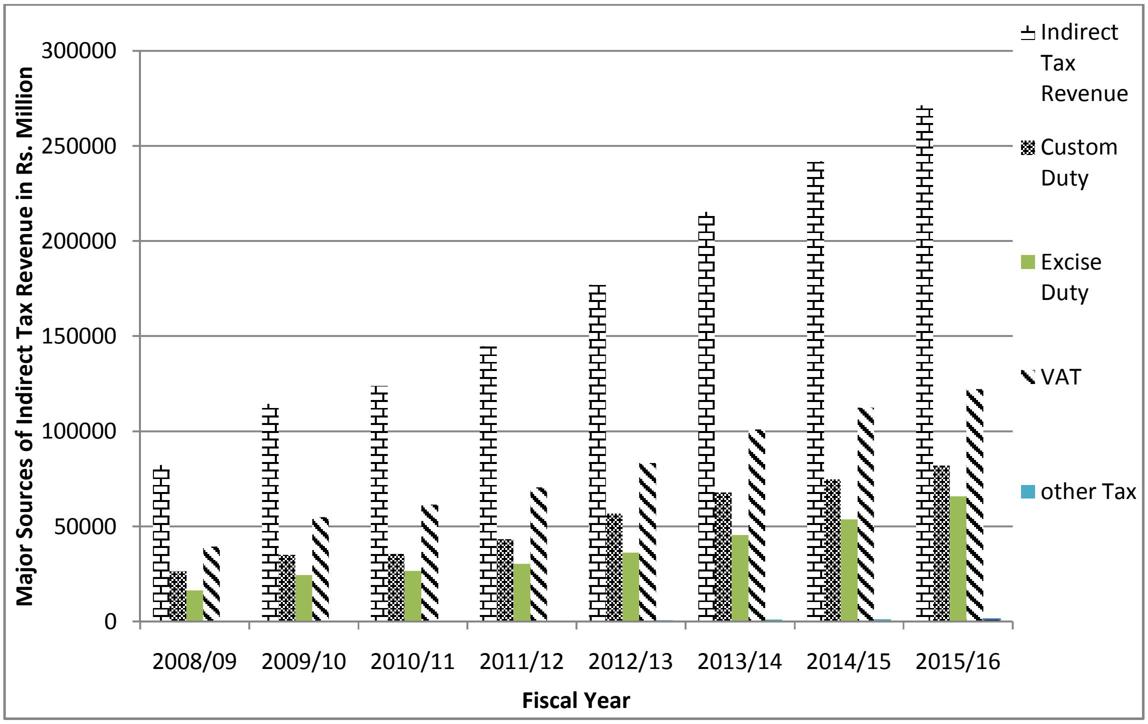

Figure: 4.5Contribution of custom duty, excise duty, VAT and other tax to Indirect tax

The figure 4.5 shows that VAT and Custom duty has been major sources of indirect tax revenue. All indirect tax sources were in increasing trend. Contribution of excise duty was not satisfied and it needs to increase in the future. The VAT has been an important source of overall tax revenue. The average share portion of VAT, custom duty, excise duty and other tax were 47.50 percent, 30.82 percent, 21.39 percent and 0.29percent respectively on indirect tax.

4.6 Contribution of Direct tax on GDP, Total Tax Revenue and TotalRevenue

The contribution of direct tax as percent of GDP, total revenue and total tax revenue is shown below.

Table: 4.6
Contribution of Direct Tax on GDP, Total Tax Revenue and Total Revenue

Rs in Million & Percentage

Fiscal Year	Direct Tax	GDP at basic price	Total Tax Revenue	Total Revenue	% of DT on GDP	% of DT on TTR	% of DT on TR
2008/09	34552.6	542652	117051.8	143474.4	6.37	29.52	24.08
2009/10	41760.5	565759	156290.7	179940.4	7.38	26.72	23.20
2010/11	48641.0	587534	172755.2	199819.6	8.28	28.16	24.34
2011/12	66906.7	614637	211718.3	244369.7	10.89	31.60	27.38
2012/13	81937.5	637771	259143.6	295936.5	12.85	31.62	27.69
2013/14	97065.4	674227	312441.0	356620.6	14.40	31.07	27.22
2014/15	113991.1	694269	355942.9	405846.4	16.42	32.03	28.09
2015/16	149494.6	694344	421048.5	481966.3	21.53	35.51	31.02
Total	**634349.4**	**5011193**	**2006392**	**2307973.9**	**98.11**	**246.21**	**213.02**
Average	**79293.68**	**626399.13**	**250799**	**288496.74**	**12.26**	**30.78**	**26.63**

Note: Nepal Rastra Bank- Quarterly Economic Bulletin from FY 2008/09 to 2015/16 Centeral Bureau of Statistics

From the table 4.6,wefound that the contribution of direct tax on total tax revenue was 29.52percentin FY 2008/09, which increased up to 35.51 percent in the FY 2015/16 which was maximum contribution of direct tax on total tax revenue during the study period. The share of direct tax to GDP seems to be very low. It was 6.37percent in the FY 2008/09 which was the lowest GDP in the study. GDP seems to be increasing every year. In FY 2015/16,the contribution of GDP is 21.53percent which is the highest GDP. It indicates that, Nepal's GDP doesn't playing such an important role in economic sector. In the other hand, the share of direct tax on total revenue was fluctuated between 24percent to 31 percent during the study period. Its contribution was 24.08percentin FY 2008/09 and in FY 2015/16, it was 31.02 percent.

It is seen that the amount of GDP, total tax revenue and total revenue arein increasing trend during the study period. Percentage of direct tax on total tax revenue and total revenue are fluctuating and percentage of direct tax on GDP is in increasing trend. Average contribution of direct tax on GDP, total tax revenue and total revenue were 12.26 percent, 30.78 percent and 26.63 percent respectively.

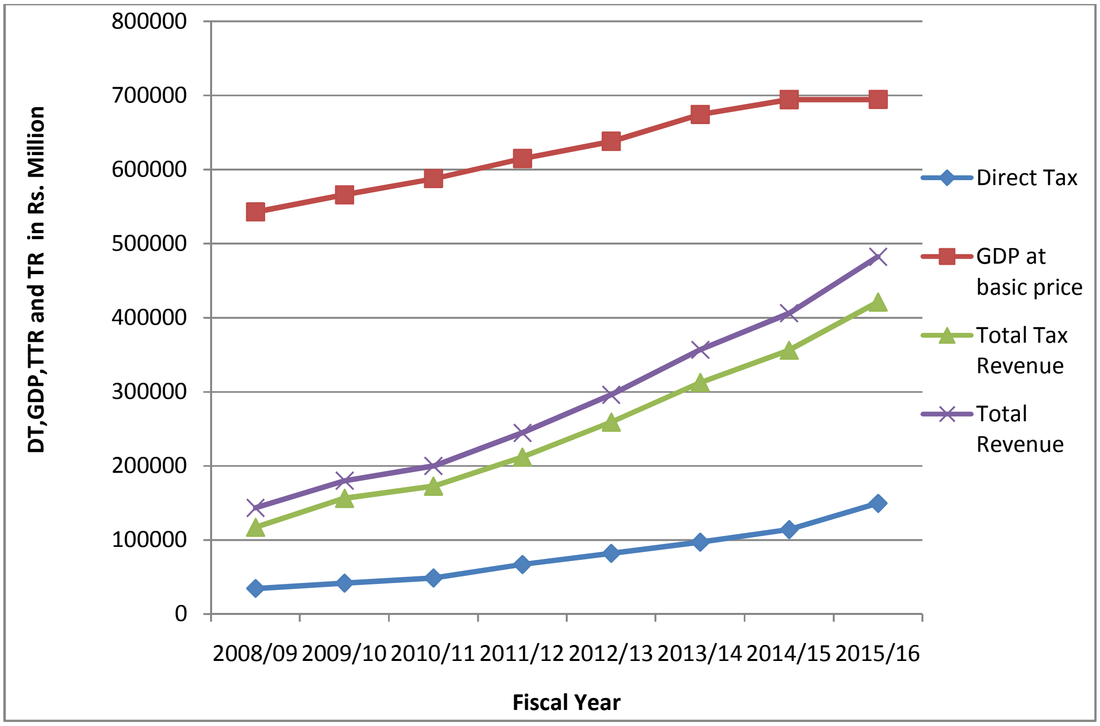

Figure: 4.6 Contribution of Direct Tax on GDP, Total Tax Revenue and Total Revenue

Figure 4.6 shows the contribution of direct tax was increasing trend on GDP, total tax revenue and total revenue. Figure shows four trend lines are: GDP, total tax revenue, total revenue and direct tax.GDP was increased from Rs.542652 million in FY 2008/09 to Rs.694344 million in FY 2015/16. That is why first line was GDP whichwas in increasing trend. But the share of direct tax to GDP seems to be very low. It indicates that, Nepal's GDP doesn't playing such an important role in economic sector.TRwas increased from Rs143474.4 million in FY 2008/09 to Rs.481966.3 million in FY 2015/16. So, the line of TR was in increasing trend. TTR was increased from Rs 117051.8 million in FY 2008/09 to Rs 421048.5 million in FY 2015/16. So, the line of TTR was in increasing trend. Direct tax was increased fromRs 34552.6 million in FY 2008/09to Rs 149494.6 million in FY 2015/16. So, the line of direct tax was in increasing trend.

Percentage of Direct tax on total tax revenue and total revenue were fluctuating and percentage of direct tax on GDP was in increasing trend. Average contribution of direct tax on GDP, total tax revenue and total revenue were 12.26 percent, 30.78 percent and 26.63 percent respectively.

4.7 Contribution of Indirect Tax Revenue on GDP, TotalRevenue and Total Tax Revenue

Contribution ofIndirectTaxRevenue on GDP, TotalRevenueand Total Tax Revenue is shown as below:

Table: 4.7

Contribution of Indirect Tax on GDP, Total Tax Revenue and Total Revenue

(Rs in Million& Percentage)

Fiscal Year	Indirect Tax	GDP at basic price	Total Tax Revenue	Total Revenue	% of IDT on GDP	%of IDT on TTR	% of IDT on TR
2008/09	82499.2	542652	117051.8	143474.4	15.20	70.48	57.50
2009/10	114530.2	565759	156290.7	179940.4	20.24	73.28	63.65
2010/11	124114.3	587534	172755.2	199819.6	21.12	71.84	62.11
2011/12	144811.6	614637	211718.3	244369.7	23.56	68.40	59.26
2012/13	177206.1	637771	259143.6	295936.5	27.79	68.38	59.88
2013/14	215375.6	674227	312441.0	356620.6	31.94	68.93	60.39
2014/15	241951.8	694269	355942.9	405846.4	34.85	67.97	59.62
2015/16	271553.9	694344	421048.5	481966.3	39.11	64.49	56.34
Total	**1372042.7**	**5011193**	**2006392**	**2307974**	**213.82**	**553.79**	**478.76**
Average	**171505.34**	**626399.13**	**250799**	**288496.7**	**26.99**	**68.56**	**59.84**

Note: Nepal Rastra Bank- Quarterly Economic Bulletin from FY 2008/09 to 2015/16
Centeral Bureau of Statistics

From the Table 4.7,It shows that contribution of Indirect Tax on GDP was Rs.542652 millionin FY 2008/09 which was minimum and Rs.694344 million in FY 2015/16 which was maximum till the study period. The contribution of indirect tax to GDP seems to be very low in the study period. The contribution of indirect tax to total tax revenue was fluctuated. It was 70.48 percent in FY 2008/09 and it was decreased to 64.49percentin FY 2015/16.

The contribution of indirect tax to total revenue was 57.50percent in FY 2008/09. It was also fluctuated during the study period. It was 60.39 in FY 2013/14 anddecreased to 56.34percent in FY 2015/16during the study period. Total average contribution of indirect tax to GDP, total revenue and total tax revenue were 26.99percent, 68.56percent and 59.84percent respectively.

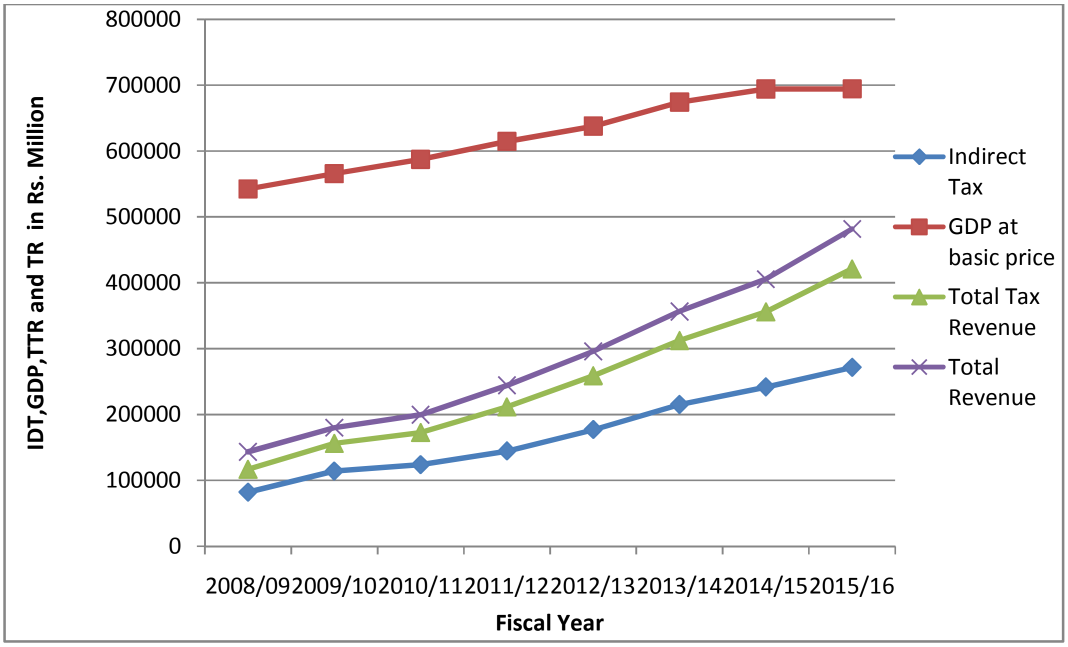

Figure: 4.7 Contribution of Indirect Tax on GDP, Total Tax Revenue and Total Revenue

Figure 4.7 shows the contribution of indirect tax was increasing trend on GDP, total tax revenue and total revenue. Figure shows four trend lines are: GDP, total tax revenue, total revenue and indirect tax. GDPwas increased from Rs.542652 million in FY 2008/09 to Rs.694344 million in FY 2015/16. That is why first line was GDP which was in increasing trend. But the share of direct tax to GDP seems to be very low. It indicates that, Nepal's GDP doesn't playing such an important role in economic sector. TR was increased from Rs 143474.4 million in FY 2008/09 to Rs.481966.3 million in FY 2015/16. So, the line of TR was in increasing trend. TTR was increased from Rs 117051.8 million in FY 2008/09 to Rs 421048.5 million in FY 2015/16. So, the line of TTR was in increasing trend. Indirect tax was increased from to Rs 82499.2 million in FY 2008/09 to Rs. 271553.9 million in FY 2015/16 . So, the line of indirect tax was in increasing trend.

Percentage of Indirect tax on total tax revenue and total revenue were fluctuating and percentage of indirect tax on GDP was in increasing trend. Average contribution of indirect tax on GDP, total tax revenue and total revenue were 26.99 percent, 68.56percent and 59.84percent respectively.

4.8 Contribution of Income Tax in Nepal

The idea of introducing income tax in Nepal was originated along with the first budget on 1951. Finally in 1959, Business Profit and Remuneration Tax Act. 1960 was introduced. At that time income tax was levied only on business profits and salaries. After about three years of experience of income tax, the government replaced the prevailing tax and by Income Tax Act, 1962. In 1974, Income Tax Act 1974 (2031) was enacted. However, this act is replaced by Income Tax Act 2002 (2058). The contribution of income on various revenues is given in the following table.

Table:4.8

Contribution of Income Tax on GDP, Total Tax Revenue, Total Revenue and Direct Tax Revenue

(Rs in Million& Percentage)

Fiscal Year	Income tax	GDP at basic price	Total Tax Revenue	Total Revenue	Direct Tax Revenue	% of IT on GDP	% of IT on TTR	% of IT on TR	%of ITon DTR
2008/09	27479.7	542652	117051.8	143474.4	34552.6	5.06	23.48	19.15	79.53
2009/10	33832.1	565759	156290.7	179940.4	41760.5	5.98	21.65	18.80	81.01
2010/11	42066.3	587534	172755.2	199819.6	48641.0	7.16	24.35	21.05	86.48
2011/12	52879.9	614637	211718.3	244369.7	66906.7	8.60	24.98	21.64	79.04
2012/13	66059.2	637771	259143.6	295936.5	81937.5	10.36	25.49	22.32	80.62
2013/14	78058.4	674227	312441.0	356620.6	97065.4	11.58	24.98	21.89	80.42
2014/15	89095.9	694269	355942.9	405846.4	113991.1	12.83	25.03	21.95	78.16
2015/16	117443.1	694344	421048.5	481966.3	149494.6	16.91	27.89	24.37	78.56
Total	**506914.6**	**5011193**	**2006392**	**2307974**	**634349.4**	**78.49**	**197.85**	**171.18**	**643.82**
Average	**63364.33**	**626399.13**	**250799**	**288496.7**	**79293.68**	**9.81**	**24.73**	**21.40**	**80.48**

Note :NepalRastra Bank- Quarterly Economic Bulletin from FY 2008/09 to 2015/16

Table 4.8 reflects the contribution of Income tax on GDP, total tax revenue, tax revenue and direct tax revenue. Total income tax was Rs. 27479.7 million in the FY 2008/09and itscontributed 5.06percent in GDP, 23.48 percent in total tax revenue, 19.15 percent in total revenue and 79.53percent in direct tax revenue. During the study period it is in increasing order and in FY 2015/16 it came to Rs. 117443.1 million which was 16.91 percent of GDP, 27.89 percentoftotaltax revenue, 24.37 percent of total revenue, and 78.56 percent of direct tax revenue. The average contribution of income tax onGDP, total tax revenue, tax revenue and direct tax revenue were 9.81 percent, 24.73 percent, 21.40 percent and 80.48 percent respectively during study period

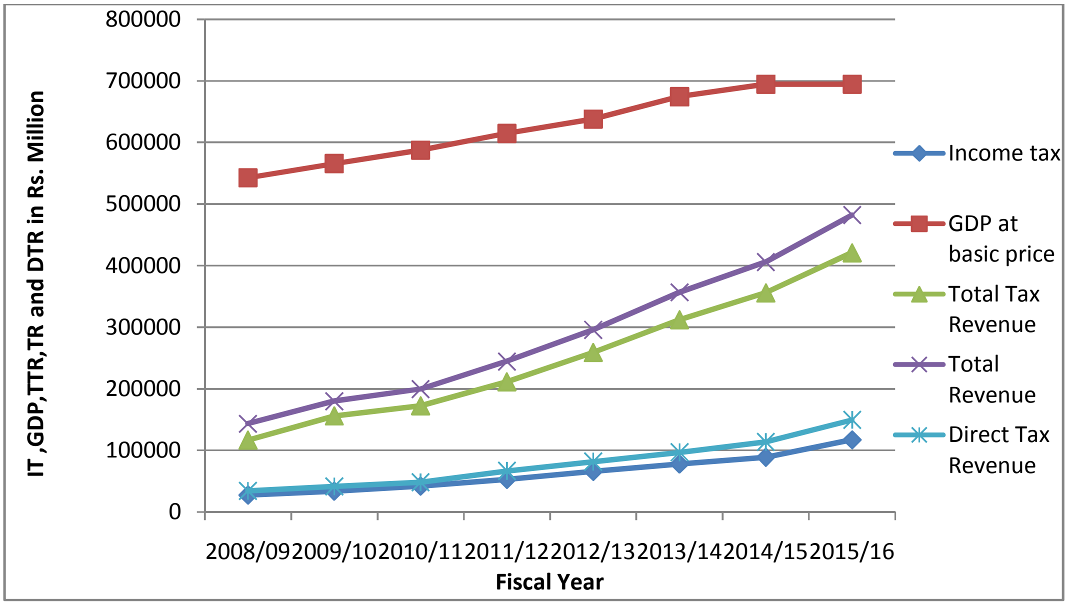

Figure: 4.8 Contribution of Income Tax on GDP, Total Tax Revenue, Total Revenue and Direct Tax Revenue

Figure 4.8 shows the contribution of income tax was increasing trend on GDP, total tax revenue, total revenue and direct tax revenue. Figure shows five trend lines are: GDP, tax revenue, total tax revenue, direct tax and income tax.Contribution of income tax on direct tax occupied the largest portion and contribution of income tax on GDP occupied the lowest portion.

Percentage of Income tax on total tax revenue, total revenue and direct tax revenue were fluctuating and percentage of income tax on GDP was in increasing trend. Average contribution of indirect tax on GDP, total tax revenue and total revenue were 9.81 percent, 24.73 percent, 21.40 percent and 80.48 percent respectively during study period.

4.9 Structure of Income Tax in Nepal

Nepalese income tax structure is formed by contribution of income tax form public enterprise, semi-public enterprise, private corporation bodies, individuals, employment, tax on interest and others. Public enterprise consist of full government ownership, semi-public consists more than 50percent share of government, private corporate bodies mean public limited companies, individuals denotes sole traders, partnership and private companies and employment refers to salaries earned bygovernment another tax includes capital gain tax, dividend, other income on investment, windfall gain tax etc. This has been presented in belowtable

Table: 4.9

Collection from Major Sources of Income Tax in Nepal

(Rs in Millions)

Fiscal Year	Total Income Tax		Enterprises and Corporation		Individual		Investment Income and Other Income		Employment (Remuneration Income or Payroll and Workforce)	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
2008/09	27479.7	100	10387.9	37.80	9258.5	33.69	4434.8	16.14	3398.5	12.37
2009/10	33832.1	100	13156	38.89	10898.2	32.21	5357.8	15.84	4420	13.06
2010/11	42066.3	100	15249.2	36.25	13558.1	32.23	7395.4	17.58	5863.8	13.94
2011/12	52879.9	100	30415.8	57.52	12382.7	23.42	8515.3	16.10	1566.2	2.96
2012/13	66059.2	100	37069.6	56.12	15532.9	23.51	11575.8	17.52	1880.9	2.85
2013/14	78058.4	100	45429.8	58.20	19433.2	24.90	10746.3	13.77	2449.2	3.14
2014/15	89095.9	100	51900.3	58.25	22718.1	25.50	11549.7	12.96	2927.9	3.29
2015/16	117443.1	100	71002.1	60.46	29973.6	25.52	13193.7	11.23	3273.8	2.79
Total	**506914.6**	**800**	**274610.70**	**403.48**	**133755.30**	**220.98**	**72768.80**	**121.15**	**25780.30**	**54.39**
Average	**63364.33**	**100**	**34326.34**	**50.44**	**16719.41**	**27.62**	**9096.10**	**15.14**	**3222.54**	**6.80**

Note: Nepal Rastra Bank- Quarterly Economic Bulletin from FY 2008/09 to 2015/16

From table 4.9, total income tax revenue seemed to have increased trend in the study. It was Rs.27479.7million in FY 2008/09.Then it was increased to Rs.117443.1 million in FY 2015/16.

The income tax contribution of Enterprises and Corporate bodies occupied first position out of average income tax revenue during the study. In FY 2008/09, Enterprises and Corporate bodies paid Rs 10387.9millioni.e. 37.80percent of total income taxrevenue. Enterprises and Corporate bodies' revenue collection wasin increasing trend. The average contribution of Enterprises and Corporate bodies was 50.44percent during the study.

Individual has occupied second position out of average income tax revenue during the study period. In FY 2008/09 Rs.9258.5 million was collected from individual income tax and it contributed 33.69 percent, it was maximum during the study period. It was increasing trend. It was Rs.29973.6million of total income tax revenue in fiscal year 2015/16 it contributed 25.52 percent. The average contribution of individual was 27.62 percent during the study period.

Investment Income and Other Income occupied third position out of income tax revenue during the study period. In FY 2008/09 Rs.4434.8 million was collected it contributed 16.14percent. Then in FY 2010/11 it contribution was increased to 17.58 percent which was maximum during the study period. The average contributionwas 15.14 percent during the study period.

Employment (Remuneration income or Payroll and workforce) occupied fourth position out of income tax revenue respectively. The average contribution was 6.80 percentof income tax. Contributionof this income tax on employment was Rs 3398.5 million in 2008/09 and it contributed 12.37 percent. It was increased to Rs 5863.2 million and it was contribution was 13.94 percent .It was maximum contribution during the year.

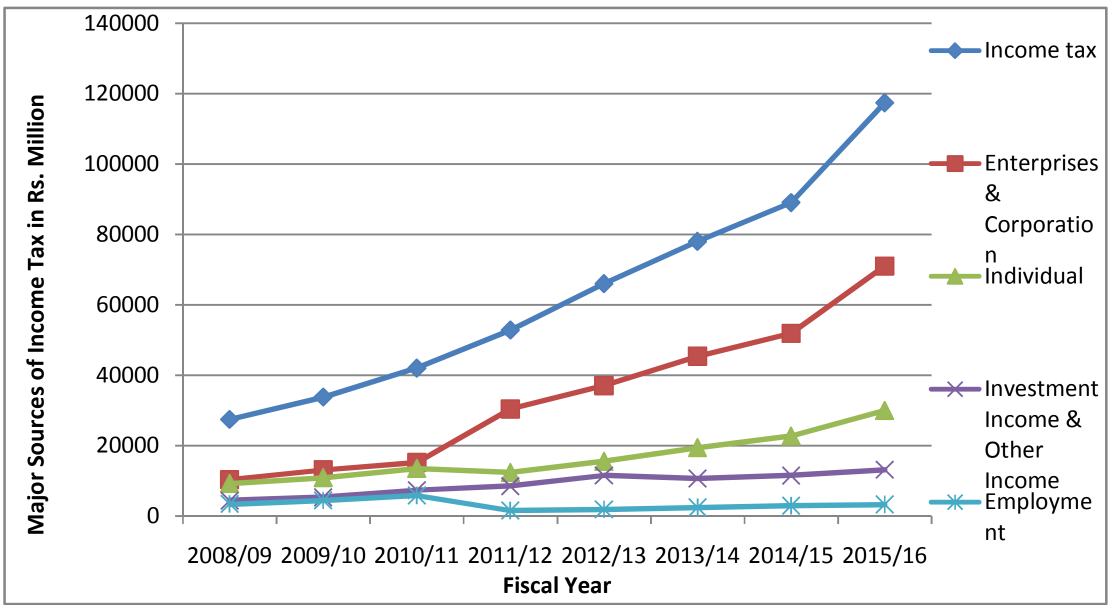

Figure: 4.9 Collection from Major Sources of Income Tax in Nepal

Figure 4.9 shows the share of enterprises and corporation, individual, investment income and other income and employment (remuneration income or payroll and workforce) on income tax .The contribution of income tax on enterprises and corporation, individual, investment income and other income and employment (remuneration income or payroll & workforce) were fluctuating. Average contribution of income tax on enterprises and corporation, individual, investment income and other income and employment (remuneration income or payroll and workforce) were 50.44 percent, 27.62 percent, 15.14 percent and 6.80percent respectively during study period.

4.10 Corporate Income TaxRevenue

4.10.1Structural Composition of Corporate Income TaxRevenue

The corporate tax is direct tax. It is levied on corporate income. The income from Public Ltd Companies, Private Ltd Companies and Enterprise are actually treated as the corporate income for corporate income tax imposition.Coporate Income Tax is composition of individual and sole traders (i) and Enterprises and Corporation (ii)from FY 2011/12 to FY 2015/16. The following table has been shown corporate tax for different fiscal year.

Table: 4.10
Structural Composition of Corporate Income TaxRevenue

(Rs. in Million and Percentage)

Fiscal Year	CITR	Total %	Corporate Income Tax			
			Public Sector	Public Sector %	Private Sector	Private Sector %
2008/09	19646.4	100	10387.9	52.87	9258.5	47.13
2009/10	24054.3	100	13156.1	54.69	10898.2	45.31
2010/11	28807.2	100	15249.1	52.94	13558.1	47.06
2011/12	42798.5	100	30415.8	71.07	12382.7	28.93
2012/13	52602.5	100	37069.6	70.47	15532.9	29.53
2013/14	64863.0	100	45429.8	70.04	19433.2	29.96
2014/15	74618.4	100	51900.3	69.55	22718.1	30.45
2015/16	100975.7	100	71002.1	70.32	29973.5	29.68
Total	**408366.10**	**800**	**274610.70**	**511.95**	**133755.40**	**288.05**
Average	**51045.76**	**100**	**34326.34**	**8.14**	**16719.19**	**91.86**

Note: Quarterly Economic Bulletin of Nepal Rastra Bank 2008/09 to 2015/16

Thetable 4.10shows that major portion of corporate income tax covered by publicsector. In fiscal year 2008/09, the corporate tax was Rs 10387.9million, out of this Rs.19646.4 million or 52.87percent shared by public sector and Rs.9258.5million or 47.13percentshard by privatesector. Corporate income tax was increasing every year during the study period. Public sector has given more importance on corporate tax revenue.

The share of private tax on corporate tax was 47.13percent in fiscal year 2008/09.The maximum share was 30.45 percent in fiscal year 2014/15 duringthe study period. The amount of private sector was increasing but the share portion was fluctuating during the study period. The contribution of public sector on corporate tax was 52.87percent in FY 2008/09 which was the minimum share. The share of public sector on corporate tax was very high than the private sector .It was in increasingtrend. The share of public sector on corporate income tax was 70.32percent in FY 2015/16.The structural composition of corporate income tax presented in bar-diagram as follows:

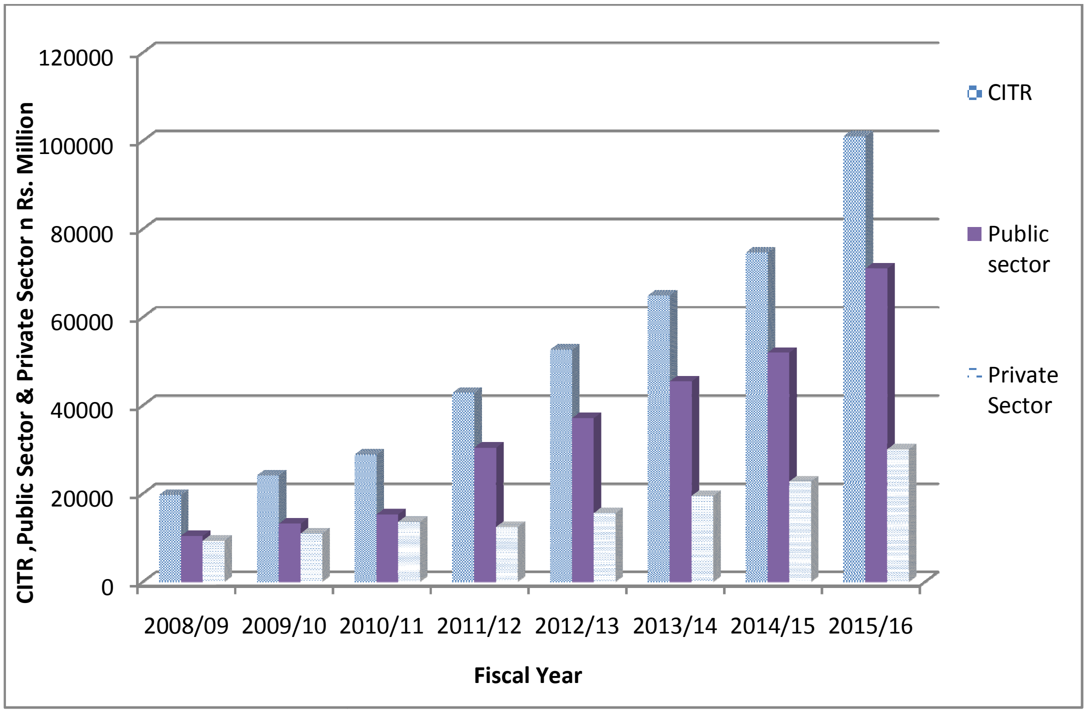

Figure:4.10 Structural Composition Corporation Income Tax Revenue

In the figure 4.10, fiscal year shown in x-axis and CITR, public sector and private sector shown in y-axis. The bar diagram shown that the contribution of private sector was very high than the contribution of public sector on corporate income tax

4.10.2 Contribution of Corporate Income Tax Revenueto Government Revenue

Corporate income tax plays an important role in Nepalese government revenue. The following table has been drawn to show the contribution portion of CITR in different time periods in percentage and amounts also.

Table: 4.11
Contribution of Corporate Income Tax Revenue to Government Revenue
(Rs in Million & Percentage)

Fiscal Year	Government Revenue	CITR	% of CITR on Gov. Revenue
2008/09	143474.50	19646.4	13.69
2009/10	179945.80	24054.4	13.37
2010/11	199819.00	28807.2	14.42
2011/12	244371.80	42798.5	17.51
2012/13	296015.70	52602.5	17.77
2013/14	356619.60	64863	18.19
2014/15	405846.60	74618.4	18.39
2015/16	481978.10	100975.7	20.95
Total	**2308071.10**	**408366.1**	**134.29**
Average	**288508.89**	**51045.76**	**16.79**

Note: Quarterly Economic Bulletin of Nepal Rastra Bank 2008/09 to 2015/16

Table 4.11 reflects that the contribution of corporate income tax to government revenue was fluctuating during the period. The share of corporate income tax revenue was 13.69 percent amounting Rs. 143474.50 million in the FY 2008/09. Later on, the corporate income tax was increased to 42798.5 million in FY 2011/12 but the increment of share of CITR to government revenue has not satisfied. In the FY2015/16, corporate income tax was 100975.7 million out of 481978.10 million of government revenue and the share of CITRto total revenue was 20.95 percent.

The contribution pattern of corporate income tax to total revenue has been shown in the following trend line.

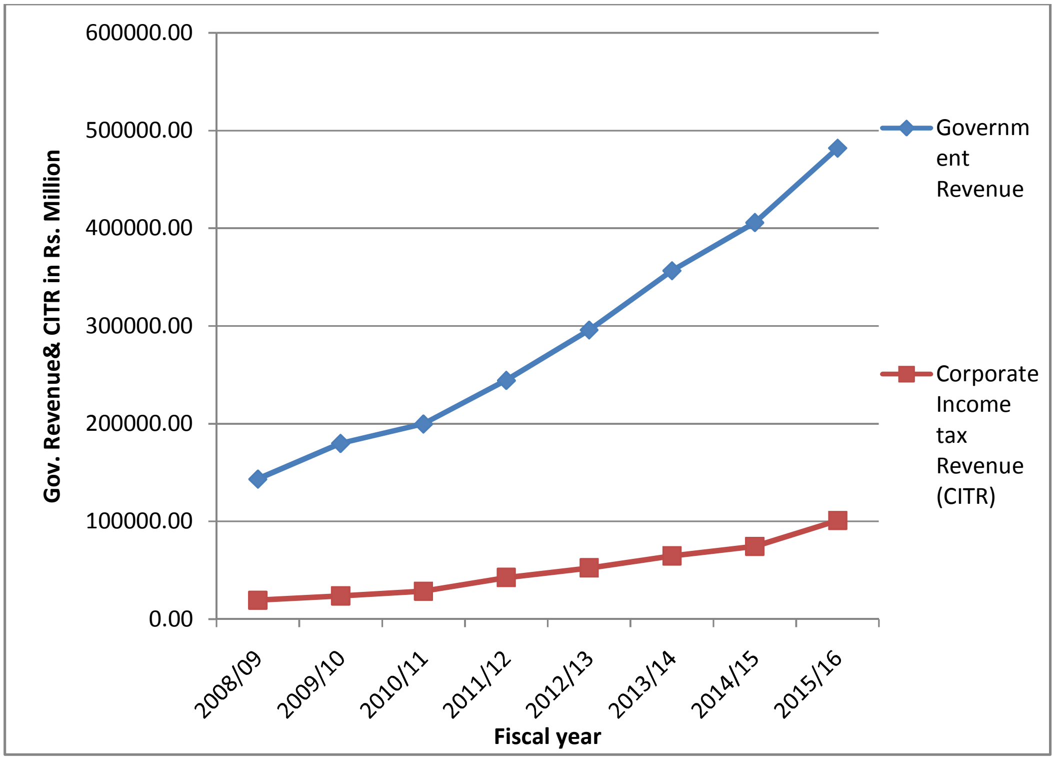

Figure:4.11Contribution of Corporate Income TaxRevenue to Government Revenue

The figure 4.11 shows the relationship between corporate income tax revenue (CITR) and government revenue through the trend line. The upper trend line indicates government revenue and lower trend line indicates corporate income tax revenue (CITR). It shows that in government revenue is in increasing trend as compare to CITR. CITR is also in increasing form but slower than the government revenue.

4.10.3 Contribution of Corporate Income Tax Revenue toTotal Tax Revenue

Corporate income tax plays an important role in Nepalese government revenue. The following table has been drawn to show the contribution portion of CITR in different time periods in percentage and amounts also.

Table: 4.12

Contribution of Corporate Income Tax Revenue to Total Tax Revenue

Rs in Million

Fiscal Year	Total Tax Revenue	CITR	% of CITR on Total Tax Revenue
2008/09	117051.8	19646.4	16.78
2009/10	156290.7	24054.4	15.39
2010/11	172755.2	28807.2	16.68
2011/12	211718.3	42798.5	20.21
2012/13	259143.6	52602.5	20.30
2013/14	312441	64863	20.76
2014/15	355942.9	74618.4	20.96
2015/16	421048.5	100975.7	23.98
Total	**2006392**	**408366.1**	**155.07**
Average	**250799**	**51045.76**	**19.38**

Note: Quarterly Economic Bulletin of Nepal Rastra Bank 2008/09 to 2015/16

Table 4.12 reflects that the contribution of corporate income tax to total tax revenue was fluctuating during the period. The share of corporate income tax revenue was 16.78percent amounting Rs. 19646.4 million in the FY 2008/09. Later on, the corporate income tax was increased to 42798.5 million in FY 2011/12 but the increment of share of CITRto total revenue has not satisfied. In the FY2015/16, corporate tax was 100975.7 million out of 421048.5 million of total tax revenue and the share of CITR to total revenue was 23.98percent.

The contribution pattern of corporate income tax to total revenue has been shown in the following bar diagram.

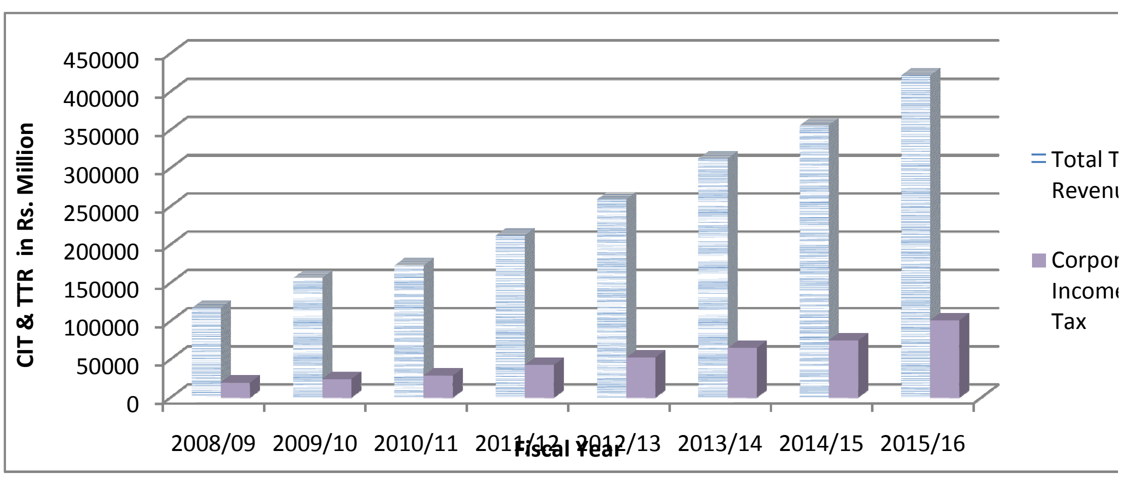

Figure: 4.12 Contribution of Corporate Income Tax Revenue to Total Tax Revenue

In the figure 4.12, Total Tax revenue and corporate income tax are shown in y-axis and fiscal year in x-axis. Comparing with total revenue, corporate income tax seems to be very low. The contribution private and public sector has decreased comparing to beginning year of the study period.

4.10.4 Contribution of Corporate Income Tax Revenue to Total Revenue

Total revenue composed of both tax revenue and non-tax revenue. It plays an important role in Nepalese government revenue. Contribution of CITR to total revenue is given as following table.

Table: 4.13
Contribution of Corporate Income Tax Revenue to Total Revenue
(Rs in Million & Percentage)

Fiscal Year	Total Revenue	CITR	% of CITR on TR
2008/09	143474.4	19646.4	13.69
2009/10	179940.4	24054.4	13.37
2010/11	199819.6	28807.2	14.42
2011/12	244369.7	42798.5	17.51
2012/13	295936.5	52602.5	17.77
2013/14	356620.6	64863	18.19
2014/15	405846.4	74618.4	18.39
2015/16	481966.3	100975.7	20.95
Total	**2307973.9**	**408366.1**	**134.29**
Average	**4472473.4**	**51045.7625**	**16.79**

Note: Quarterly Economic Bulletin of Nepal Rastra Bank FY 2008/09 to 2015/16.

Table 4.13reflects that the contribution of corporate income tax to total revenue during the study period was increasing.The share of corporate income tax was 13.69percent amounting Rs.19646.4 million out of Rs.143474.4 million in the FY 2008/09. The share of corporate income tax to total revenue increased to 14.42 percent amounting Rs 28807.2million in the fiscal year 2010/11. The share of CITR to total revenue has slowly increased up to 20.95percent in the FY 2015/16 amounting Rs. 481966.3 million which was the highest till our study.

In totality, Nepalese corporate sector has been contributing to total revenue from 13.69 percent to 20.95percent, which seems to be very small portion comparing to other developing countries. The contribution pattern of corporate income tax to total revenue as been shown in the following trend line.

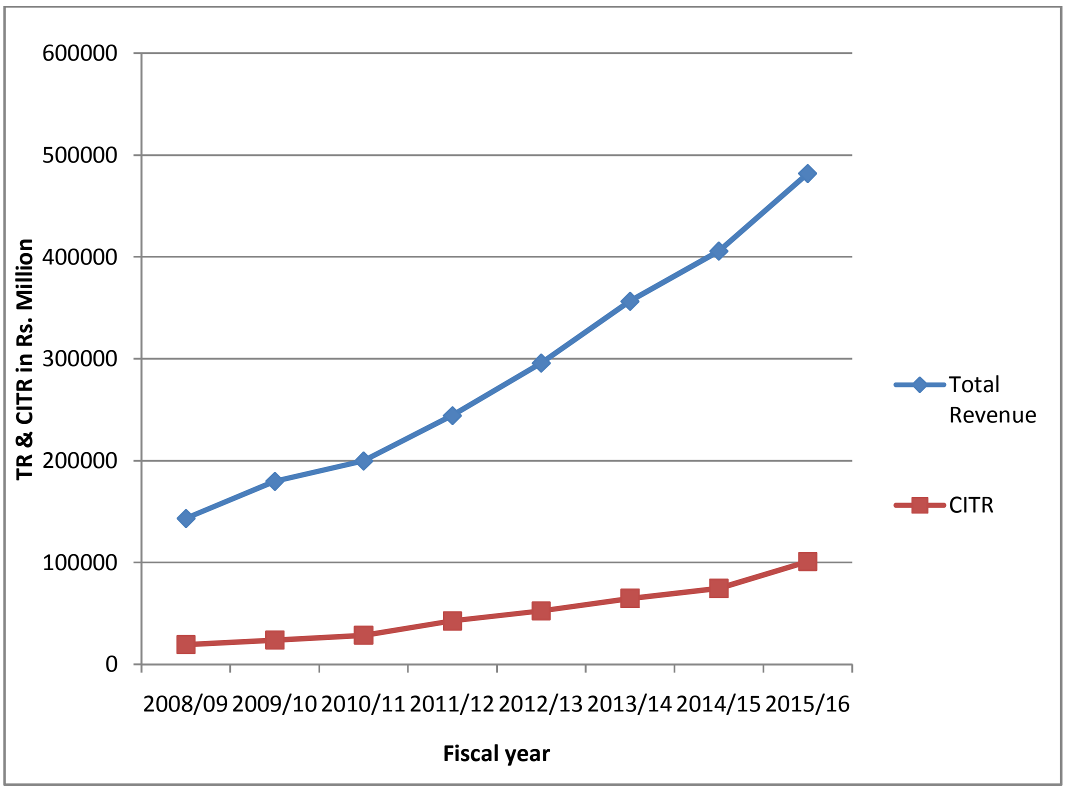

Figure: 4.13 Contribution of Corporate Income Tax Revenue to Total Revenue

In the figure 4.13, total revenue and CITR is shown in y-axis and fiscal year in x-axis. Comparing with total revenue, corporate income tax seems to be very low. It shows the relationship between CITR and TR through the trend line. The upper trend line indicates TR and lower trend line indicates CITR. It shows that in TR is in increasing form as compare to CITR. CITR also is in increasing form but slower than the TR.

4.10.5 Contribution of Corporate Income TaxRevenue to Direct Tax Revenue

Direct tax comprises of income tax, land and house registration tax, vehicles tax, property taxand other tax which has already been shown in Table 4.4. The contribution of corporate income tax on Direct tax revenue can be shown in the following table.

Table: 4.14

Contribution of Corporate Income Tax Revenue to Direct Tax Revenue

(Rs. In Million& Percentage)

Fiscal Year	Direct Tax Revenue	CITR	% of CITR on DTR
2008/09	34552.6	19646.4	56.86
2009/10	41760.5	24054.4	57.60
2010/11	48641	28807.2	59.22
2011/12	66906.7	42798.5	63.97
2012/13	81937.5	52602.5	64.20
2013/14	97065.4	64863	66.82
2014/15	113991.1	74618.4	65.46
2015/16	149494.6	100975.7	67.54
Total	**634349.40**	**408366.10**	**501.68**
Average	**79293.68**	**51045.76**	**62.71**

Note: Nepal Rastra Bank-Quarterly Economic Bulletin from FY 2008/09 to 2015/16

From the table 4.14, we can see that the contribution of CITR to direct tax revenue was increasing during the study period. Its contribution was 56.86 percent in the FY 2008/09, which increased up to67.54percent in FY 2015/16. As the CITR is the main part of direct tax where it imposes high tax from it.

This table has also shown the structural composition of corporate tax. The contribution of CITR to direct tax revenue can be shown in trend line as follows.

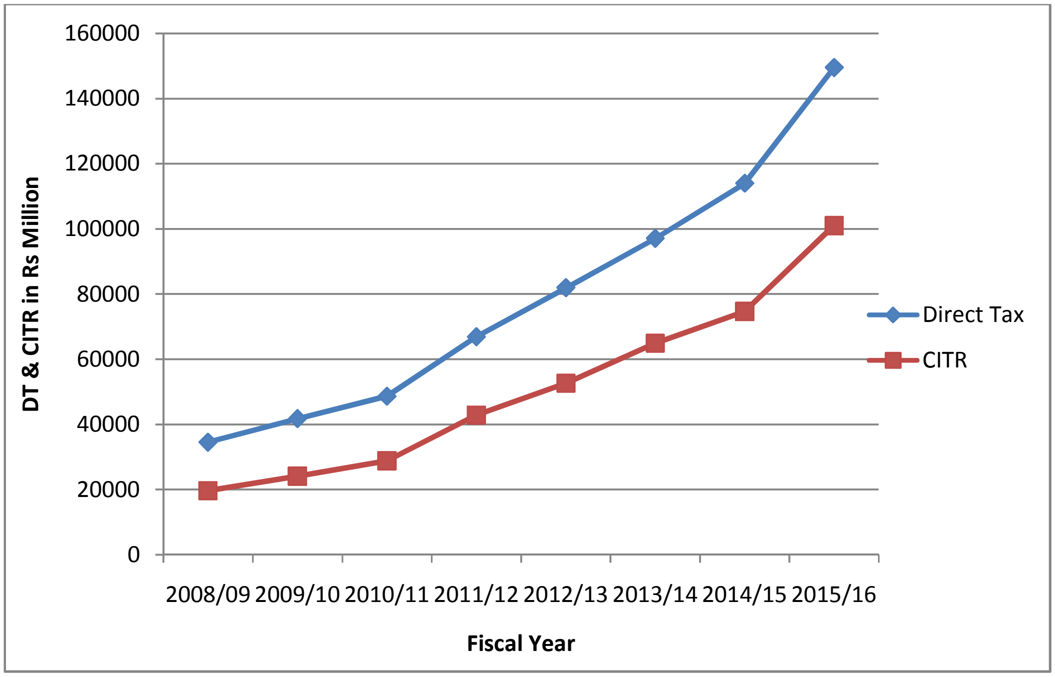

Figure: 4.14 Contribution of Corporate Income Tax Revenue to Direct Tax Revenue

In the figure 4.14, x-axis shows the different FY from 2008/09 to 2015/16 and y-axis shows direct tax revenue and corporate income tax revenue (CITR). It shows the total direct tax revenue was increased continuously during the study period and along with direct tax CITR also increasing.

Trend line shows that the direct tax revenue was in increasing trend and reached to Rs. 149494.6 million in the FY 2015/16. Contribution of CITR to direct tax revenue was in increasing trend. In every year, CITRwas increasing so do the direct tax

4.10.6 Contribution of Corporate Income Tax Revenue to Income TaxRevenue

Income tax revenue includes corporate income tax, individual's income tax, employment, interest tax and others. The size of income tax revenue largely depends upon the size of corporate sector. Higher the size of corporate sector higher will be the CITRand total income tax revenue and vice versa .So,CITR in Nepal has played vital role in Nepal.Income tax revenue comprises of income tax revenue, which has been presented in the following table projecting for eight subsequent years.

Table: 4.15

Contribution of Corporate Income Tax to Income Tax

Rs. In Million& Percentage

Fiscal Year	Income Tax Revenue	CITR	% of CITR on Income Tax
2008/09	27479.7	19646.4	71.49
2009/10	33832.1	24054.4	71.10
2010/11	42066.3	28807.2	68.48
2011/12	52879.9	42798.5	80.94
2012/13	66059.2	52602.5	79.63
2013/14	78058.4	64863	83.10
2014/15	89095.9	74618.4	83.75
2015/16	117443.1	100975.7	85.98
Total	**506914.6**	**408366.10**	**624.46**
Average	**63364.33**	**51045.76**	**78.06**

Note: Nepal Rastra Bank-Quarterly Economic Bulletin from FY 2008/09 to 2015/16

Table 4.15 reflects that the contribution of CITR to income tax seems to be increased in every year. In the FY 2008/09, it was 71.49percent. In FY 2011/12, the contribution of CITR on Income tax revenue was 80.94 percent. It was increasing during the year. CITR is the main part of income tax where government collects highest of its tax revenue.

TheCITR and income tax revenue position has been shown in the followingtrendline.

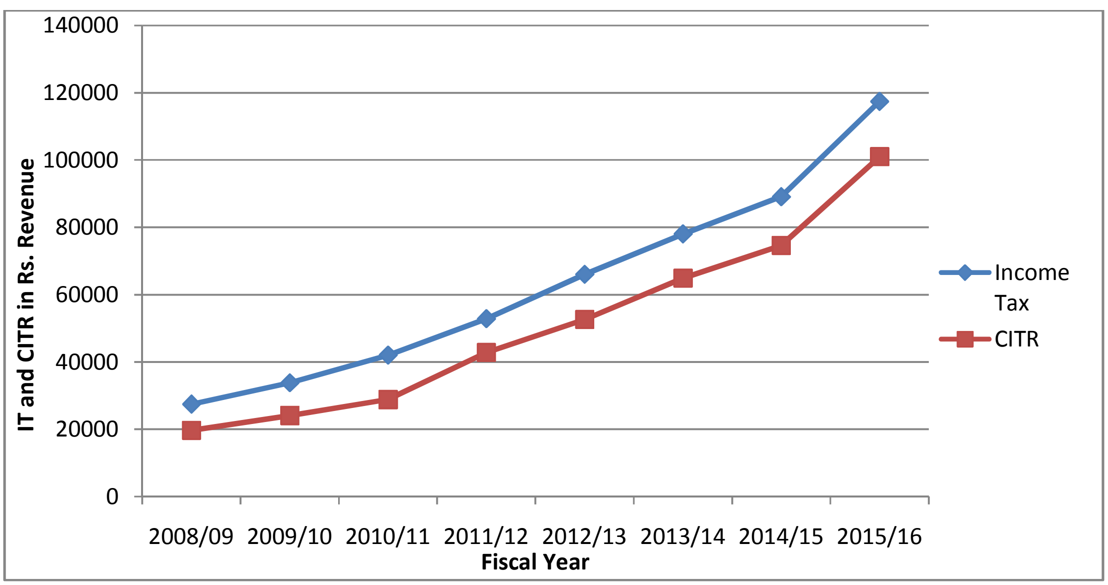

Figure 4.15Contribution of Corporate Income Tax to Income Tax

Trend line 4.14, different years are shown in x-axis and Total Income Tax Revenue is shown in y-axis, where we can see the maximum contribution of CITR to tax revenue in the FY 2015/16, then its share continuously increased. It shows that total CITR was increasing trend .It goes on increasing trend during the study period. In FY 2015/16 public sector is contributing almost total CITR. The relationship between CITRand Income tax revenue is positive.

4.11Revenue Collection in Nepal

With objective of making consistence to the international standard, new economic code and classification of government income, Expenditure and investment has been introduced in line with the government financial statistics 2001. New code,classification and description will be facilitating to make governmentstatistics simple reliable comparable, transparent and to maintain fiscal description.

Table 4.16

Statement of Revenue Collection in Nepal
Fiscal Year 2015/16

	Heads	2015/16			
		I Qtr	II Qtr	III Qtr	IV Qtr
	REVENUE, GRANTS AND LAST YEAR'S BALANCE	76,662.9	87,949.2	151,461.4	201,629.8
	REVENUE (Tax Revenue + Non-Tax Revenue)	74,929.3	86,428.3	129,707.4	129,983.5
A.	TAX REVENUE	64,188.9	79,078.2	115,607.7	223,091.5
1	*DIRECT TAXES*	*17,674.0*	*33,910.9*	*38,233.3*	*59,676.4*
	a. Income, Profits and Capital Gain	12,010.0	28,724.8	29,874.8	43,559.7
	b. Payroll and Workforce	636.5	890.6	714.1	1,032.6
	c. Tax on Property	1,491.8	1,382.5	2,283.4	7,989.2
	d. Tax on Use of goods	2,974.1	2,474.0	4,582.1	6,162.9
	e. Other Taxes	561.6	439.0	778.9	931.9
2	*INDIRECT TAXES*	*46,514.9*	*45,167.3*	*77,374.4*	102,497.3
	Tax on Goods and Services	46,514.9	45,167.3	77,374.4	102,497.3
	a. Customs	13,463.6	12,131.8	25,852.8	30,737.3
	b. Value Added Tax	22,664.9	20,859.6	31,876.0	46,914.8
	c. Excise Duties	10,070.3	11,794.6	19,275.5	24,627.9
	d. Tax on Specific Services	316.1	381.3	370.2	217.4
B.	NON-TAX REVENUE	10,740.4	7,350.1	14,099.7	28,727.6
	a. Property Income	4,837.2	586.8	6,505.7	14,273.3
	b. Sales of Goods and Services	3,725.5	2,978.1	3,144.3	3,999.1
	c. Penalties, Fines and Forfeiture	175.6	235.1	132.2	246.9
	d. Voluntary Transfers other than Grants	0.7	0.7	0.8	1.3

	e. Miscellaneous Revenue	2,001.4	3,549.3	4,316.6	10,207.1
C.	BALANCE OF LAST YEAR AND IRREGULARITIES	1,733.6	350.0	365.8	810.0
	a. Cash Balance of Last Year	994.4	75.6	32.5	29.7
	b. Irregularities	739.2	274.4	333.4	780.2
D.	GRANTS	0.0	1,170.9	21,388.1	9,918.5

Note: Nepal Rastra Bank Quarterly Economic Bulletin 2015/16.

In the table 4.16, we find that various new economic code & heads. Total revenue was classified different economic heads. In FY 2015/16; total revenue was Rs.421048.5 million which was the highest revenue collection than the previous year.

4.12 Analysis of the Data with Time series analysis

Time series analysis comprises methods for analysing time series data in order to extract meaningful statistics and other characteristics of the data. Time series forecasting is the use of a model to predict future values based on previously observed values.Time series analysis is mostly used in business and economics, by which we can predict the value of variable for the future.

4.12.1 Trend of Corporate Income Tax Revenue on Government Revenue

One of the most commonly used methods is the Least Square Method which is employed here to measure the trend for further prediction of the Government Revenue and Corporate Income Tax Revenue for the next five years from the fiscal years 2016/17 to 2020/21 to estimate whether there may be increase in the CITR/Government Revenue ratio. Future amount of Government Revenue and CITR are predicted on the basis of the data of the last fiscal years.

The parameter of time series analysis for the further prediction of CITR and Government Revenue, a and b, where a is the Y interception or the computed trend figure of variable when x= 0 and b represent the slop of the trend line or the amount of change in y variable that is associated with a changeable of one unit in x variable. The x variable in time series represents time and y represents Government Revenue and CITR.

For predicting the amount of Government Revenue, the parameter of the analysis, computed in the Annex -7 are as follows:

Y= Government Revenueand CITR

X= Time

Let the straight trend line be represented by the equation

$$y = a + bx$$

Where,

$$a = \frac{\sum Y}{N} = \frac{2308071.10}{8} = 288508.89$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{4021074.9}{168} = 23934.97$$

Thus the trend line of dependent variable Government Revenue and independent variable time (i.e. year) is:
Government Revenue (Yc) = 288508.89 + 23934.97x

Similarly, for predicting the CITR, the parameters of the analysis, computed in the Annex -8 are as follows:

Let the straight trend line be represented by the equation

$$y = a + bx$$

Where,

$$a = \frac{\sum Y}{N} = \frac{408366.10}{8} = 51045.76$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{940096.5}{168} = 5595.81$$

where the trend line of dependent variable CITR and independent variable time (i.e. year) is:
CITR (Yc)=51045.76+ 5595.81x

Predicted amount of GovernmentRevenue and CITR, computed in the annex 7 and 8for the period 2016/17 to 2020/21 is presented in the table 4.17.

Table 4.17
Predicted Contribution of CITR on Government Revenue

Fiscal Year	2016/17	2017/18	2018/19	2019/20	2020/21
CITR	101408.05	112599.67	123791.29	134982.91	146174.53
Government Revenue	503923.62	551793.56	599663.5	647533.44	695403.38
CITR/Government Revenue (%)	**20.12**	**20.41**	**20.64**	**20.85**	**21.02**

Note : Annex 7 and 8

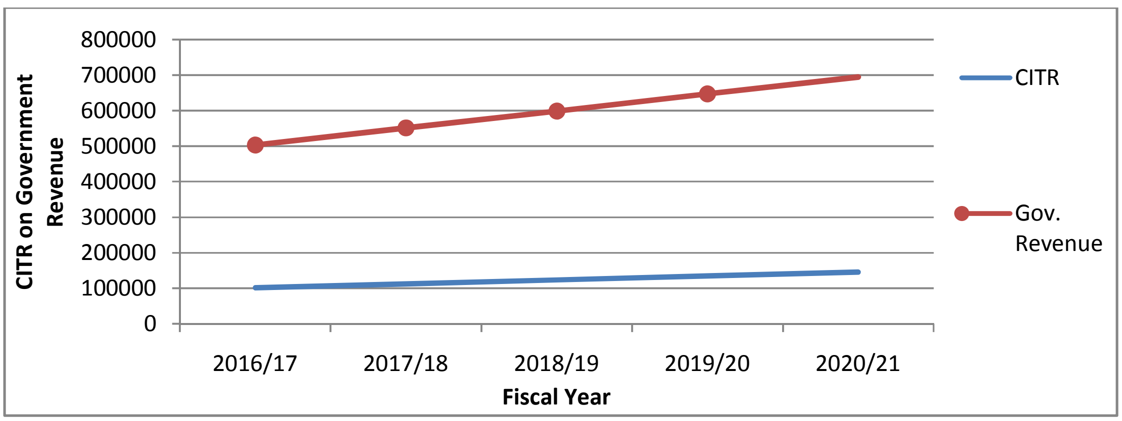

Figure:4.16 Predicted Contribution of CITR on Government Revenue

The table 4.17 and figure 4.16 shows that the predicted value of Government Revenue and CITR .Contribution of CITR on Government Revenue are in increasing trend, if all other thing remains constant. CITR has the highest trend value of 146174.53in the year 2020/21 and Government has the highest trend value of 695403.38in the year 2020/21. From above analysis, the CITR on TR will increase over the next five years.

4.12.2 Trend of Corporate Income TaxRevenue on Total Revenue

One of the most commonly used methods is the Least Square Method which is employedhere to measure the trend for further prediction of the Total Revenue and CorporateIncome TaxRevenue for thenext five years from the fiscal years 2016/17 to 2020/21 to estimate whether theremay be increase in the CITR/TR ratio. Future amount of TR and CITR are predicted on the basis of the data of the last fiscal years.

The parameter of time series analysis for the further prediction of CITR and TR, a and b, where a is the Y interception or the computed trend figure of variable when x= 0 and b represent the slop of the trend line or the amount of change iny variable that is associated with a changeable of one unit in x variable. The xvariable in time series represents time and y represents TR and CITR revenue.

For predicting the amount of TR, the parameter of the analysis, computed in the Annex -9 is as follows:

Y= TR/ CITR

X= Time

Let the straight trend line be represented by the equation

$$y = a+bx$$

Where,

$$a = \frac{\sum Y}{N} = \frac{2307973.9}{8} = 288496.74$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{402094310}{168} = 23934.19$$

Thus the trend line of dependent variable TR and independent variable time (i.e. year) is:
TR (Yc) = 288496.74 + 23934.19x

Similarly, for predicting the CITR, the parameters of the analysis, computed in the Annex -8are as follows:

Let the straight trend line be represented by the equation

$$y = a+bx$$

Where,

$$a = \frac{\sum Y}{N} = \frac{408366.10}{8} = 51045.76$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{940096.5}{168} = 5595.81$$

where the trend line of dependent variable CITR and independent variable time (i.e. year) is:
CITR (Yc)=51045.76+ 5595.81x

Predicted amount of TR and CITR, computed in the Annex 8 and 9 for the period 2016/17 to 2020/21 is presented in the table 4.18.

Table:4.18
Predicted Contribution of CITR on TR

Fiscal Year	2016/17	2017/18	2018/19	2019/20	2020/21
CITR	101408.05	112599.67	123791.29	134982.91	146174.53
TR	503904.45	551772.83	599641.21	647509.59	695377.97
CITR/TR (%)	**20.12**	**20.41**	**20.64**	**20.85**	**21.02**

Note: Annex 8 and 9

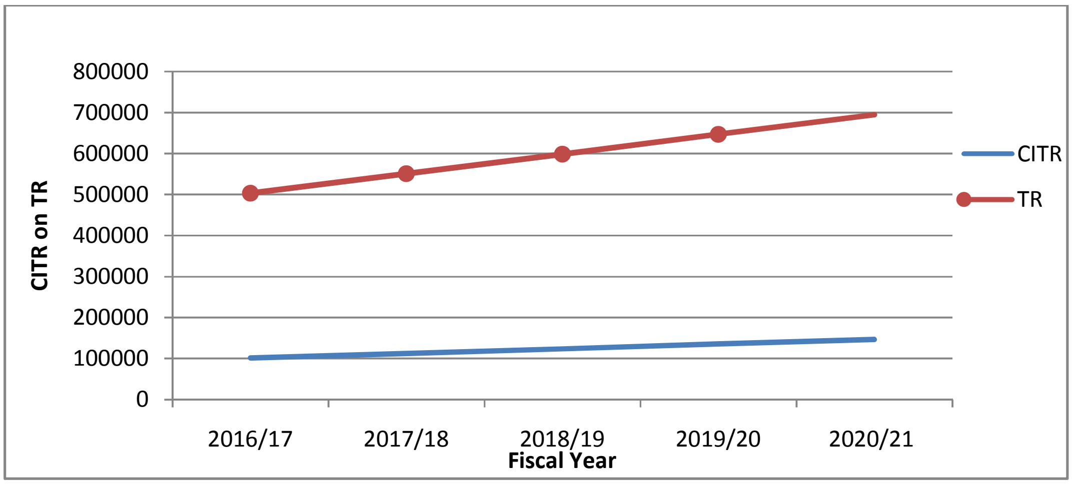

Figure: 4.17Predicted Contribution of CITR on TR

The table 4.18 and figure 4.17 shows that the value of CITR, TR and contribution of CITR on TR are in increasing trend, if all other thing remains constant. CITR has the highest trend value of 146174.53 in the year 2020/21 and TR has the highest trend value of 695377.97 in the year 2020/21. From above analysis, theCITR on TR will increase over the next five years.

4.12.3 Trend of Corporate Income Tax Revenue on Direct Tax Revenue (DTR)

One of the most commonly used methods is the Least Square Method which is employed here to measure the trend for further prediction of the Direct Tax Revenue and Corporate Income Tax Revenue for the next five years from the fiscal years 2016/17 to 2020/21 to estimate whether there may be increase in the CITR/DTR ratio. Future amount of DTR and CITR are predicted on the basis of the data of the last fiscal years.

The parameter of time series analysis for the further prediction of CITR and DTR, a and b, where a is the Y interception or the computed trend figure of variable when x= 0 and b represent the slope of the trend line or the amount of change in y variable that is associated with a changeable of one unit in x variable. The x variable in time series represents time and y represents DTR and CITR revenue.

For predicting the amount of DTR, the parameter of the analysis, computed in the Annex -10 are as follows:

Y= DTR/ CITR

X= Time

Let the straight trend line be represented by the equation

$$y = a + bx$$

Where,

$$a = \frac{\sum Y}{N} = \frac{634349.4}{8} = 79293.68$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{1326051}{168} = 7893.16$$

Thus the trend line of dependent variable Direct Tax Revenue (DTR) and independent variable time (i.e. year) is:

DTR (Yc) = 79293.68 + 7893.16 x

Similarly, for predicting the CITR, the parameters of the analysis, computed in the Annex -8 are as follows:

Let the straight trend line be represented by the equation

$$y = a + bx$$

Where,

$$a = \frac{\sum Y}{N} = \frac{408366.10}{8} = 51045.76$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{940096.5}{168} = 5595.81$$

where the trend line of dependent variable CITR and independent variable time (i.e. year) is:

CITR (Yc)=51045.76+ 5595.81x

Predicted amount of DTR and CITR, computed in the Annex 8 and 10for the period 2016/17 to 2020/21 is presented in the table 4.19.

Table: 4.19
Predicted Contribution of CITR on DTR

Fiscal Year	2016/17	2017/18	2018/19	2019/20	2020/21
CITR	101408.05	112599.67	123791.29	134982.91	146174.53
DTR	150332.12	166118.44	181904.76	197691.08	213477.4
CITR/DTR (%)	**67.46**	**67.78**	**68.05**	**68.28**	**68.47**

Note : Annex 8 and 10

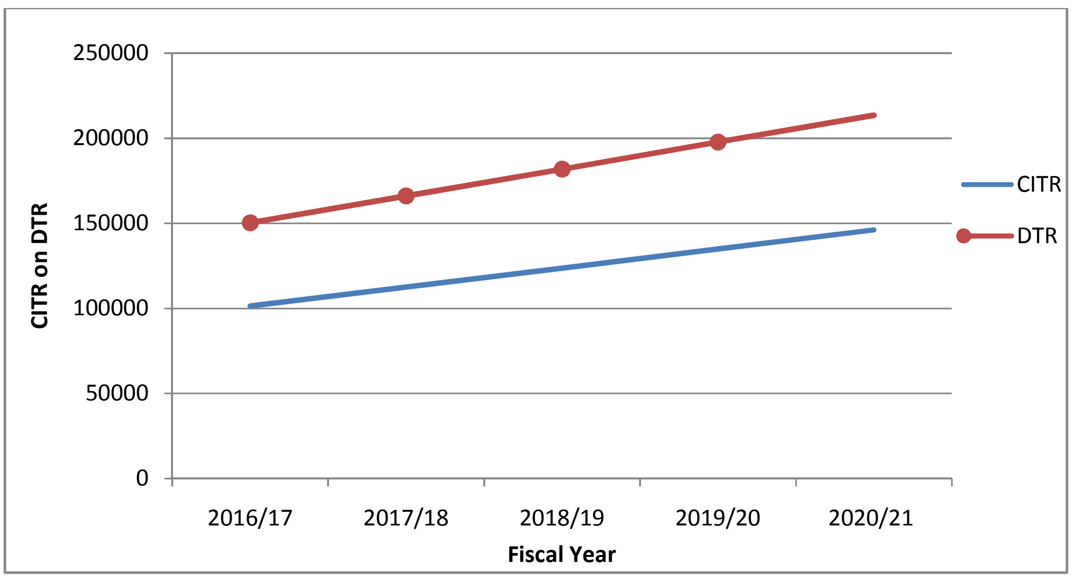

Figure: 4.18Predicted Contribution of CITR on DTR

The table 4.19 and figure 4.18 shows that the value of CITR, DTR and contribution of CITR on DTR are in increasing trend, if all other thing remains constant. CITR has the highest trend value of 146174.53 in the year 2020/21 and DTR has the highest trend value of 213477.40 in the year 2020/21. From above analysis, the CITR on DTR will increase over the next five years.

4.13 Major Findings of the study

On the basis of data presentation and analysis in above mention sub-chapter some important findings of the study are summarized below:

- The study shows that government expenditure and government revenue both were in increasing every year but no sufficient increased in government revenue so resource gap was also growing which fulfilled by foreign grants and foreign loan etc.
- Government total revenue categorized into two sources i.e. tax revenue andnon tax revenue. The share of tax revenue has been always greater than share of non tax revenue. It shows that taxation has been a major source of government revenue.
- Nepalese tax revenue is composed of both direct and indirect tax revenue. Thecontribution of indirect tax was higher than direct tax revenue on total tax revenue. There is major role of indirect tax revenue in Nepalese tax revenue.
- Income tax, house and land registration tax, property tax, vehicles tax and other tax are the major source of direct tax revenue. The major portion of direct tax covered by income tax. It shows that contribution of income tax was in increasing trend and other remaining tax portion was also increasing but very slow than the income tax.
- Custom duty, excise duty, VAT and other tax are the major source of indirect tax. It shows that custom duty and VAT werehighly increasing than the excise duty and othertax. Therefore, the major portion of indirect tax covered by VAT and custom duty.
- It shows that contribution of direct tax was increasingtrend in GDP, total tax revenue and total revenue. But the share of direct tax in GDP was very low. It is not satisfactory increment for developing country like Nepal. Percentage of Direct tax on total tax revenue and total revenue are fluctuating and percentage of direct tax on GDP is in increasing trend.
- The contribution of indirect tax on GDP was very low. It was not satisfactoryincrement. The contribution of indirect tax on total tax revenue and total revenue was in increasing trend during the study period.

- The contribution of income tax on total revenue and tax revenue was in increasingtrend. Contribution of income tax on direct tax revenue occupied the largest portion. The income tax is the main source of direct tax revenue.
- Income tax collection from public enterprise, private corporate bodies, individual, investment income and other income, employment (remuneration income or payroll and workforce) were in increasing trend. Public Sector is the main source of income tax collection. The new economic head, code, classification of government income, expenditure and investment has been introduced.
- The contribution of public sectoron corporate tax was increasing trend and private sector was also increasing trend. According to the data given by the NRB, public corporate bodies played vital role in corporate income tax revenue of Nepal. It shows that the government collects corporate tax revenue more from public corporations.
- The portion of corporate income tax on government revenue is in increasing trend but in a slowly way. It shows the business environment of Nepal was not in better position to grow government revenue activities.
- The portion of corporate income tax on total tax revenueis in increasing trend but in a slowly way. It shows the business environment of Nepal was not in better position to grow business activities. Government are not able to improve corporate sectors due to the unstable political environment.
- The portion of corporate income tax on total revenue is in increasing trend but in a slowly way
- The contribution of CITR on direct tax revenue was increasing during the study period.
- The contribution of CITR on income tax was increasing during the study period.
- The Time Series shows that the trend of CITR with government revenue , tax revenue and direct tax revenue .The contribution of CITR on government revenue, tax revenue and direct tax revenue are expected increasing in the next 5 years.

CHAPTER V:
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1Summary

A government requires sufficient resources to carryout development plans, handle day to day administration, maintain peace and security and launch other public welfare activities. Thegovernment collects the required resources mainly from two sources: debt and revenues. The debt can be collect either from internal or external sources.Among internal resources taxation is prime factors; it is the pillar of the fiscal policy.It is the backbone of the welfare state.Taxation can considered as a convenient method of raising revenue which in turn is linked with the welfare of the people directly orindirectly.

Among varioustaxes, income tax plays an important role in tax revenue.Income tax is imposed on those activities contributes towards the creation of wealth is created with the help of labour, capital and labour activities that generate income from employment investment and business. Income tax refers to the tax levied on the income of a person and profits of corporation for the specific time period, particularly one year. Income tax is levied on the taxable income of a person or a company after deducting allowable expenses.

Great Britain is the first country to introduce the modern income tax. It introduced income tax in 1799 to finance war fought with France. The idea of introducing income tax in Nepal originated in the early 1950s when a multiparty democracy political system was introduced.In Nepal the existing Income Tax Act 2002 (2058), which has been enacted since 2058 Chaitra 19, (April 1, 2002), has defined income in section 2/a as "person's income from any employment business as calculated in accordance with this Act (ITA, 2002). It includes all sorts of income received for the provision of labour or capital or both of whatever form or nature in the taxable income.The Act 2058 has 24 chapters and 143 sections plus schedules.

The government of Nepal enacted Income Tax Act 2002 (2058) to enhance revenue mobilization through effective revenue collection process for economic development of nation.

A corporate body or company is an artificial person created by law.It is levied on corporate incomewhich cannot be shifted from the corporation. In development country like Nepal, the corporate development is very necessary for the economic development process.Corporate taxes are taxes against profits earned by businesses during a given taxable period; they are generally applied to companies' operating earnings, after expenses such as COGS, SG&A and depreciation have been deducted from revenues.Imposition of tax on corporate profit was started with the enactment of Business Profit and Remuneration Tax Act, 1960; the starting corporate tax rate was 25percent and it was levied on progressive way.The tax amount was calculated on different slabs before fiscal year 1985/86.Now corporate tax rate is 20percent to industry (except cigarette and alcohol),25percent to general companies and 30percent to banks and financial companies. Special fee 3 percent of taxable income was levied to all corporate bodies.

The government expenditure for FY 2014/15was Rs.509213.9 million which was increased by Rs. 91748 million as compared to previous year. Out of government expenditure Rs.581704.40 million ,government revenue financed Rs. 481978.10 million, foreign grants Rs. 39783.2 million and foreign loans Rs.29773.5million in FY 2015/16. The total revenue collection in FY 2015/16, the tax revenue was 87percent and non tax revenue was 13 percent. The contribution of directtax on total tax revenue was always lower than indirect tax during the study period.Similarly, the contribution of income tax on direct tax occupied largest portion than other taxes it occupied 78.56 percent in FY 2015/16.It is major source of direct tax. Direct tax was Rs.149494.6 million in FY 2015/16.The contribution of custom duty and VAT were the major sources of indirect tax. Custom duty occupied 30.26 percent and VAT occupied 45.04 percent in FY 2015/16. The contribution of direct tax was increasing trend in GDP, total tax revenue and total revenue. But the share of direct tax in GDP was very low. It is not satisfactory increment for developing country like Nepal. Percentage of Direct tax on total tax revenue and total revenue were fluctuating and percentage of direct tax on GDP was in increasing trend. The contribution of indirect tax on GDP was very low. It was not satisfactory increment. The contribution of indirect tax on total tax revenue and total revenue was in increasing trend during the study period.Percentage of Income tax on total tax revenue, total revenue and direct tax revenue were fluctuating and percentage of income tax on GDP was in increasing trend.Corporate income tax collection was Rs.100975.7 million in FY 2015/16 which public sector share 70.32percentand private sector share 29.68 percent.It reflected that contribution of public sector on CITR was higher than privatesector. The contribution of CITR on government revenue was 20.95 percent in FY2015/16. Thecontribution of CITRon TTR was not satisfied.The contribution of CITR on TTR was 23.98 in FY 2015/16. The contribution of CITR on TR was 20.95 in FY 2015/16.The contribution of CITR on DTR was 67.54percent in FY 2015/16.The contribution of CITR on Income tax was 85.98 percent in FY 2015/16.Since FY 2011/12, the new economic codes, classification of government income expenditure and investment has been introduced to with objective of making consistence to the international standard. The revenue heads has been classified into new code. The total revenue has been classified into tax revenue and otherrevenue .Total revenue for FY 2015/16 was Rs.421048.5million which was less than targeted revenue. The time series shows that the trend of CITR with government revenue , tax revenue and direct tax revenue .The contribution of CITR on government revenue, tax revenue and direct tax revenue are expected increasing in the next 5 years.

Government expenditure of Nepal has been heavily relying on foreign grants and foreign loans so it is most important to increase our revenue mobilization capabilities. Internal sources are preferable for sustainable economic development, thus fiscal deficit of Nepal has been increasing. The major objective of the income tax in Nepal is to enhance the National development and equal economic distribution and narrow the gap between rich and poor.

Tax education is necessary in Nepal to increase the tax consciousness of tax payers. The tax policy needs to long termvision and clear cut. Frequent changes in fiscal policies and programmers' show a never ending phenomenon of transitional period. It is difficult but not impossible to think over very seriously by concerned the authority and general people to bring income tax system in the right direction and right shape in orderit enhance the economic development of Nepal.

5.2Conclusion

Nepal is not being able to achieve higher economic growth despite the planned development efforts. Continues political instability and conflicts has been badly affecting the country and the development activities as a result internal and the external investment environment is deteriorating. The sources of income tax revenue are public enterprises, private corporate bodies, individuals, remuneration and tax on interest. During the studyperiod all sources are increasing almost all years but revenue from individuals is increasing in higher rate than others except public enterprises. Corporate bodies are important for nations as they hold huge amount investment, plans and essential for further development.

Therefore, to collect additional revenue, developing investment friendly environment is necessary to tape the advantage of globalization and economic development. Individuals involved in tax evasion the most and it is done through submitting the false documents, not maintaining proper accounts, over reporting of expenses, under reporting of income and the maintaining the different sets of invoices, operating business transactions in different names and maintaining multiple sets of bank a/c.

From our study we also come to know people support on online tax paying system. They prefer online tax because according to their opinion it is more convenient source to collect government revenue, saving time, less procedural complications, easy to assess, less paper work, more accurate information and safety of records. The problems can be solved to some extent by proper management of income tax system and the will lead to substantial increase in revenue. Nepalese tax administrations system has been attempting to modify itself to meet changes in technology andeconomic policies.

5.3Recommendations

On the basis of the study, the following recommendations are made to achieve the result according to our expectations from income tax.

- Income tax rulesand regulations should be clear and unpractical Acts, Rules and Regulations should be amended.
- The contribution of income tax should be increased by following ways:
  - Awareness towards Income tax system.
  - Corruption, fraud and tax evasion should be minimized.
  - The rate of tax incentive and fineand penalties should be increased.
  - The international taxation system and technology shouldbe adopted.
- The government needs to expand the tax net and plug tax leakages. The revenue administration to be alert on revenue leakages.

- The revenue administrative should be transparent. The administrative should have to publish weekly, monthly reports.
- The following things should be considered togenerate more revenue:i.e.
    - Administrative power and credibility
    - Tax payer identification
    - Registration and educational program
    - Incentives for small traders
    - Co-ordination with private sector
- There should be a policy to develop the efficient fair and equitable tax administration in one the to increase the income tax.
- Tax rebates, incentives and other facilities system should be introduced to encourage payingtax.
- Tax payers, who submit true statement within the specified period of time, should be provided certain percentage of tax rebate.
- Proper tax education should be provided to tax official as well as tax payers by lunching tax programs and benefits of paying tax though the media like Radio, FM, Television, Newspaper and social programs in the education institutions and public places.
- Government should be clear distinction between the role of public and private sector. Government should do proper homework before privatizing the enterprise and company. It should take and endeavour to motive, facilitate and regulate to accelerate the private sectors.
- Government should be increased the rate of fines and penalties to minimized tax evasion, avoidance and illegal business activities and also should be increased in administrative efficiency of the tax authorities and through the awareness program among tax payers.
- Government should be reducing the resources gap by increasing internal revenue and   proper utilizing natural resources. Government should only take the foreign loan for productive sector or purpose which has high revenue generation possibility.

- The effective tax system depends upon the effective tax administration; therefore following recommendations should be made to improvement on tax administration.
    - Rules and regulation should be simple & transparent.
    - Computerized and new system should be used.
    - Training and career development should be provided to the tax personnel time to time.
    - There should be reward and punishment system to the tax officers.
    - There should be sufficient tax offices. Especially in the valley there should be more offices.
- Structural composition of corporatetax was found to be dominated by private sectors than government sector. Itscontribution per cent was fluctuated so it's not satisfactory in overall so government should be monitoring the performance of private sector companies and enterprises and alsoco-ordination with private sector. Government sector tax collection was found to be very low so government sector used new computerized information system & also minimized corruption, fraud activities.
- Tax evasion and avoidance, the tax payers submit falsestatement, should be punishment for such as illegal activities.
- To increasing in revenue collection the government should be encourage to tax payer to register their company.

There has been the problem of collection of income tax revenue and also Income Tax Act 2058 is facing different types of administrative problems. If the above recommendations are managed or implemented minutely, the problems can be solved in some extent and we can collect more income tax revenue to the country.

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ANNEX 1

Nepal Rastra Bank
Quarterly Economic Bulletin
MID-APRIL 2017

55. Government Budgetary Operations (on cash basis)
Old Series

In Million Rupees

Heads \ Fiscal Year	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Sanctioned Expenditure	**73,034.1**	**74,716.0**	**82,604.3**	**92,801.4**	**104022.6**	**127768.8**	**155758.3**	**218368.6**	**257501.3**	**282810.2**
Recurrent	-	-	-	59,983.5	65415.2	74625.6	89621.7	126294.3	147960.2	167557.8
Capital	-	-	-	17,891.3	22032.9	34262.1	47371.8	67304.1	80929.5	91384.2
a. Domestic Resources & Loans [1]	-	-	-	*17,617.4*	*19083.3*	*28124.8*	*39844.0*	*56301.9*	*65534.0*	*70728.5*
b. Foreign Grants	-	-	-	*273.9*	*2949.6*	*6137.3*	*7527.8*	*11002.2*	*15395.5*	*20655.7*
Principal Repayment	-	-	-	13,536.3	14267.8	16761.7	16386.9	19180.4	18432.3	17310.3
Others (Freeze Account)	1,567.5	1,370.9	1,621.3	1,390.3	2306.7	2119.4	2377.9	5589.8	10179.3	6557.9
Unspent Government Balance	**1,441.0**	**1,663.6**	**1,441.8**	**2,420.3**	**2385.9**	**2445.2**	**5799.2**	**11676.2**	**6684.6**	**5195.2**
Recurrent	-	-	-	965.8	834.5	485.8	1286.2	6725.3	1711.3	1567.8
Capital	-	-	-	1,451.5	1548.3	1954.9	4121.7	4573.7	4973.3	3537.7
Principal Repayment	-	-	-	3.0	3.1	4.5	391.3	377.2	0.0	89.7
Actual Expenditure	**71,593.1**	**73,052.4**	**81,162.5**	**90,381.1**	**101636.7**	**125323.6**	**149959.1**	**206692.4**	**250816.7**	**277615.0**
Recurrent	-	-	-	59,017.7	64580.7	74139.8	88335.5	119569.0	146248.9	165990.0
Capital	-	-	-	16,439.8	20484.6	32307.2	43250.1	62730.4	75956.2	87846.5
Principal Repayment	-	-	-	13,533.3	14264.7	16757.2	15995.6	18803.2	18432.3	17220.6
Others (Freeze Account)	1,567.5	1,370.9	1,621.3	1,390.3	2306.7	2119.4	2377.9	5589.8	10179.3	6557.9
Resources	**53,254.1**	**60,475.4**	**68,499.7**	**76,085.7**	**85208.9**	**106560.8**	**127483.3**	**172336.3**	**210084.9**	**227108.7**
Revenue	50,445.6	56,229.8	62,331.0	70,122.8	72282.1	87712.1	107622.5	143474.5	179945.8	199819.0
Foreign Grants	2,070.6	2,499.7	5,153.6	5,246.4	8884.9	12749.8	17530.6	24400.5	25225.9	26207.6
Non-Budgetary Receipts, net	1,623.6	1,605.9	855.9	753.8	1304.5	4974.0	1558.9	445.8	6032.3	2454.6
Others	-840.9	135.9	164.5	9.5	-602.1	22.3	-21.1	-57.9	85.8	57.1
V.A.T.	-44.8	4.1	-5.3	-46.8	171.1	-138.8	46.3	287.2	-307.9	-20.8
Custom Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.4
Local Authorities Account	0.0	0.0	0.0	0.0	3168.4	1241.4	746.1	3786.2	-897.0	-1432.2
Deficits(-) Surplus(+)	**-18,339.0**	**-12,577.0**	**-12,662.8**	**-14,295.4**	**-16427.8**	**-18762.8**	**-22475.8**	**-34356.1**	**-40731.8**	**-50506.3**
Sources of Financing	**18,340.1**	**12,577.0**	**12,662.8**	**14,295.4**	**16427.8**	**18762.8**	**22475.8**	**34356.1**	**40731.8**	**50506.3**
Internal Loans	13,869.1	8,274.6	4,971.0	12,085.7	12582.0	14338.5	18603.5	30629.7	36527.8	45572.1
Domestic borrowings	***8,000.0***	***8,880.0***	***5,607.8***	***8,938.1***	***11834.2***	***17892.3***	***20496.4***	***18417.1***	***29914.0***	***33680.0***
a. Treasury Bills	*1,500.0*	*1,768.5*	*2,460.0*	*5,471.2*	*10834.2*	*12051.5*	*12500.0*	*9000.0*	*19929.9*	*14996.6*
b. Development Bonds	*5,372.1*	*6,408.5*	*2,000.0*	*3,000.0*	*750.0*	*5500.0*	*6070.0*	*7750.0*	*9040.9*	*8000.0*
c. National Saving Certificates	*499.8*	*400.0*	*900.0*	*216.9*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*10680.0*
*d. Citizen Saving Certificates**	*628.1*	*303.0*	*247.8*	*250.0*	*250.0*	*340.8*	*1926.4*	*1667.1*	*943.3*	*3.4*
Overdrafts [2]	***5,898.3***	***-461.7***	***-753.0***	***2,623.0***	***1071.0***	***-3122.5***	***-823.9***	***12782.2***	***7875.7***	***12889.3***
Others	***-29.2***	***-143.7***	***116.2***	***524.6***	***-323.2***	***-431.3***	***-1069.0***	***-569.6***	***-1261.9***	***-997.2***
Foreign Loans	4,471.0	4,302.4	7,691.8	2,209.7	3845.8	4424.3	3872.3	3726.4	4204.0	4934.2

* Including foreign employment bond amounting Rs. 3.4 million for the FY 2010/11.

1 Includes cash portion of foreign grants and loans and also cash generated from commodity aid.

2 Minus (-) indicates surplus.

ANNEX 2

56. Government Budgetary Operations
New Series

Nepal Rastra Bank
Quarterly Economic Bulletin
MID-APRIL 2017

In Million Rupees

Heads \ Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17		
						I Qtr	II Qtr	III Qtr
Sanctioned Expenditure	**327350.8**	**347071.9**	**417327.5**	**509213.9**	**581704.4**	**95161.7**	**153041.9**	**171730.3**
Recurrent	239833.7	243669.3	296552.2	334881.5	364469.2	86791.7	109674.9	109305.4
Capital	48488.8	51332.8	61360.0	81030.3	115677.4	7292.6	23677.5	43124.6
a. Domestic Resources & Loans	*43315.4*	*45204.2*	*54250.8*	*76272.2*	*108826.6*	*6750.6*	*22209.0*	*40681.9*
b. Foreign Grants	*5173.4*	*6128.6*	*7109.2*	*4758.1*	*6850.8*	*542.0*	*1468.5*	*2442.7*
Financial	39028.3	52069.8	59415.3	93302.1	101557.7	1077.4	19689.5	19300.3
a. Domestic Resources & Loans	*38463.1*	*51304.1*	*58256.7*	*91802.1*	*101171.1*	*1077.4*	*19649.5*	*19011.8*
b. Foreign Grants	*565.2*	*765.7*	*1158.6*	*1500.0*	*386.7*	*0.0*	*40.0*	*288.5*
Unspent Government Balance	**12322.8**	**146.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Recurrent	3563.5	17.6	0.0	0.0	0.0	0.0	0.0	0.0
Capital	3041.5	129.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial	5717.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actual Expenditure of Budget	**315028.0**	**346925.1**	**417327.5**	**509213.9**	**581704.4**	**95161.7**	**153041.9**	**171730.3**
Recurrent	236270.2	243651.7	296552.2	334881.5	364469.2	86791.7	109674.9	109305.4
Capital	45447.3	51203.6	61360.0	81030.3	115677.4	7292.6	23677.5	43124.6
Financial	33310.5	52069.8	59415.3	93302.1	101557.7	1077.4	19689.5	19300.3
Expenditure from Freeze Accounts	**4822.1**	**12115.6**	**138.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Freeze-1 Recurrent	1452.5	3421.0	9.2	0.0	0.0	0.0	0.0	0.0
Freeze-2 Capital	3369.6	2976.8	129.2	0.0	0.0	0.0	0.0	0.0
Freeze-3 Financial	0.0	5717.8	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	**319850.1**	**359040.7**	**417465.9**	**509213.9**	**581704.4**	**95161.7**	**153041.9**	**171730.3**
Total Resources	**297506.4**	**327833.1**	**403715.0**	**463333.4**	**531870.4**	**149767.7**	**178805.7**	**154948.6**
Revenue and Grants	290945.3	320444.2	393560.3	434795.2	521761.4	122910.1	164183.7	142642.5
Revenue	244371.8	296015.7	356619.6	405846.6	481978.1	126115.3	151456.2	141375.4
Foreign Grants	46573.5	24428.5	36940.7	28948.6	39783.2	-3205.2	12727.5	1267.1
Non-Budgetary Receipts,net	5309.6	6965.5	8084.4	11104.8	5713.4	4724.2	4715.3	5235.3
Others	100.1	80.1	-63.4	-26.5	1096.5	-804.2	-19.6	-179.2
V. A. T.	75.0	-42.8	-44.7	1129.6	-3.1	796.0	-149.9	213.2
Customs	253.9	80.2	136.6	832.9	216.0	210.3	-152.0	297.0
Reconstruction Fund Account		0.0		10000.0		18260.0	21.6	5.5
Local Authorities' Account (LAA) #	822.5	305.9	2041.8	5497.4	3086.2	3671.3	10206.6	6734.3
Deficits(-) Surplus(+)	**-22343.7**	**-31207.6**	**-13750.9**	**-45880.5**	**-49834.0**	**54606.0**	**25763.8**	**-16781.7**
Sources of Financing	**22343.7**	**31207.6**	**13750.9**	**45880.5**	**49834.0**	**-54606.0**	**-25763.8**	**16781.7**
Internal Loans	16407.4	20910.5	-1901.8	32055.3	6366.5	-69446.4	-33521.3	12979.5
Domestic Borrowings	***36418.6***	***19042.8***	***19982.8***	***42423.1***	***87774.5***	***0.0***	***0.0***	***30254.1***
(i) Treasury Bills	*17283.4*	*19000.0*	*10000.0*	*10000.0*	*20500.0*	*0.0*	*0.0*	*13000.0*
(ii) Development Bonds	*14000.0*	*0.0*	*9000.0*	*30000.0*	*62000.0*	*0.0*	*0.0*	*17000.0*
(iii) National Savings Certificates	*5000.0*	*0.0*	*906.4*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
(iv) Citizen Saving Certificates	*126.6*	*0.0*	*0.0*	*2339.4*	*5000.0*	*0.0*	*0.0*	*204.4*
(iv Foreign Employment Bond	*8.7*	*42.8*	*76.4*	*83.7*	*274.5*	*0.0*	*0.0*	*49.7*
Overdrafts++	***-23125.1***	***2175.6***	***-23316.3***	***-10312.3***	***-81221.6***	***-69244.1***	***-33331.7***	***-17066.8***
Others@	***3113.9***	***-307.9***	***1431.7***	***-55.5***	***-186.4***	***-202.3***	***-189.6***	***-207.8***
Principle Refund and Share Divestment	187.1	755.3	569.8	11224.0	13694.0	33.9	1078.9	5.9
Foreign Loans	5749.2	9541.8	15082.9	2601.2	29773.5	14806.5	6678.6	3796.3

Change in outstanding amount disbursed to VDC/DDC remaining unspent.
++ Minus (-) indicates surplus.
@ Interest from Government Treasury transactions and others.

ANNEX 3

57. Government Revenue *
(Old Series)

In Million Rupees

Nepal Rastra Bank
Quarterly Economic Bulletin
MID-APRIL 2017

Heads	Mid-July 2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
TOTAL REVENUE	**56,229.8**	**62,331.0**	**70,124.9**	**72,282.1**	**87,712.1**	**107,622.7**	**143,474.4**	**179,940.4**	**199,819.6**
A. TAX REVENUE	***42,587.0***	***48,175.7***	***54,107.0***	***57,427.0***	***71,168.0***	***85,147.1***	***117,051.8***	***156,290.7***	***172,755.2***
B. NON-TAX REVENUE	***13,642.8***	***14,155.3***	***16,017.9***	***14,855.1***	***16,544.1***	***22,475.6***	***26,422.6***	***23,649.7***	***27,064.3***
A. TAX REVENUE (1+2)	**42,587.0**	**48,175.7**	**54,107.0**	**57,427.0**	**71,168.0**	**85,147.1**	**117,051.8**	**156,290.7**	**172,755.2**
1 INDIRECT TAXES	***32,481.2***	***36,273.8***	***41,045.7***	***43,465.5***	***52,188.3***	***62,076.3***	***82,499.2***	***114,530.2***	***124,114.3***
a. Customs	**14,236.4**	**15,554.2**	**15,701.5**	**15,343.7**	**16,699.3**	**21,062.6**	**26,622.5**	**35,151.6**	**35,708.6**
i. Export	855.2	527.4	736.3	625.3	708.6	445.7	796.4	908.9	357.7
ii. Import	10,567.7	11,439.1	12,302.9	11,744.5	13,623.9	17,128.3	21,886.3	29,964.8	31,477.3
iii. Indian Excise Refund	2,370.6	3,110.1	2,188.3	2,314.4	1,896.6	2,997.1	3,211.2	3,521.0	2,831.8
iv. Agriculture Reform Duties	426.2	404.7	400.9	538.8	406.0	390.1	497.2	497.3	751.6
v. Miscellaneous	16.7	72.9	73.1	120.7	64.2	101.4	231.4	259.5	290.2
b. Value Added Tax	**13,467.3**	**14,498.2**	**18,897.9**	**21,615.4**	**26,145.4**	**29,784.6**	**39,604.2**	**54,896.5**	**61,659.1**
i. Production	1,904.1	1,964.1	2,460.9	2,899.9	3,278.5	3,456.4	4,140.5	5,999.2	6,720.0
ii. Import	8,629.2	8,874.7	12,270.2	13,462.5	16,508.0	18,951.9	25,579.2	34,555.2	39,379.3
iii. Sales and Distribution	676.3	851.4	1,164.2	1,357.4	1,645.9	2,296.2	2,379.3	3,286.6	4,233.3
iv. Services	2,257.7	2,808.0	3,002.6	3,895.6	4,713.1	5,080.1	7,505.2	11,055.5	11,326.5
c. Excise	**4,777.5**	**6,221.4**	**6,446.3**	**6,506.5**	**9,343.6**	**11,229.2**	**16,272.5**	**24,315.1**	**26,542.2**
i. Cigarettes & Bidi	2,049.6	2,394.2	2,477.0	2,409.1	2,854.3	3,117.6	3,740.3	4,511.5	5,142.8
ii. Liquor & Beer	2,212.4	2,244.5	2,559.1	2,677.3	3,436.5	3,672.6	5,131.2	6,584.0	8,438.9
iii. Other Industrial Production	332.0	296.1	326.2	330.2	973.6	1,522.1	2,139.6	2,514.0	2,191.7
iv. Excise on Imports	183.5	1,286.6	1,084.0	1,089.8	1,970.3	2,847.2	5,129.0	10,546.9	10,564.1
v. Other Taxes					109.0	69.8	132.4	158.6	204.8
d. Others								**167.0**	**204.4**
2 DIRECT TAXES	***10,105.8***	***11,901.9***	***13,061.3***	***13,961.5***	***18,979.6***	***23,070.8***	***34,552.6***	***41,760.5***	***48,641.0***
a. Income Tax	**8,132.2**	**9,504.0**	**10,456.0**	**10,933.5**	**15,730.0**	**19,067.5**	**27,479.7**	**33,832.1**	**42,066.3**
i. Corporate Income Tax	5,554.0	6,805.0	7,331.3	7,576.5	11,604.9	13,263.2	19,646.4	24,054.3	28,807.2
- Govt. Corporation	*1,251.0*	*2,056.6*	*1,331.5*	*195.8*	*1,019.5*	*183.4*	*959.7*	*1,132.5*	*1,282.0*
- Public Ltd. Corporation	*1,235.1*	*1,531.3*	*2,467.6*	*3,405.6*	*5,716.4*	*7,207.3*	*9,428.2*	*12,023.5*	*13,967.2*
- Private Ltd. Corporation	*1,166.7*	*1,239.8*	*1,527.3*	*1,703.0*	*2,310.0*	*3,135.2*	*4,200.5*	*6,268.8*	*7,232.9*
- Individual & sole Trading Firm	*1,801.7*	*1,869.7*	*1,876.8*	*1,958.8*	*2,303.4*	*2,452.2*	*4,481.6*	*3,842.3*	*4,895.7*
- Income from Other Institutions	*99.5*	*107.6*	*128.1*	*313.4*	*255.6*	*285.1*	*576.4*	*787.1*	*1,429.5*
ii. Remuneration Income	1,249.0	1,392.9	1,678.2	1,771.1	2,006.8	2,452.0	3,398.5	4,420.0	5,863.8
iii. Investment Income	1,321.5	1,291.9	1,425.9	1,546.6	2,080.1	3,271.7	4,169.7	5,087.8	7,108.9
iv. Other Income	7.7	14.2	20.6	39.3	38.2	80.7	265.1	270.0	286.5
b. Land & Building Regist.	**1,414.2**	**1,697.5**	**1,799.2**	**2,180.3**	**2,238.7**	**2,933.0**	**5,248.4**	**5,510.8**	**3,552.0**
c. Property Tax	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
d. Vehicle Tax	**559.3**	**700.4**	**806.1**	**847.6**	**1,011.0**	**1,070.2**	**1,824.5**	**2,417.6**	**3022.6**
B. NON-TAX REVENUE	**13,642.8**	**14,155.3**	**16,017.9**	**14,855.1**	**16,544.1**	**22,475.6**	**26,422.6**	**23,649.7**	**27,064.3**
a. Duties & Fees	***2,200.8***	***3,245.0***	***3,770.8***	***4,153.8***	***5,126.4***	***5,946.0***	***9,541.4***	***8,447.6***	***9,693.3***
i. Passport Fees	922.9	1,536.7	1,847.2	2,239.0	2,730.2	2,574.9	2,118.5	1,899.9	1,971.5
ii. Tourism Fees	864.7	638.9	737.0	542.7	765.4	1,026.6	1,532.9	1,928.4	2,059.2
iii. Other Duties & Fees	413.2	1,069.4	1,186.6	1,372.1	1,630.9	2,344.5	5,890.0	4,619.2	5,662.7
b. Fines and Forfeiture	***166.9***	***133.2***	***173.5***	***551.6***	***251.3***	***235.9***	***283.8***	***366.3***	***499.2***
c. Public Utilizes	***1,274.3***	***1,321.3***	***1,266.4***	***1,150.7***	***1,310.4***	***1,284.4***	***1,611.0***	***1,758.1***	***1,630.1***
i. Forest	683.6	673.6	553.6	409.9	510.1	546.9	679.2	720.9	387.1
ii. Postal Services	219.5	246.6	245.8	246.2	225.1	187.5	190.1	203.4	176.4
iii. Others	371.1	401.1	467.1	494.6	575.2	550.0	741.7	833.8	1,066.5
d. Dividends	***2,497.6***	***2,661.1***	***4,589.9***	***3,394.8***	***4,937.7***	***5,025.8***	***7,197.4***	***7,351.9***	***8,624.7***
e. Interest	***924.6***	***1,656.5***	***1,466.6***	***1,734.6***	***1,049.8***	***756.9***	***1,086.6***	***447.2***	***1,190.2***
f. Royalty and Sales of Govt. Property	***1,945.4***	***1,465.0***	***1,931.6***	***1,195.6***	***1,095.7***	***5,769.9***	***2,541.8***	***2,948.3***	***2,660.0***
i. Royalty	1,154.0	1,012.0	1,367.2	946.0	1,022.7	1,353.3	2,429.8	2,764.9	2,298.9
ii. Sales	791.4	453.0	564.4	249.6	73.0	4,416.5	111.9	183.4	361.2
g. Principal Repayments	***1,539.7***	***1,850.5***	***1,247.7***	***1,513.6***	***1,025.6***	***2,680.9***	***3,530.4***	***1,953.8***	***1,445.7***
h. Miscellaneous Income	***3,093.5***	***1,822.7***	***1,571.4***	***1,160.4***	***1,747.2***	***775.9***	***630.3***	***376.5***	***1,321.2***
C. Unclassified Revenue									

* As per Nepal Rastra Bank records.

ANNEX 4

58. Government Revenue
(New Series)

Nepal Rastra Bank
Quarterly Economic Bulletin
MID-APRIL 2017

In Million Rupees

Heads	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 I Qtr	2016/17 II Qtr	2016/17 III Qtr
REVENUE, GRANTS AND IAST YEAR'S BALANCE	**270,021.1**	**327,374.6**	**396,316.1**	**438,503.0**	**517,703.3**	**127,194.0**	**152,890.1**	**147,809.4**
REVENUE (Tax Revenue + Non-Tax Revenue)	**244,369.7**	**295,936.5**	**356,620.6**	**405,846.4**	**481,966.3**	**125,607.0**	**151,165.1**	**141,383.1**
A. TAX REVENUE	**211,718.3**	**259,143.6**	**312,441.0**	**355,942.9**	**421,048.5**	**114,011.1**	**143,964.9**	**128,961.8**
1 DIRECT TAXES	***66,906.7***	***81,937.5***	***97,065.4***	***113,991.1***	***149,494.6***	***29,456.5***	***57,798.8***	***45,770.2***
a. Income,Profits and Capital Gain	**51,313.7**	**64,178.3**	**75,609.2**	**86,168.0**	**114,169.3**	**16,825.7**	**43,708.0**	**32,628.4**
i. Individuals and Sole Traders	12,382.7	15,532.9	19,433.2	22,718.1	29,973.6	8,228.3	8,980.8	7,421.4
ii. Enterprises and Corporation	30,415.8	37,069.6	45,429.8	51,900.3	71,002.1	5,126.4	30,043.6	21,107.6
iii. Investment and Other Income	8,515.3	11,575.8	10,746.3	11,549.7	13,193.7	3,471.0	4,683.6	4,099.4
b. Payroll and Workforce	**1,566.2**	**1,880.9**	**2,449.2**	**2,927.9**	**3,273.8**	**798.0**	**1,208.9**	**885.2**
c. Tax on Property	**3,587.5**	**5,312.8**	**6,671.2**	**9,395.3**	**13,147.0**	**2,805.2**	**3,471.7**	**3,367.0**
i. Immovable Property (annual property tax)	31.7	3.8	28.5	9.0	5.7	2.0	130.1	1.6
ii. House and Land Registration	3,555.8	5,309.0	6,642.8	9,386.3	13,141.3	2,803.3	3,341.5	3,365.3
d. Tax on Use of goods	**9,116.2**	**8,959.6**	**10,327.6**	**12,928.0**	**16,193.1**	**7,739.4**	**8,177.3**	**7,631.4**
e. Other Taxes	**1,323.1**	**1,605.9**	**2,008.1**	**2,571.9**	**2,711.4**	**1,288.1**	**1,233.0**	**1,258.2**
2 INDIRECT TAXES	***144,811.6***	***177,206.1***	***215,375.6***	***241,951.8***	***271,553.9***	***84,554.7***	***86,166.1***	***83,191.6***
Tax on Goods and Services	**144,811.6**	**177,206.1**	**215,375.6**	**241,951.8**	**271,553.9**	**84,554.7**	**86,166.1**	**83,191.6**
a. Customs	**43,395.4**	**56,914.9**	**67,980.6**	**74,844.5**	**82,185.4**	**25,779.4**	**25,337.4**	**25,216.9**
i. Import Duties	37,223.3	50,840.8	62,453.2	70,526.0	77,792.2	24,830.7	24,086.9	23,963.6
ii. Indian Excise Refund Fees	3,686.3	3,479.0	1,668.6	1.9	10.5	2.0	0.6	0.1
iii. Export Duty	810.8	419.2	1,065.3	310.7	155.9	23.1	40.5	34.0
iv. Agriculture Reform Duties	1,170.1	1,725.5	2,327.9	3,378.3	3,411.2	833.8	1,089.2	1,123.4
v. Others	**504.9**	**450.5**	**465.6**	**627.6**	**815.6**	**89.8**	**120.2**	**95.9**
b. Value Added Tax	**70,669.3**	**83,391.1**	**101,110.6**	**112,518.2**	**122,315.2**	**36,423.4**	**38,418.0**	**39,589.9**
i. Production	8,423.8	9,748.5	11,295.4	12,848.8	16,213.8	4,013.5	4,684.9	5,177.6
ii. Imports	44,978.2	55,012.7	66,821.3	72,997.6	72,877.2	21,774.4	24,423.1	25,140.0
iii. Sales and Distribution	5,574.6	6,309.6	7,846.2	9,164.2	13,292.1	3,800.6	3,785.7	3,415.8
iv. Services and Contracts	11,692.8	12,320.3	15,147.8	17,507.7	19,932.2	6,834.8	5,524.2	5,856.5
c. Excise Duties	**30,256.2**	**36,244.0**	**45,411.0**	**53,540.3**	**65,768.3**	**21,931.2**	**21,910.9**	**17,939.7**
i. Tobacco	5,220.6	5,358.9	7,356.7	7,164.7	9,010.1	2,702.8	2,840.6	2,543.0
ii. Alcohol and Beer	11,937.3	13,213.5	16,368.3	19,547.4	22,797.0	5,215.6	7,479.4	7,192.9
iii. Other Industrial Production	2,592.6	3,074.6	3,673.2	4,346.1	4,417.8	1,336.6	1,492.8	1,538.7
iv. Excise on Imports	10,505.8	14,596.9	18,012.8	22,482.0	29,543.4	12,676.2	10,098.1	6,665.2
d. Tax on Specific Services	**490.7**	**656.1**	**873.4**	**1,048.8**	**1,284.9**	**420.7**	**499.8**	**445.1**
B. NON-TAX REVENUE	**32,651.4**	**36,792.9**	**44,179.5**	**49,903.5**	**60,917.8**	**11,595.8**	**7,200.2**	**12,421.2**
a. Property Income	**17,654.6**	**17,598.5**	**20,675.4**	**22,703.7**	**26,203.0**	**5,516.4**	**1,413.0**	**5,794.6**
i. Interest	1,750.6	527.9	1,658.2	1,929.2	7,632.6	6.0	161.3	774.9
ii. Dividends	9,429.5	10,843.1	12,992.2	13,731.9	10,510.0	0.3	0.9	4,289.0
iii. Rent and Royalty	6,474.5	6,227.4	6,025.0	7,042.6	8,060.4	5,510.2	1,250.7	730.6
b. Sales of Goods and Services	**6,913.2**	**11,247.9**	**11,645.7**	**12,233.8**	**13,847.0**	**3,835.8**	**3,570.0**	**3,592.8**
i. Sales and Goods	4,604.5	5,374.9	6,299.0	7,296.9	8,389.9	2,166.7	2,107.0	2,010.8
ii. Administrative Fees and Services	2,308.7	5,873.1	5,346.8	4,936.9	5,457.1	1,669.1	1,463.0	1,582.0
c. Penalties, Fines and Forfeiture	**321.1**	**337.6**	**452.5**	**1,260.7**	**789.8**	**160.4**	**173.5**	**141.8**
d. Voluntary Transfers other than Grants	**2.6**	**2.2**	**2.5**	**5.0**	**3.5**	**0.3**	**0.3**	**0.4**
e. Miscellaneous Revenue	**7,759.9**	**7,606.7**	**11,403.4**	**13,700.2**	**20,074.4**	**2,083.0**	**2,043.5**	**2,891.7**
i. Administrative Fee - Immigration & Tourism	5,475.1	6,763.5	10,523.8	12,390.2	12,150.8	1,693.0	1,652.2	2,377.1
- Charges for Issuing Passports	***3,181.5***	***4,196.3***	***7,770.3***	***9,336.2***	***9,152.0***	***1,009.8***	***1,106.5***	***1,306.3***
- Visa Fees	***1,782.7***	***2,010.6***	***2,103.0***	***2,497.3***	***2,434.8***	***481.8***	***478.5***	***702.6***
- Tourism Fees	***2.1***	***4.0***	***6.5***	***2.9***	***2.7***	***1.8***	***0.3***	***2.1***
- Other Duties and Fees	***508.8***	***552.7***	***644.1***	***553.8***	***561.3***	***199.6***	***66.9***	***366.0***
ii. Other Revenue	2,277.5	832.1	874.2	1,280.6	7,919.5	389.4	390.9	513.3
iii. Capital Revenue (Sales of Govt. Land & Building)	7.3	11.1	5.4	29.5	4.0	0.7	0.4	1.3
C. BALANCE OF LAST YEAR AND IRREGULARITIES	**2,614.7**	**1,922.6**	**5,735.4**	**6,111.7**	**3,259.4**	**1,587.0**	**619.9**	**541.6**
a. Cash Balance of Last Year	**952.9**	**1,052.6**	**3,203.9**	**1,287.2**	**1,132.2**	**793.2**	**316.4**	**45.6**
b. Irregularities	**1,661.8**	**870.0**	**2,531.5**	**4,824.5**	**2,127.1**	**793.8**	**303.5**	**496.0**
D. GRANTS	**23,036.8**	**29,515.5**	**33,960.2**	**26,544.9**	**32,477.6**	**0.1**	**1,105.1**	**5,884.7**

ANNEX 5
Gross Domestic Product
(at constant 2000/01 prices)

(Rs. in millions)

Industrial Classification	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15R	2015/16R	2016/17P
Agriculture and Forestry	198257	202196	211271	220950	223310	233448	235775	235330	247691
Fishing	3207	3321	3516	3781	3883	4074	4362	4875	5210
Mining and Quarrying	2531	2585	2637	2770	2825	3159	3233	3143	3401
Manufacturing	39132	40291	41923	43445	45059	47888	48068	44223	48510
Electricty Gas and Water	12750	12989	13564	14690	14731	15213	15331	14196	16037
Construction	33371	35430	37126	37207	38119	41580	42766	40904	45672
Wholesale and Retail Trade	70481	75237	76298	78967	84693	93918	96191	93749	102898
Hotels and Restaurants	9056	9646	10244	11000	11605	12391	12804	11564	12383
Transport, Storage and Communications	51585	54657	57504	62160	66915	70420	74807	76314	81273
Financial Intermediation	24632	25327	26163	27071	26825	27818	28626	31075	33162
Real Estate, Renting and Business Activities	46421	47818	48894	50346	52961	54889	55313	57373	60399
Public Administration and Defence	10012	10405	10806	11203	11822	12418	13516	13857	15193
Education	36233	38638	39799	42019	44505	46646	49021	52473	54682
Health and Social Work	8191	8581	9012	9591	10021	10472	11662	12041	12833
Other Community, Social and Personal Service Activities	20520	22966	24599	26163	27416	28722	32317	33503	35473
Agriculture, Forestry and Fishing	**201464**	**205517**	**214786**	**224730**	**227193**	**237522**	**240138**	**240206**	**252901**
Non-agriclture	**364914**	**384570**	**398569**	**416631**	**437496**	**465535**	**483655**	**484415**	**521917**
Total GVA including FISIM	*566,377*	*590,086*	*613,355*	*641,362*	*664,690*	*703,057*	*723,793*	*724,621*	*774,818*
Financial Intermediation Services Indirectly Measured (FISIM)	23725	24327	25821	26725	26919	28830	29524	30277	32280
Gross Domestic Product (GDP) at basic prices	*542,652*	*565,759*	*587,534*	*614,637*	*637,771*	*674,227*	*694,269*	*694,344*	*742,539*
Taxes less Subsidies on Products	47455	52770	52160	55643	60183	65528	70066	73147	82510
Gross Domestic Product (GDP)	*590,107*	*618,529*	*639,694*	*670,279*	*697,954*	*739,754*	*764,336*	*767,492*	*825,049*

R = Revised/P = Preliminary

Soucre: Central Bureau of Statistics

ANNEX 6

56. Government Revenue
(New Series)

Nepal Rastra Bank
Quarterly Economic Bulletin
MID-APRIL 2017

In Million Rupees

Heads	2011/12	2012/13	2013/14	2014/15	2015/16			
					I Qtr	II Qtr	III Qtr	IV Qtr
REVENUE, GRANTS AND IAST YEAR'S BALANCE	**270,021.1**	**327,374.6**	**396,316.1**	**438,503.0**	**76,662.9**	**87,949.2**	**151,461.4**	**201,629.8**
REVENUE (Tax Revenue + Non-Tax Revenue)	**244,369.7**	**295,936.5**	**356,620.6**	**405,846.4**	**74,929.3**	**86,428.3**	**129,707.4**	**129,983.5**
A. TAX REVENUE	**211,718.3**	**259,143.6**	**312,441.0**	**355,942.9**	**64,188.9**	**79,078.2**	**115,607.7**	**223,091.5**
1 DIRECT TAXES	***66,906.7***	***81,937.5***	***97,065.4***	***113,991.1***	***17,674.0***	***33,910.9***	***38,233.3***	***59,676.4***
a. Income,Profits and Capital Gain	**51,313.7**	**64,178.3**	**75,609.2**	**86,168.0**	**12,010.0**	**28,724.8**	**29,874.8**	**43,559.7**
i. Individuals and Sole Traders	12,382.7	15,532.9	19,433.2	22,718.1	5,472.9	5,786.8	10,083.8	8,630.0
ii. Enterprises and Corporation	30,415.8	37,069.6	45,429.8	51,900.3	3,639.2	19,607.9	16,363.3	31,391.6
iii. Investment and Other Income	8,515.3	11,575.8	10,746.3	11,549.7	2,897.9	3,330.0	3,427.6	3,538.1
b. Payroll and Workforce	**1,566.2**	**1,880.9**	**2,449.2**	**2,927.9**	**636.5**	**890.6**	**714.1**	**1,032.6**
c. Tax on Property	**3,587.5**	**5,312.8**	**6,671.2**	**9,395.3**	**1,491.8**	**1,382.5**	**2,283.4**	**7,989.2**
i. Immovable Property (annual property tax)	31.7	3.8	28.5	9.0	0.8	1.8	1.9	1.2
ii. House and Land Registration	3,555.8	5,309.0	6,642.8	9,386.3	1,491.0	1,380.7	2,281.5	7,988.1
d. Tax on Use of goods	**9,116.2**	**8,959.6**	**10,327.6**	**12,928.0**	**2,974.1**	**2,474.0**	**4,582.1**	**6,162.9**
e. Other Taxes	**1,323.1**	**1,605.9**	**2,008.1**	**2,571.9**	**561.6**	**439.0**	**778.9**	**931.9**
2 INDIRECT TAXES	***144,811.6***	***177,206.1***	***215,375.6***	***241,951.8***	***46,514.9***	***45,167.3***	***77,374.4***	***102,497.3***
Tax on Goods and Services	**144,811.6**	**177,206.1**	**215,375.6**	**241,951.8**	**46,514.9**	**45,167.3**	**77,374.4**	**102,497.3**
a. Customs	**43,395.4**	**56,914.9**	**67,980.6**	**74,844.5**	**13,463.6**	**12,131.8**	**25,852.8**	**30,737.3**
i. Import Duties	37,223.3	50,840.8	62,453.2	70,526.0	12,692.0	11,249.8	24,582.3	29,268.1
ii. Indian Excise Refund Fees	3,686.3	3,479.0	1,668.6	1.9	0.1	5.2	0.5	4.7
iii. Export Duty	810.8	419.2	1,065.3	310.7	33.7	68.5	23.9	29.8
iv. Agriculture Reform Duties	1,170.1	1,725.5	2,327.9	3,378.3	590.8	708.9	1,075.0	1,036.5
v. Others	**504.9**	**450.5**	**465.6**	**627.6**	**147.0**	**99.3**	**171.1**	**398.2**
b. Value Added Tax	**70,669.3**	**83,391.1**	**101,110.6**	**112,518.2**	**22,664.9**	**20,859.6**	**31,876.0**	**46,914.8**
i. Production	8,423.8	9,748.5	11,295.4	12,848.8	3,554.4	3,916.1	3,590.4	5,152.8
ii. Imports	44,978.2	55,012.7	66,821.3	72,997.6	10,706.6	9,794.2	20,565.7	31,810.7
iii. Sales and Distribution	5,574.6	6,309.6	7,846.2	9,164.2	2,899.4	3,076.3	3,038.5	4,277.9
iv. Services and Contracts	11,692.8	12,320.3	15,147.8	17,507.7	5,504.4	4,072.9	4,681.4	5,673.4
c. Excise Duties	**30,256.2**	**36,244.0**	**45,411.0**	**53,540.3**	**10,070.3**	**11,794.6**	**19,275.5**	**24,627.9**
i. Tobacco	5,220.6	5,358.9	7,356.7	7,164.7	2,112.1	1,859.0	2,526.4	2,512.6
ii. Alcohol and Beer	11,937.3	13,213.5	16,368.3	19,547.4	2,745.3	4,871.2	6,433.0	8,747.4
iii. Other Industrial Production	2,592.6	3,074.6	3,673.2	4,346.1	889.7	847.6	1,079.2	1,601.2
iv. Excise on Imports	10,505.8	14,596.9	18,012.8	22,482.0	4,323.1	4,216.7	9,236.9	11,766.7
d. Tax on Specific Services	**490.7**	**656.1**	**873.4**	**1,048.8**	**316.1**	**381.3**	**370.2**	**217.4**
B. NON-TAX REVENUE	**32,651.4**	**36,792.9**	**44,179.5**	**49,903.5**	**10,740.4**	**7,350.1**	**14,099.7**	**28,727.6**
a. Property Income	**17,654.6**	**17,598.5**	**20,675.4**	**22,703.7**	**4,837.2**	**586.8**	**6,505.7**	**14,273.3**
i. Interest	1,750.6	527.9	1,658.2	1,929.2	89.5	24.4	651.6	6,867.2
ii. Dividends	9,429.5	10,843.1	12,992.2	13,731.9	140.1	0.1	5,087.1	5,282.7
iii. Rent and Royalty	6,474.5	6,227.4	6,025.0	7,042.6	4,607.6	562.3	767.0	2,123.5
b. Sales of Goods and Services	**6,913.2**	**11,247.9**	**11,645.7**	**12,233.8**	**3,725.5**	**2,978.1**	**3,144.3**	**3,999.1**
i. Sales and Goods	4,604.5	5,374.9	6,299.0	7,296.9	1,944.2	1,914.8	2,037.5	2,493.5
ii. Administrative Fees and Services	2,308.7	5,873.1	5,346.8	4,936.9	1,781.3	1,063.3	1,106.9	1,505.6
c. Penalties, Fines and Forfeiture	**321.1**	**337.6**	**452.5**	**1,260.7**	**175.6**	**235.1**	**132.2**	**246.9**
d. Voluntary Transfers other than Grants	**2.6**	**2.2**	**2.5**	**5.0**	**0.7**	**0.7**	**0.8**	**1.3**
e. Miscellaneous Revenue	**7,759.9**	**7,606.7**	**11,403.4**	**13,700.2**	**2,001.4**	**3,549.3**	**4,316.6**	**10,207.1**
i. Administrative Fee - Immigration & Tourism	5,475.1	6,763.5	10,523.8	12,390.2	1,718.6	3,352.0	3,896.9	3,183.3
- Charges for Issuing Passports	***3,181.5***	***4,196.3***	***7,770.3***	***9,336.2***	***1,270.2***	***2,606.7***	***2,871.4***	***2,403.8***
- Visa Fees	***1,782.7***	***2,010.6***	***2,103.0***	***2,497.3***	***322.2***	***690.0***	***793.2***	***629.5***
- Tourism Fees	***2.1***	***4.0***	***6.5***	***2.9***	***0.7***	***0.2***	***0.9***	***0.9***
- Other Duties and Fees	***508.8***	***552.7***	***644.1***	***553.8***	***125.6***	***55.1***	***231.4***	***149.2***
ii. Other Revenue	2,277.5	832.1	874.2	1,280.6	282.2	197.1	418.3	7,022.0
iii. Capital Revenue (Sales of Govt. Land & Building)	7.3	11.1	5.4	29.5	0.5	0.3	1.4	1.7
C. BALANCE OF LAST YEAR AND IRREGULARITIES	**2,614.7**	**1,922.6**	**5,735.4**	**6,111.7**	**1,733.6**	**350.0**	**365.8**	**810.0**
a. Cash Balance of Last Year	**952.9**	**1,052.6**	**3,203.9**	**1,287.2**	**994.4**	**75.6**	**32.5**	**29.7**
b. Irregularities	**1,661.8**	**870.0**	**2,531.5**	**4,824.5**	**739.2**	**274.4**	**333.4**	**780.2**
D. GRANTS	**23,036.8**	**29,515.5**	**33,960.2**	**26,544.9**	**0.0**	**1,170.9**	**21,388.1**	**9,918.5**

Annex- 7

Time Series Analysis of Government Revenue

Let 2008/09 = 2008 and so on.

Since the number of years is even ,so the deviations are taken from the middle of the years 2011 & 2012 i.e 2011.5

Fiscal Year(X)	Government Revenue (Y)	x = 2(X-2011.5)	x^2	xy
2008	143474.50	-7	49	-1004321.5
2009	179945.80	-5	25	-899729
2010	199819.00	-3	9	-599457
2011	244371.80	-1	1	-244371.8
2012	296015.70	1	1	296015.7
2013	356619.60	3	9	1069858.8
2014	405846.60	5	25	2029233
2015	481978.10	7	49	3373846.7
N = 8	**∑Y=2308071.1**	**∑x=0**	**$\sum x^2$ =168**	**∑ xy = 4021074.9**

Let trend line be y=a+bx............(i)

$$a = \frac{\sum Y}{N} = \frac{2308071.1}{8} = 288508.89$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = \frac{402107490}{168} = 23934.97$$

From (i), y=288508.89+23934.97x

Trend value of Government Revenue

FiscalYear (X)	x = 2(X-2011.5)	y = a+bx
2008	-7	120964.1
2009	-5	168834.04
2010	-3	216703.98
2011	-1	264573.92
2012	1	312443.86
2013	3	360313.8
2014	5	408183.74
2015	7	456053.68
2016	9	503923.62
2017	11	551793.56
2018	13	599663.5
2019	15	647533.44
2020	17	695403.38

Annex - 8

Time Series Analysis of CITR

Let 2008/09=2008 and so on.

Since the number of years is even ,so the deviations are taken from the middle of the years 2011 & 2012 i.e 2011.5

Fiscal Year (X)	CITR (y)	x = 2(X-2011.5)	x^2	xy
2008	19646.4	-7	49	-137525
2009	24054.4	-5	25	-120272
2010	28807.2	-3	9	-86422
2011	42798.5	-1	1	-42799
2012	52602.5	1	1	52602.5
2013	64863	3	9	194589
2014	74618.4	5	25	373092
2015	100975.7	7	49	706830
N = 8	**∑y=408366.1**	**∑x=0**	**$\sum x^2$ =168**	**∑ xy = 940096.5**

Let trend line be y= a+bx........... (i)

$$a = \frac{\sum Y}{N} = \frac{408366.1}{8} = 51045.76$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{940096.5}{168} = 5595.81$$

From (i), y=51045.76+ 5595.81x

Trend Value of CITR

FiscalYear (X)	x = 2(X-2011.5)	y = a+bx
2008	-7	11875.09
2009	-5	23066.71
2010	-3	34258.33
2011	-1	45449.95
2012	1	56641.57
2013	3	67833.19
2014	5	79024.81
2015	7	90216.43
2016	9	101408.05
2017	11	112599.67
2018	13	123791.29
2019	15	134982.91
2020	17	146174.53

Annex- 9

Time Series Analysis of Total Revenue

Let 2008/09 = 2008 and so on.

Since the number of years is even ,so the deviations are taken from the middle of the years 2011 & 2012 i.e 2011.5

Fiscal Year(X)	**Total Revenue (y)**	**x = 2(X-2011.5)**	**x^2**	**xy**
2008/09	143474.4	-7	49	-1004320.8
2009/10	179940.4	-5	25	-899702
2010/11	199819.6	-3	9	-599458.8
2011/12	244369.7	-1	1	-244369.7
2012/13	295936.5	1	1	295936.5
2013/14	356620.6	3	9	1069861.8
2014/15	405846.4	5	25	2029232
2015/16	481966.3	7	49	3373764.1
N = 8	$\sum y$=2307973.9	$\sum x$=0	$\sum x^2$ =168	$\sum$ xy = 4020943.1

Let trend line be y=a+bx............(i)

$$a = \frac{\sum Y}{N} = \frac{2307973.9}{8} = 288496.74$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = \frac{4020943.10}{168} = 23934.19$$

From (i), y=288496.74+23934.19x

Trend value of Total Revenue

FiscalYear (X)	x = 2(X-2011.5)	y = a+bx
2008	-7	120957.41
2009	-5	168825.79
2010	-3	216694.17
2011	-1	264562.55
2012	1	312430.93
2013	3	360299.31
2014	5	408167.69
2015	7	456036.07
2016	9	503904.45
2017	11	551772.83
2018	13	599641.21
2019	15	647509.59
2020	17	695377.97

Annex- 10

Time Series Analysis of Direct Tax Revenue

Let 2008/09 = 2008 and so on.

Since the number of years is even ,so the deviations are taken from the middle of the years 2011 & 2012 i.e 2011.5.

Fiscal Year(X)	Direct Tax Revenue (Y)	x = 2(X-2011.5)	x^2	xy
2008	34552.6	-7	49	-241868.2
2009	41760.5	-5	25	-208802.5
2010	48641	-3	9	-145923
2011	66906.7	-1	1	-66906.7
2012	81937.5	1	1	81937.5
2013	97065.4	3	9	291196.2
2014	113991.1	5	25	569955.5
2015	149494.6	7	49	1046462.2
N = 8	$\sum Y$=634349.4	$\sum x$ =0	$\sum x^2$ =168	$\sum$ xy = 1326051

Let trend line be y=a+bx............(i)

$$a = \frac{\sum Y}{N} = \frac{634349.4}{8} = 79293.68$$

$$\text{and } b = \frac{\sum xy}{\sum x^2} = \frac{1326051}{168} = 7893.16$$

From (i), y=79293.68 + 7893.16x

Trend value of Direct Tax Revenue

FiscalYear (X)	x = 2(X-2011.5)	y = a+bx
2008	-7	24041.56
2009	-5	39827.88
2010	-3	55614.20
2011	-1	71400.52
2012	1	87186.84
2013	3	102973.16
2014	5	118759.48
2015	7	134545.8
2016	9	150332.12
2017	11	166118.44
2018	13	181904.76
2019	15	197691.08
2020	17	213477.40