

CHAPTER I

INTRODUCTION

1.1 Background of the study

Fund is most important for the nation. From the fund a nation can do any financial activities and also a nation requires sufficient funds to carry out infrastructure development plans, handle day-to-day administration, maintain peace and security and launch other public welfare activities. Over all the funds are mostly used for the budgeting .it required by the government are normally collected from two sources: debt and revenues. The revenues of the government come basically from two sources: tax and non-tax. Non-tax sources include different revenues like gifts, grants, revenues from public enterprises, administration revenues such as registration fees, fines, service charge and penalties. Tax sources include customs duty, excise duty, VAT, income tax. In Nepal more than eighty percent of the government revenue comes from taxation. Hence, the tax is the major source of government revenue of Nepal. Tax is any compulsory levy from individuals, households and firms to central or local government. It is an amount of money that we have to pay to the government so that it can pay for public services. It is simply a liability to pay an amount to the government. It is a compulsory contribution from the taxpayers. Tax is computed and paid as prescribed in the law. When a person or company is taxed, they have to pay a part of their income or profits to the government. When goods are taxed, a percentage of their price has to be paid to the government. Thus, we can define tax as a compulsory contribution made by taxpayers to the government without having any direct personal benefits. Basically, tax can be classified into two broad categories:

-) Direct Tax
-) Indirect Tax

A. Direct Tax

Tax said to be a direct when the liability and the incidence of tax lies on the same person. A direct tax is a tax paid by a person on whom it is legally imposed. in direct tax , the person paying and bearing tax is the same .it is tax

on income and property. Examples of direct tax are: income tax , poverty tax, vehicle tax, interest tax, Expenditure tax, Death & born tax, Gift tax etc

B. Indirect tax

Tax is said to be indirect when the liability and the incidence of tax lies on different persons. An indirect tax is a tax imposed on person but partly or wholly paid by another. In indirect tax, the person it is the tax on consumption or expenditure. Examples of indirect tax are: VAT, Sales tax, Entertainments tax Hotel tax, Excise Duty, Custom Duty, etc.

Generally, the term tax structure refers to the design or form work of the whole tax system which related with revenue collection of the government via taxation .Thus, tax structure includes the planning of taxation its design as well as the implementation procedure of government as tax. It consists of planning procedure, designing system and realizing of taxes that is whole represented by tax structure. How the tax is collected? From which sources taxes can be raised? How the effective mechanism of collecting and distributing taxes can be established? How tax evasion and leakage could be reduced or nullified via effective tax structure? How the tax policy, administration, accounting, management, rebate and facilities and collection and redistribution could be design? All these planning and designing of structure are included by the tax structure .in sum up, planning organizing ,structure designing, administrating, managing and collecting and redistributing purpose of government about the tax or revenue can be define as the tax structure.

1.2 Statement of the problems

After the privatization and liberalization, the government follow the mixed economy system as well as the role of government of Nepal has further increased, especially with reference to poverty alleviation. The government of Nepal is bond to play a proactive role in support of programs related to education, health, drinking water, and agriculture and infrastructure development. These activities require huge expenditure in excess of the revenue available to the treasury. Private sector is still too weak to deal with these issues. Private sectors cannot wants to invest money for this sectors which they can't earn profit .they want to invest for only one profit. So, this has led to

increasing revenue expenditure gap in Nepal, which calls for effective internal resources. But resource mobilization through taxation is a challenging proposition in Nepal. The tax evasion and leakage is the main problem of the overall Nepalese tax system. The past trend of tax leakage and evasion was very dangerous for the development of the country, which is continuing in present days too. There are so many ideas and techniques have been developed to cheat the taxes. Our rules and regulation is not strong and powerful to control the tax evasion and leakage. Our political system and instability of political parties are fully support and also protect to bad personnel who avoided, evasion and leakage of tax pays. No one wants to follow the any rules and regulations of tax paying system of the country, who have the power and who gets the support of politicians.

1.3 Objectives of the Study

The basic major objective of the study is to highlight the current trend structure and its responsiveness and the return or yields of tax system it means to analysis “ The Contribution Of Tax On Government Revenue Of Nepal.” as well as its design i.e. its effectiveness in implementation of tax structure. Thus, the study will try to meet the following specifies objectives:

1. To observe the trend of Nepalese tax and its pattern for the last 7 years (2009/10-2015/16).
2. To measure sector-wise contribution of taxation into its structure as well as into the economy.
3. To find out the most important factors for effectiveness of income tax.

CHAPTER II

REVIEW OF LITERATURE

This chapter deals with conceptual framework and includes the various studies and research work about the taxation and its subject matter in the context of domestic as well as global to relate with this study and reviewed them, Finally, it shows the conclusion of remarks.

1. Conceptual Framework.

A tax is a compulsory contribution to the government made without reference to particular benefits received by the tax payer (Goode 1996), The relation between taxation and economic development has long been a matter of concern to policy makers and the students of public policy alike. The classical economist devoted substantial efforts to analyzing the effects of taxation on the growth and the related question of the distribution of factor incomes as witnessed in the full title of records famous treatises; principle of political Economy and Taxation. The stability of the economy also becomes an important subject of analysis. Substantially, the range of concerns widened to include the effects of taxation not just the rate of the growth of national income but also on the distribution of that income by income size, class on employment, and on the other objectives of policy (Heller & Kaldor, 1998) Taxation not only restrains total spending between households and regions, but the promotion of economy stability and the economic efficiency, and increasing of host country returns from natural resources.

From tax payer to the state for its own purposes by households and enterprise, but influences the allocation of economic resources, recognize social costs that are not reflected in market prices, and affects the distributions of income and wealth (Goode, 1998). Taxation is used as the main policy instruments for transferring resources of the public sectors. It can also assist in creating an atmosphere within which the private sectors operate in conformity with national objectives. From the efficiency view point, it can be said that taxes provide the best means of financing the bulk of the public expenditures.

In generally, taxation of each economy follows certain principles in public finance. In government finance in developing countries three major principles of tax design: equity, efficiency, and administrative feasibility for fairness in the community, cost administration and growth, stability and equitable distribution,(Kelly 1999) has pointed out that the policy and administrative structure for individual revenue potential ; economic efficiency, equity, administrative feasibility and political acceptability, Revenue potential in perhaps the single most important criterion when analyzing and recognizing a revenue instrument. Therefore, there are considerable five major principles of tax design that is revenue potential, economic efficiency, equity administrative feasibility and political acceptability.

2. Historical development of taxation

The history of the dates back to antiquity, a brief historical review about the development of taxation under different periods is traced out below: Ancient Time

In the ancient civilizations of Palestine, Egypt, Assyria & Babylonia, individual property rights did not exist. The king was the sole owner of everything in his domain, including the bodies of his subjects. Thus, instead of taxing individuals to support the government, the king could simply force them to work for him. If kings were not wealthy or not very good at stealing from other countries, they would resort to taxing their own subject.in societies that operate without money, the ruler taxed farmer's b requiring that they turned over some proportions of their crops to the state. Poll tax is major source of revenue in Egypt under the Ptolemaic dynasty (323-330 B.C). The government of ancient Athens, Greece, relied on publicly owned silver mines tribute from conquered countries, a few customs duties and voluntary contribution from citizens for revenue.

In the early years of Roman republic, all Roman citizens paid poll tax. However, Roman military victories brought in so much foreign tribute that the government exempted citizens from this tax second century BC. After the Punic wars Rome and Carthage. More than a hundred years later emperor Augustus introduce Land and inheritance taxes. Succeeding emperor raised rates and found and increasing number of goods to tax including wheat and salt.

A. Medieval time

During the middle ages, from about the fifth century AD to the fifteen century, taxation varied from region to region. Europeans were subject to many forms of taxation, including land taxes, poll taxes, inheritance taxes, tolls (payment for the bridge, roads and seaports), and miscellaneous fees and fines. Under the system of feudalism that was predominant in Western Europe beginning in the 11th century, kings, nobles, and church rulers all collected taxes. Kings derived income from their lands, from import and export duties. And they levied various feudal dues and services owed by their vassals. For the most part church officials and nobles were granted exemption from the royal taxes, so the burden of the taxation fell heavily on the poor peasantry. In 1215 AD, the feudal nobility forced the king to sign the Magna Carta, a document in which he agreed to collect scutage only with "common consent" of his barons thus the king's power to raise tax became limited.

B. Modern time

Over a period of time, feudalism faded and a strong centralized state emerged in Europe. During the 16th and 17th centuries, these states relied heavily on revenue generated by the king's own state and by taxes on land. In England the power of parliament grew steadily because the kings and queens had to convene it frequently to obtain money. In 1589, the English Bill of Rights guaranteed that the king could not levy taxes without the parliament's consent. By the 18th century, England started imposing various taxes on transactions. Taxes on imported goods assumed great importance and taxes on a wide variety of commodities. As time passed, people became dissatisfied with this system of public finance for several reasons.

First, although the English government levied some taxes on commodities consumed only by the rich which were great luxuries at the time in general, people perceived that the burden of taxes fell mostly on the poor. In addition, the tax system did not generate as much revenue as the governing classes wanted. Finally, economists and political leaders began realizing that by reducing trade created economic losses for society.

In the late 19th and early 20th centuries, concerns about the both fairness and ability of the tax systems to generate the first national income tax in order to finance the

Napoleonic War. The government discontinued the tax when the war ended in 1853, but revived it in 1842. The first progressive income tax, which imposed the greater tax burden to the people with higher incomes, was introduced in Prussia in 1853. Other countries introduced progressive income taxation in subsequent years, including Britain in 1907. The United States in 1913 and France in 1917. Although income taxes generated little revenue at first when it was introduced. Today they played a vital role in all modern taxation system

3. Taxation in the United States

During the 17th and early 18th centuries, local and provincial governments in the British colonies of the north America levied taxes to finance schools, road building, military expenditure, law enforcement and in some cases churches, cities and countries levied property tax based on the ownership of a person on land and live stock and imposed poll taxes on adult men- who also paid the poll taxes of their slaves, servant and hired workers. Taxation of the American colonies by the Great Britain was one of the major causes of the American Revolution. Before the French and Indian war (1754-1763), Britain imposed few taxes on these colonies. The war left Britain deeply in debt.

however, and the British parliament insisted that the prosperous colonies help pay for the cost of protecting them. In 1764 parliament passed the sugar Act, which taxed non-British imports of sugar and molasses of 1733, was strictly enforced. A year later, parliament passed the Stamp Act, which required colonists to buy and placed tax stamps on all legal documents, licenses, news paper, pamphlets and playing cards. The British parliament to repeal the stamp Act in 1766. In 1767, parliament passed the Townshend Act, which imposed duties on a variety of imports to the colonists responded with violent protest on riot led to the Boston Massacre and by again boycotting British goods.

In 1770, Britain repealed all but the tea duty, leaving it as a symbol of its right to tax the colonies. The Tea Act, passed by the parliament in 1773, lifted tea import duties in England but retained them in the colonies. This measure incensed American patriots and resulted in the Boston Tea party, in which patriots dumped shiploads of the British tea into Boston Harbor, War broke out between the colonies and Britain in 1775. A

new Nation the Articles of confederation adopted in 1781 as the first constitution of the United States, denied the federal government the power of taxation. The federal government relied on donation from individual states for its revenue. But some times states refused to make payment of the government. The inability of congress to tax rendered it largely ineffectual, for example; congress was unable to meet patriot officers demands for back pay and it could not pay interest on the war debt. The federal government obtained the power to levy taxes with the ratification of the constitution of the United States in 1789. The revenue act of 1791 was established tariffs on select imported goods. It imposed various excise taxes on a variety of goods. Including horse – drawn carriage, distilled liquor and refined sugar. These taxes proved extremely unpopular.

The government repealed most of this sales tax in 1801 but temporarily reinstated them to finance the war of 1812. During the civil war (1861-1865), the Union government financed itself through an elaborate system of excise taxes, including taxes on alcohol, tobacco, manufactured goods, legal documents and bowling alley, until the beginning of the 20th century.

4. Introduction of Income taxes

The federal government first imposed individual income tax in 1862 as an emergency means of financing the civil war. It also established the Bureau of Internal Revenue, predecessor of the Internal Revenue Service. Tax rates were three percent (3%) from \$600 - < \$10,000 and five (5%) to above \$1000. Later in the War, the maximum rate increased 10% of the income. In 1872 the government eliminated tax because extraordinary revenue needs of the war no longer existed. As the 19th century came to close, sentiment of income tax grew. Just as in other countries, the public believes that sales tax and tariffs permitted wealthy people to avoid to share of the burden of financing government. Congress passed progressive income tax in 1894, but the Supreme Court declared it unconstitutional a year later. In 1909 the government imposed a tax on the income of corporations for the first time, at same time, proponents of individual income tax pressed for a constitutional amendment. In 1913 it was authorized individual income taxation.

In 1913, congress enacted the tax on annual income over \$3000, with marginal rates ranging from one to seven percent. At a few people earned more than \$3000 per year, so less than one percent of people even fill tax returns, the costs of the World War (1914-1918) led congress to raise income taxes and make more people eligible to pay them. In 1943 it became mandatory withholding of individual income taxes from payrolls, which dramatically increased the cost of administering the income tax. By 1945, marginal rates ranged from 23 to 94%. The maximum marginal tax rate dropped to 70% in 1965. In the 1980's President Ronald Reagan made tax reform the centerpiece of his presidency period.

The economic recovery and Tax act of 1981 reduced business taxes and lowered the maximum tax rate to fifty percent. The landmark tax reform act 1986 further lowered this rate to 28%. It also ended deductions for interest paid on consumer loans and student debts, raised the capital gains tax rate to that of ordinary income. In 1990, President Bill Clinton and congress agreed to raise taxes to trim the budget deficits, which had grown substantially in the 1990s. The tax rate rose sharply 31%. It was passed by congress in 1993.

President George W. Bush like Reagan, also focused on tax reduction in his administration agenda. Bush's economic growth and tax relief Reconciliation Act of 2001 gradually lowered tax brackets, with the top 35% to 20% in several time periods 2003 and 2006. Immediately President Bush cut the tax rate upper 20% to 15% lower tax rate and also brought some facilities for the taxpayer. Now the tax rate of dividend and capital gain were scheduled to expire in 2004.

5. Taxation in Canada

The first known taxes on Canada were the export taxes on furs imposed by the French region in 1650. The French government soon replaced with tariffs on imported goods. Tariffs continued to be of major importance during the period of British rule, which began in 1763. The British North America Act of 1867 stated that the provinces could levy income taxes, could no longer levy tariffs, however, the levy of income taxes on individuals and business became widespread in the provinces until the end of the 19th century. In 1917 the federal government, which had relied primarily on excise taxes, created both personal income tax and corporate income tax.

The federal government introduced a general sales tax in 1920. All the provinces created gas taxes in the 1920's and collected taxes on alcohol sales. During World War II, the provinces suspended their income taxes. After World War II, the federal government took over the income tax from the provinces. Income taxes are collected by it for the paying rights. In 1962, the provinces regained the right to levy income taxes. All provinces soon imposed individual income taxes. (Except in the province of Quebec, provincial income taxes are collected by the federal government and then given over to provincial government.) Also from 1973 to 1990, all provinces adopted the same form of the corporate tax. In 1991, the federal government introduced a goods and services tax, although certain commodities. In 2000, Canada adopted one of the largest tax cuts in its history. It was designed to reduce personal taxes on an average of fifteen percent over a five-year period.

6. Taxation in India

In India, the system of direct tax as it is known today, has not been common in this form directly. It has faced many reforms and steps in the period of time passed from the period of ancient times. There are references both in Manu Smriti and Arthashastra to a variety of tax measures. Manu, the ancient sage and law-giver, stated that the king could levy taxes according to the shastras. The wise sage advised that taxes should be related to the income and expenditure of the subject. However, he cautioned that the king should avoid excessive taxation and stated that both extremes should be avoided, namely either complete absence of taxation or exorbitant taxation. According to him, the king should collect the taxation in such a manner that the subjects did not feel the pinch of paying taxes. He laid down that traders and artisans should pay one-fifth of their profits in sales of silver and gold, while in agriculture they pay one-sixth, one-eighth, and one-tenth percent of their produce. A big portion was collected in the form of income tax from dancers, musicians, actors, and dancing girls etc. This tax was not progressive but proportional to the fluctuating income. An excess profit was also collected, general sales tax levied on purchases of buildings and also collected subject to taxes.

The revenue collected in this manner were spent on social services as laying roads, setting up the new villages and such other activities benefits to the community. Kautilya has also described in great detail the system of tax administration in the Mauryan Empire. It is remarkable that the present day the tax system is many ways similar of the system of taxation in vogue about 2300 years ago.

The rapid changes in administration of direct taxes in India has been made during the last decades. It reflects that history of socio-economic thinking of India. From 1992 to present day change in direct tax law has been so rapid those except in the bare outlines. The trace of IT act 1922 can be hardly be seen in 1961 act as it stands amended of the date. It was but natural, in these circumstances that the setup of department should not only expand but undergo structural changes as well. The organizational history income tax department starts in the year of 1922. The Income Tax act 1922 gave a specific nomenclature to various income tax authorities for the first time. The system of proper administration was thus laid. In 1924, Central Board of Revenue Act constituted the board as a statutory body with in the functional responsibilities for the administration of the income tax act. The amendments to the Income tax act 1939 made two vital structural changes the first is appellate functions were separated from administrative functions; a class officer and central charge (Assistant Commissioner) was created in Bombay. In 1940s, with a view to exercising effective control over the progress and inspection of the work of income tax department throughout India, the very first attached office of the board called Directorate of Inspection (Income Tax) was created. As a result of separation of executive and judicial function, in 1941, the Appellate Tribunal came into existence. In the same year, a central charge created in Calcutta also. It makes various changes in administrative tax system in this period till 1965 to 1975.

The recovery of arrears of taxes which till 1970 was the function of state authorities was passed on the departmental officers. A whole new wing of officers Tax Recovery Officers was created and new cadre of post of Tax recovery. Commissioners were introduced. In order to improve in taxation system and also quality of work in 1981 they used computerization in the income tax departments. And it was widely used in local departments. In 1984-1985 in metropolitan cities using this system to operate new administrative concept. They use PAN in this period easy and find the information of

customer identification. They used modern technology system in this period like Modern computer system, Inter net (LAN/WAN) to connecting each state of India like Bombay, Calcutta, Maharashtra as so on. This administrative system makes them easier, reducing in expenditure downing workforce and standardization in work norms.

7. Major objectives of taxation system

What are the most important specific to be considered on the tax structure design as well as in the tax system of market oriented developing economy like Nepal are mainly based on the objectives that are the nation wants to achieve by implementing tax policy within the country. Equity, growth, efficiency and stability are the major objectives of tax policy which are in conflict with each other. A tax system based solely on efficiency ground is unrealistic, while that design solely for equity purpose cannot be justified on allocation grounds. The degree of the progressivism will, in practice, continue to be dictated by political and social consensus rather than by the optimizing formulae of tax economists. However, it is accepted that high tax rate and narrow and selective tax bases can create distortions, encourage unproductive activities, erode the revenue base and lower the effective tax rate below the intended nominal tax rates. Tax cuts without reforms in the tax base can introduce more distortions of efficiency and equity than they correct, especially, if they result in inflationary finance.

Tax measure exerts a powerful influence on the pattern of consumption- savings, investment, capital formation, production, technology change, development of natural resources, international trades, process, employment and distribution of income and wealth. They can ensure the collective savings for the purposes of public investment and at the same time, provides incentives for promoting private investment. The burden of the sacrifice involved in the capital formation can be distributed more equitably and the proper groups in the society can be assured that all classes are making sacrifices in potential consumption. Taxation serves as the main method for transferring resources developing countries is the promotion of development process for the meeting of maximum needs of the masses and improving their living standards. To translate the broad objectives in operational terms-the mobilization of additional financial resources has remained the predominant concern of the tax policy

in developing countries; it has emerged to be as an accelerating factor for economic growth, equal distribution of income and wealth, equitable allocation of resources, reduction in the gap between poor and rich and attainment of a higher degree of economic stability. Thus, the major objectives of the tax policy implementation in the any country are remarked as to: (a) increase the growth rate by curtailing luxurious consumption expenditure, encouraging investment in new capital goods, channelizing the investment into productive sector and increasing factor supply of factor unit efficient: (b) have built-I flexibility into the tax structure and to provide the maximum the revenue productivity especially by mobilizing direct taxes.(c) act as instruments for combating inflationary pressures in the initial stage of economic development, and (d) remove inequality of income and wealth distribution in a society that the gap between rich and the poor people. Unfortunately, all the taxes have been directed towards maximizing revenue to achieve growth objective that undermined equity and stability considerations.

Although it will be sheer accident to attain simultaneously the growth, equity, and stability objectives of taxation, the governments in SAARC region approach to revenue mobilization in conformity with the spirit of liberalization envisaged by WTO and SAFT provisions after 1990. In Sri Lanka, tax on remuneration is exempted; likewise tax is exempted to encourage investment in some Gulf countries. And import duties are full exempted in a few other countries. In US, There is on VAT but sales tax is in existence, which is still in operation successfully.

8. Issues and problems in taxation in Nepal

Although recurrent expenditure is evidently higher compared with capital expenditure, revenue deficits does not exist in Nepal's tax structure. However, fiscal and budget deficits are higher the international level and the prospect for counterpart finding is extremely limited to ensure partnership in development activities pursued by external assistance. In Nepal's tax structure revenues are buoyant but inadequate to supplement development activities. Interestingly, there was no adverse impact of conflict on internal revenues, and subsequently, ODA to Nepal have increased over the years. The import duties are collected at customs points, which are mostly located in urban centered border areas, and VAT on imported goods is also collected at the same customs points. Internal as well as external borrowings also moderately

increased without disruption during the period. The size of revenue is primarily influenced and shaped by import duties in Nepal, and revenue from customs and VAT have increased with the growing size of imports from India and China as well as overseas over the years.

The tenth plan (2002-2007) envisaged that number of taxpayers registered under VAT would reach 40,000 and income taxpayers would level 2, 50,000 by the end of plan.

The premier direct tax-income tax is estimated to be around 19.0 percent of revenue and 3.0 percent of GDP during the fiscal year 2010/11. During the tenth plan the proportion of revenue to the GDP was targeted 14.0 percent by final year of the plan. the proportion of the direct taxes to GDP, indirect taxes to GDP, and not-tax to GDP was targeted to remain at 3.5 percent, 8.7 percent, and 2.8 percent respectively. By the end of plan, the contribution of revenue surplus to funding development expenditure will mark 25 percent of total revenue. Although, three rear interim development plan (2007-10), the 11th plan lacks setting quantitative targets, tax effort ratio is estimated to be 16 percent of GDP during the plan period.

The tax system suffers from structural constraints with tremendous administrative and procedural complexities envisaged in the existing Income Tax Act that lacks simplicity and transparency. Taxpayers are often unknown about the specific size of task they are to comply with, because tax is determined arbitrarily between taxpayers and tax officials resulting to huge corruption. the major problems of taxation in Nepal include: (1) marginally high tax rates, (2) limited tax base (base eroded due to prevalence of a number of tax shelters, for example; no tax on income from agriculture because this is a substance sector; relatively blanket exemptions, concessions and deductions provided to industry sector (3) low tax elasticity (4) poor voluntary compliance (5) leakages in tax collection (6) rigid and complex Income Tax Act (&) inefficient, indifferent and corrupt tax administration, and (8) no consolidated record of property (land building) with the Internal Revenue Department. The problems of taxation in Nepal greatly differ with respect to individual taxes. For example, under invoicing, bribery and smuggling due to open border with India are the most crucial tribulations associated with the customs administration, while non-issuance of proper invoices and prevalence of huge tax shelters eroding tax base with a large number of exemptions and deductions are the major problems associated with

VAT. Income tax suffers from poor voluntary compliance. Rigid tax laws and regulations coupled with built-in administrative and procedural complexities, and growing arbitration to arrive at taxable income resulting to massive corruption, which is attributed to tacit understanding between tax payers and tax officials.

As a member of WTO, SAFTA and BIMSTEC, Nepal has binding constraints to lower down customs duties within the range of zero to five percent by 2012 end. Therefore, there is danger that internal revenue from customs duties will decline resulting to widening resource gap. Alternatively, internal revenues can be mobilized on a greater scale through VAT preferably not by increasing rate, but by expanding base through gradually reducing the list of huge exemptions and improving efficiency of VAT administration. Additional revenue mobilization through expanding VAT would substitute deficits particular accrued from custom duties. VAT, a premier indirect tax, is account based scientific tax system ensuring a large degree of transparency. The Internal Revenue Department and Department of Customs Duties are the prime fiscal authorities to collect revenues in Nepal and, therefore. Their role is crucial to mobilize internal resources to the treasury. These institutions require improving capacity building and strengthening efficiency in all spheres comprising human resources, information technology, acts and regulations, physical facilities with dignified incentive packages, and overall environment including supervision, monitoring and evaluation system. The problems of taxation are differed with respect to taxes and their nature.

The major problems of existing Nepalese taxation system could be pointed out as following:

-) Low elasticity but high buoyancy of major taxes.
-) Limited potentialities of direct taxes.
-) Negative responsibilities of land tax with higher administrative costs.
-) Reforms in taxation and adjustment to globalization.
-) Challenges to improving tax system and administration.

Hence, in conclusion, the tax system of Nepal is circumscribed by the serious structural constraints, the major constraints existing in the tax system is that it lacks simplicity and transparency. With an extremely limited tax base, low elasticity.

relatively higher tax rates, poor voluntary compliance, ineffective tax administration, growing arbitration in shelters, rigid and incomprehensive tax laws and regulation, and other numerous shelters, taxation in Nepal has so far been attribute to negotiation resulting in rampant corruption. Tax avoidance, tax evasion and tax delinquency have also increased substantially over the recent ye4ars. Besides, the low revenue4 response of Nepalese taxation system is attributed to lack of clear cut and consistent tax policy for long-term development and short-term stability. So, the lack of clear cut vision as well as the long term tax policy, weak monitoring supervision, weak and poor tax administration, lots of corruption, tax evasions, tax delinquency, rigged and incomprehensive tax rules and regulations, tax leakage, un-aware taxpayer, etc. are the major problems of the Nepalese taxation system that should be corrected in time for more and productive revenue generation for the government operation as well as fulfillment of public expenditure.

9. Review of related studies

And, for the simplicity, this section is divided into the two different subsections; review of journals and articled, and review of thesis and dissertations.

9.1 Review of journal and articles

Into this section those journals, articles, research works have been reviewed which are related as well as relevant to this study. So, here it includes review of those studies which is about task and related to the study of tax structure as well as its contribution structural or overall. Hence only few and the relevant studies are reviewed in brief for the research purples of this current study.

Khadka (2001) has analyzed relative importance of income tax in the tax system of some selected countries. It also defines various concepts. Which are widely used in the modern income tax literature. This book also reviews major change introduced in the field of Nepalese income taxation system and examine4s its existing structure and operation.

Tripathi (2006) had concluded that the modern tax administration is not functioning well because there the lack of full imple3mentation of tax law, lack of transparency in

both tax payers and administrator, lack of adequate tax officers, frequent change in policy and laws, lack of adequate training to people working at tax offices.

World journal (2011) made research into the history of customs duty in the context of the countries of European Union, the basic cosmos law is harmonized across Europe. This includes customs duties and restrictions, Customs tax from €150. In addition see regulations of each Member State. According national restrictions from 22€, VAT is payable in Germany. In Romania customs may be very strict, especially for shipped goods (from anywhere outside the EU. UP to 10€goods/package there are no taxes (it is free) into Solvokia. From 22€ up to 150€ it is necessary to pay VAT (DPH in Slovak) which is 21%. From 150€it is necessary to pay VAT and customs. Customs may be from 0 to 10%. The amount depending on the type of imported goods no customs for mailed goods below or equal to 300GEL (App US\$160) including transportation within the span of country Georgia.

In case of North America, The United States imposes tariffs of "customs duties" on imports of goods: 3% on average. The duty is levied at the time of import and is paid by the importer of record. Individuals arriving in the United States may be exempt from duty on a limited amount of purchases, and on goods temporarily imported (such as laptop computers) under the ATA carnet system. Customs duties vary by country of origin and product, with duties ranging from duty under various trade agreements. Certain types of goods are exempt from duty regardless of source. Customs rules differ from other import restrictions. Failure to properly comply with customs rules can result in seizure of goods and civil and criminal penalties against involved parties. United States Customs and Border Protection (CBP) enforce customs rules. All goods entering the United States are subject to inspection by CBP prior to legal entry.

Subedi (2015) has overvie³wed and explained the effectiveness of income tax and challenges in his article³. The study further mentioned that. Tax is the best and promising instruments for the collection of government revenue in Nepal. Being a major part of tax revenu³, income tax plays the vital role to collection. Resources Mobilization through taxation is successfully conducted only when the tax administration is efficiently and effectively administ⁴red. Tax policies and programs formulated by government are implemented to the taxpayers through the tax

administration. It includes all the activities performing in the revenue realization such as instigation, training of staff, assessing tax liabilities; collecting tax amount, tax des and so on.

9.2 Review of Previous Thesis

In this section those previous thesis and the academic research work are reviewed which are related with the matter of taxation, the system of taxation, tax structure, and tax productivity. Those the relevant and the related thesis works are reviewed here which are close to this current research work or nearer to close the research study about the tax.

Shah (1995), concluded that income tax can be the vital source for internal resource mobilization to fulfill resource gap. Only 0.35% of total population came and the categories of tax payers in Nepal during his research period. The study found that collection of income tax was gradually growing and the contribution of income tax in total tax revenue and total national revenue were 9.95% and 7.94 % respectively similarly, the study concluded that individual tax payer had higher contribution income tax then salaried tax payer.

Lamsal (2001), had conducted that research following analytical as well as descriptive research design. Most of the data were from primary sources. Primary data were collected through opinion survey field visit and interviews simple statistical analysis. He had concluded that there was widespread evasion of income tax in Nepal and income tax was a suitable means for raising domestic resources.

Kafle (2004), had concluded that lack of clear transparent and progressive economic policy is the main reason for unsatisfactory with sound effectiveness of income tax system of Nepal. Existing cooperate tax rate had been found suitable and single rate for all types of corporation is preferred. Incensement of managerial efficiency of PEs clear income tax policy, rules and regulation, effective tax administration system and effective of some considerable points to increase the contribution of income tax from PEs.

Neupane R(2008), had found that there was poor domestic resource mobilization, poor performance of public sector enterprises, poor economic growth and inadequate tax effort .

Karki S(2005)had concluded that the performance of tax planning depends os the skill, Knowledge and experience of the mainpower.

Sharma (2009), had found there was increasing habit of tax evasion rather than doing effective tax planning due to the negligence and discrimination of tax administrators tax evasion behavior of tax payer is increasing day by day. The rules and regulations of tax administration are very systematic in theory but incomplete in practice. On the other hand, the act has provided many facilities for tax planning to avoid & unethical behavior of taxpayers. But the taxpayers feel the difficulty to complete the criteria of tax planning and choose the unethical & illegal way. Hence, only the rules & policies could not be enough for the collection of the correct tax revenues by reducing tax evasion, tax avoidance. There should be the regular support and supervisions of the government so that any problem seen at the time of implementation of tax planning could be easily solved.

Lama, (2009) had been concluded that there were several different tax rates for resident and non-resident companies and with the financial and non-financial assistance, including incentives, to be provided by the government for the revival of sick industries. Similarly, the tax payers should pay the unpaid tax along interest, if the refund is to be made the tax payers along with interest.

Gyawali. A (2011) had concluded that Income tax is the major source of government revenue collection form internal source although it should have to cover the remaining sectors and help to enhance the level of tax contribution to national revenue generation.

Gyawali A (2013) had concluded that resource mobilization through corporate income tax & income tax in Nepal is increases every year but it is very poor.

10. Research Gap

The process of conducting research works by various scholars, there are lots of theses and studies made till time of today. So the context of Nepal many studies which are done into this matter of Laws, Provisions administration and structure of taxation. Most of those research works and theses are focused on the efficiency of the tax administration of Nepal, and widespread tax evasion and in the matter of Value- Added Tax and some of others too. Although this situation this research work is conducted in the matter of taxation to test the level of contribution of customs duty to government revenue of Nepal. The government of Nepal is receiving income from various sources the first one is Taxation and another one is Non- taxation sector like wise Custom duties, Excise Duties, VAT, Income tax, charges of other miscellaneous activities for collected revenue generation. This research has been made to cover out of the real position of Nepal's tax structure as well as structure of components of taxation of the government of Nepal and their contribution to national revenue, so it tries to find out the proportion of Nepal's taxation and their components into total national income of government. It also makes comparison between the contribution made by the tax revenue and revenue received from non-taxation sector of revenue collection.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology describes the methods and process applied in the entire aspect of the study. In this regard this chapter research design, nature and sources of data and use of statistical tools are used in the study.

3.1 Research design

A research design is used to achieve objective of this research. A research plan structure and strategy of investigation to obtain answers to research question or problem. The plan is the complete scheme of the research. It includes an outline of what the investigators scheme or program of the research. It includes an outline of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of data.

3.2 Population and sample

The total national areas of revenue collection of government of Nepal have been defined as the population of this study from where various kinds of tax based incomes and non-tax incomes are received by the government. Among them various kinds of total taxation collection area is the sample of this research especially they are classified as direct taxation income and indirect taxation income.

3.3 Sources & collection procedures of data

The data employed in the study were from secondary sources. Various kinds of reports published by IRD and customs department as well as Economic bulletins, journals, economic survey reports, published and unpublished documents related to customs collections, etc. have been used as the sources of secondary data. Besides these, other essential data and information were collected from some published and unpublished documents. So far as data collection procedure was concerned annual reports of selected organization would be collected by making an access to Inland Revenue department and ministry of finance. The researcher was consulted the library to gather necessary data and information during the course of study. Thus, in

this study, data used in the research are secondary sources i.e. published /unpublished written document, e.g. books, journals and annual reports of Inland revenue Department, website of Inland Revenue Department, ministry of finance, and NRB as well as other related and relevant websites are the sources of data and information needed for conducting this study.

3.4 Tools of data analysis

All the data are presented and analyzed to fulfill the objectives developed in the introduction chapter to illustrate the research. Tables and figures have been used for the data presentation and to evaluate contribution of taxation income to national economy. Here, for the purposes of data analysis broadly two kinds of tools: financial and statistical tools have been used. But, among these financial tools are the majors which analyze and on the basis of which interpretation have been made and statistical tools are used to support them. Categorically, the present study has used the following financial and statistical tools.

3.4.1 Financial tools

Following financial tools of ratio analysis and composition analysis have been used.

A. Total Taxation Amount to Government Revenue

$$\text{Total taxation amount to government revenue} = \frac{\text{Total taxation amount}}{\text{Government revenue}}$$

It is the ratio in between total taxation amount received by the government of Nepal and her total revenue for the specific period of time. The proportional relationship of total taxes collection of the government of Nepal and total national revenue of it for year-wise basis has been presented and analyzed with the help of this ratio. So, an analysis of proportion of total taxes to government revenue has been made by using financial ratio of total tax to government revenue. As the value of ratio has been increasing it indicates the higher proportion of taxes to government revenue for that year. And, this represents the value of contribution of taxes collection for that specific year to national income of nation. To calculate this ratio the following equation has been used.

B. Total Non-taxation Amount to Government Revenue

Total Non-taxation amount to government revenue ratio = $\frac{\text{Total Non-taxation amount}}{\text{Government revenue}}$

It is the ratio in between total non-tax income received by the government of Nepal and her total revenue for the specific period of time. The proportional relationship of total non-tax income collection of the government of Nepal and total national revenue of it for year-wise basis has been presented and analyzed with the help of this ratio. So, an analysis of proportion of total non-taxes to government revenue has been made by using financial ratio of total non-tax revenue to total government revenue. As the value of ratio has been increasing it indicates the higher proportion of taxes to government revenue for that year. And, this represents the value of contribution of non-tax revenue collection for that specific year to national income of nation. To calculate this ratio the following equation has been used.

C. Direct Taxation Revenue to Total Government Revenue

Direct taxation amount to government revenue ratio = $\frac{\text{Direct taxation}}{\text{Government revenue}}$

The ratio which analyzes the relative proportion of total direct taxation revenue in the respect of total revenue of the economy of Nepal can be defined as the total direct taxation revenue to total government revenue ratio. It defines how much the contribution is made by direct taxation revenue collection to total national wide revenue of government of Nepal as revenue generation for the research period. The measurement of total direct taxation revenue to total government revenue ratio is done by using the following ratio or equation.

D. Total Indirect Taxation Revenue to Total Government revenue

Indirect taxation revenue to government revenue ratio = $\frac{\text{Indirect taxation}}{\text{Government revenue}}$

The ratio which analyzes the relative proportion of total indirect taxation revenue in the respect of total revenue of the economy of Nepal can be defined as the total

indirect taxation revenue to total government revenue ratio. It defines how much the contribution is made by indirect taxation revenue collection to total national wide revenue of government of Nepal as revenue generation for the research period. The measurement of total indirect taxation revenue to total government revenue ratio is done by using the following ratio or equation.

E. Customs Duty to Government Revenue

$$\text{Custom duty to Government revenue ratio} = \frac{\text{custom duty}}{\text{Government revenue}}$$

The ratio which analyzes the relative proportion of total customs duty in the respect of total indirect taxation revenue of the economy of Nepal can be defined as the total customs duty to total indirect taxation revenue ratio. It defines how much the contribution is made by customs duty collection to total indirect taxation revenue generation for the research period. The measurement of customs duty to total indirect taxation revenue ratio is done by using the following ratio or equation.

F. Value-added Tax to Government Revenue

$$\text{Value added tax to Government revenue ratio} = \frac{\text{value added tax}}{\text{Government revenue}}$$

The ratio which analyzes the relative proportion of total value added tax collected with the respect of total government revenue of the economy of Nepal can be defined as the total value added tax to total government revenue ratio. It defines how much the contribution is made by value added tax collection to total government revenue generation for the research period. The measurement of value added tax to total government revenue ratio is done by using the following ratio or equation.

G. Excise Duties to Government Revenue

$$\text{Excise duty to government revenue ratio} = \frac{\text{Excise duty}}{\text{Government revenue}}$$

The ratio which analyzes the relative proportion of total excise duty collected to the total government revenue of the economy of Nepal can be defined as the total excise duty to total government revenue ratio. It defines how much the contribution is made by excise duty collection to total government revenue generation for the research

period. The measurement of excise duty to total government revenue ratio is done by using the following ratio or equation.

H. Income Taxes to Government Revenue

$$\text{Income tax to government revenue ratio} = \frac{\text{Income tax}}{\text{Government revenue}}$$

The ratio which analyzes the relative proportion of total income tax received by the nation with respect of total government revenue of the economy of Nepal can be defined as the total income tax to total government revenue ratio. It defines how much the contribution is made by income tax collection to total government revenue generation for the research period. The measurement of income tax to total government revenue ratio is done by using the following ratio or equation.

I. Land and Building Registration Tax to Government revenue

$$\text{Land and building tax to Government revenue ratio} = \frac{\text{Land and building registration tax}}{\text{Government revenue}}$$

The ratio which analyzes the relative proportion of total land and building tax collection by the nation with respect of total government revenue of the economy of Nepal can be defined as the total land and building registration tax to total government revenue ratio. It defines how much the contribution is made by land and building registration tax collection to total government revenue generation for the research period. The measurement of land and building registration tax to total government revenue ratio is done by using the following ratio or equation.

J. Vehicle taxes to Government revenue

$$\text{Vehicle tax to government revenue ratio} = \frac{\text{Vehicle tax}}{\text{Government revenue}}$$

The ratio which analyzes the relative proportion of total tax charged as vehicles tax to persons and business institutions with the respect of total government revenue of the economy of Nepal can be defined as the total vehicles tax to total government revenue ratio. It defines how much the contribution is made by total vehicles tax collected by the government with comparison of its total government revenue

generation for the research period. The measurement of total vehicles tax to total government revenue ratio is done by using the following ratio or equation.

3.4.2 Statistical Tools

The following statistical tools have been used into this research work for conducting essential analysis.

A. Average or Mean

Average rate is calculated by using the arithmetic mean instead of geometric mean. This statistical tool is used to get the average rate of contribution of different taxation revenue including direct and indirect taxation revenue received by Nepalese government in comparison of total government revenue for the whole research duration as per the need of calculation. Basically, it is used for the measurement average trend of contribution of different taxation incomes. The equation of average or mean is:

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

Where,

X= summation of all annual reports

N = number of the observation (year)

The Standard Deviation

It is a quantitative measure of the total risk of assets. Risk is the deviation from the central value of selected variables. So, standard deviation of contribution of different taxation revenue to the total government revenue of Nepalese economy for the research duration has been analyzed here to measure total risk on contribution of taxation revenue including direct and indirect taxation revenues. It provides more information about the risk of variation of achieving the targeted standard of taxation revenue of Nepalese government to meet forecasting of Inland Revenue Department of Nepal to collected planned revenue. It is a measure of the dispersion of

contribution made by different components of taxation revenue around the mean. The formula for calculating the standard deviation is:

$$\left[\frac{\sum (X - \bar{X})^2}{N-1} \right]^{1/2}$$

=

Where, σ = standard deviation selected variable during the time period N

X = selected individual variable (\bar{X}) = the average of selected variable

C. The co-efficient of variation (CV)

The coefficient of variation is the ratio of the standard deviation of a distribution to mean of the distribution. It is a measure of relative risk which measure the risk that have to bear to earn per unit of risk. The formula for calculating co-variation coefficient is,

Co-efficient of Variation (C.V) = $\frac{\sigma}{\bar{X}}$ Where,

σ = standard deviation selected variable during the time period N

\bar{X} = the average of selected variable

3.5 Limitations of Study

The present study will try to analyze and to examine the customs duty collection in Nepal. There are many customs points have been establishing due to liberalization and globalization policy of the country. But it is not easy to collect customs duty from every customs points. The existence of tax evasion trend and leakages will hamper to bring the actual result. The main limitations of study will contain:

- a. The study mainly focuses on the tax structure and its yields as well as responsiveness in Nepal.

- b. One limitation of this study is the time period of study. It has to finish within one semester. In this short time period, this study cannot cover the overall aspects of Nepalese tax structure. It focuses only some particular sectors of related matter with topic.
- c. Unavailability of reliable data from respondents will be handicapped the study.
- d. The study period of the study is from the fiscal year 2009/10 to the fiscal year 2015/16.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

Presentation and analysis of data is a crucial part for any kind of research work. Without including this part into no study can be completed. This is the main chapter of any research work. Into this data are collected and managed for research purpose. They are analyzed and interpreted with the help of statistical and financial tools as described into chapter third. The concern is given into presentation and analysis part in detail. As data presentation and analysis is crucial part of any research, purpose is to organize collected data to assure an easy and understandable presentation. So, for each and every research work the important of this chapter is most. Because on the basis of this analysis made on chapter findings are obtained. Based on those findings recommendations have been derived and future guidelines are got. It is so obvious that the presentation of data and its analysis help us to draw valid conclusion.

So, as per other research work into this research work also presentation and analysis of data about the contribution of taxations has been analyzed with the help of necessary tools and techniques. As per the research need graphs, tables, pie-diagrams and trend lines have been used to make this study clear, understandable and efficient as well as effective from the researcher aspect? Hence, into this chapter analysis of contribution of various taxations to the national revenue of Nepal government has been analyzed. All these functions are done with the help of various secondary data published by related sector and internal revenue department. To analyze those data different tables, graphs, trend lines, and pie-diagrams, etc. are used. On the same matter contribution of taxes, contribution of non-taxes, direct taxes, indirect taxes, are also analyzed into this process.

4.1 Analysis of Taxation to National Revenue of Government

There are various components at the composition of national income of any nation. Basically, all these income components can be categorized into broad two major types. The first one is income from taxation and another is income from non-taxation.

Here, mainly as per the topic of study the contribution of income sources from taxation has been studied. To evaluate the contribution made by taxation to national revenue collection of the government of Nepal this research has been conducted. Here data of national revenue collection and taxation income from various headings of taxation have been collected for the period of eight years and they are analyzed. The research duration is from 2009/10 to 2015/16. So, the study is conducted for this period and it analyzed the trend and pattern to taxes and their contribution to government in case of revenue collection. Basically, government receives income from two sectors. The first one is taxation and another one is non-tax sector of income generation. Those are various fees and charges and other extra income from the sectors except taxation. That's why this section is here divided into two subsections.

4.1.1 Analysis of Proportion of Taxes Amount to Government

Revenue

Into this section of analysis the contribution of total taxes to the national revenue of selected country for research duration. In other words, the proportional relationship of total taxes collection of the government of Nepal and total national revenue of it for year wise basis has been presented and analyzed. So, an analysis of proportion of total taxes to government revenue has been made by using financial ratio of total tax to government revenue. As the value of ratio has been increasing it indicates the higher proportion of taxes to government revenue for that year. And, this represents the value of contribution of taxes collection for that specific year to national income of nation. Here, into the table 4.1 the ratio of total taxes to government revenue has been presented for the research duration from 2009/10 to 2015/16. On the basis presented and calculated data below into the table analysis to total contribution of taxes to government revenue has been made.

As per the Table 4.1 indicates the percentage of contribution by taxation to the government revenue generation has been increasing every year from the beginning of research period of 2009/10 to 2015/16. In the beginning period of the research work the contribution ratio of taxation to total national revenue was 86.86%. At the end of study duration of 2015/16 the same ratio is reached at the percentage of 86.66. On the

average for the whole research duration this contribution ratio has become of 87.62% with the standard deviation and coefficient of variation of 6.29% and 7.17% respectively. This contribution ratio of total taxation amount to total government revenue has been decreased at the fiscal year of 2011/12 although this year in other fiscal years are being able to generate the greater ratio each year in comparison with previous year. At the fiscal year 2011/012 it has been declined at 86.66% from 89.30% rather than previous year's contribution ratio.

Table 4.1

Total Taxes Amount to Government Revenue (Rs in million)

Year	Govt. Revenue	Taxes Amount	Ratio	Percentage of Contribution
2009/010	17994.4	15620.7	0. 8686	86.86
2010/011	19837.5	17722.7	0.8930	89.30
2011/012	24437.4	21172.3	0.8666	86.66
2012/013	29602.0	25921.5	0.8760	87.60
2013/014	35662.3	31244.31	0.8770	87.70
2014/015	40586.64	35595.57	0.8860	88.60
2015/016	48196.16	42109.66	0.8666	86.66
Average	30902.3428	27055.24	0.8762	87.62
S. D.	8008.7,	66271.55	0.0629	6.29
C.V.	25.91%	39.21%		7.17%

Source: IRD annual revenue collection report (2009/10-2015/16)

4.1.2 Analysis of Proportion of Non-Taxes to Government Revenue

The national income of each nation has been made from the composition of two major income sources. The first one is income from taxation and the next one is non-tax source of income. Here, into this section of study the analysis of non-tax income to government income generation for the period of seven years has been conducted. How much the revenue is compensated from the non-tax sector to the Nepalese economy has been tried to find out for the research duration from the fiscal year 2009/010 to fiscal year 2015/16. The table 4.2 has been presented the contribution ratio and volume of non-tax income to government income of Nepal for the whole research period.

Table 4.2

Total Non-Taxes Amount to Government Revenue (Rs in million)

Year	Govt. Revenue	Non-Taxes Amount	Ratio	Percentage
2009/10	17994.4	2364.90	0.9880	9.88
2010/11	19837.5	2114.9	0.107	10.7
2011/12	24437.4	3265.90	0.1340	13.4
2012/13	29602.0	3680.64	0.1240	12.4
2013/14	3562.3	4417.95	0.1240	12.4
2014/15	40586.64	4991.07	0.1232	12.32
2015/16	48196.16	6083.50	0.1263	12.63
Average	30902.24	30,462.3	0.1196	11.96
S. D.	8008.91	7,281		3.59
C.V.	25.91%	23.9%		30.01

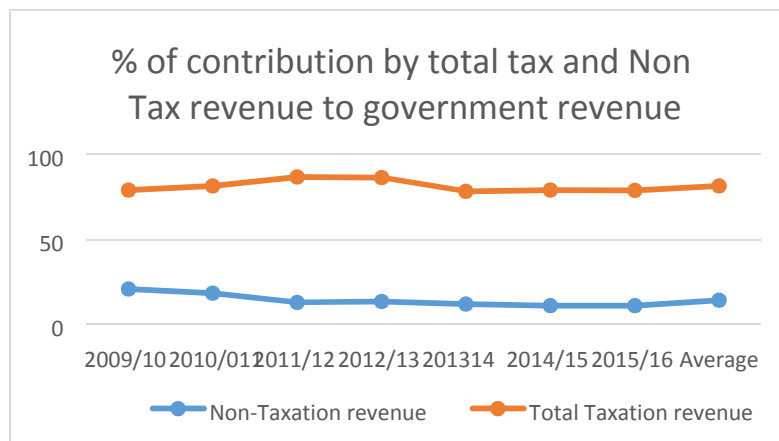
Source: IRD annual revenue collection report (2009/10-2015/16)

According to the table 4.2 the volume of income from non-taxation sector to the government of Nepal at the beginning and at the end of research were Rs 2364.90 million and 6083.50 million respectively. Although the volume of income from non-tax has been seen increasing but the contribution ratio and the area of percentage of national income covered by this sector has been decreased in fact. At the fiscal year 2009/10 the contribution ratio and percentage of contribution of this sector to government income of Nepal was 0.9888 and 9.88%. The ratio of 0.1196 and 11.96% has been covered by the contribution ratio and percentage of contribution made by non-tax income to national revenue of Nepal for the fiscal year 2015/16. The average national government revenue for the whole research period is Rs 30902.24 million and the average quantity of non-tax revenue for the same period is Rs 30462.3 million. In comparison of this quantity of non-tax revenue the percentage of contribution ratio become 11.96% for the whole research era on average with deviation and co-efficient of variation of 3.59% and 30.01% respectively.

4.1.3 Comparison of Income from Taxation and Income from Non-taxation Sector to Government Revenue

On the basis of collected data and information about the income from taxation and non-taxation sector to the nation for the research duration the comparison of contribution of their contributions to the economy have been analyzed. As the above tables 4.1 and 4.2 presented the contribution ratio and percentage of both sectors the comprehensive analysis has been done into this section. As the data presents it has seen that the income from taxation has been contributing the major portion of national revenue and few area has been covered by the non-tax sector. Although the few areas are compensated by the non-tax sector the contribution of this part also cannot be minimized. Below the figure 4.1 indicates the trends of how the income from taxation and non-taxation sector have been contributing to government of Nepal from revenue generation.

Figure 4.1 Trend lines of tax and non-tax revenues



The above figure 4.1 indicates the trend lines of taxation revenue and revenue of non-taxation for the research duration beginning from the fiscal year 2009/10 to the fiscal year 2015/16. As the trend line of income from taxation shows the contribution by this sector to national revenue generation has been in increasing trend each except the fiscal year 2009/10. In case of revenue generation by non-tax sector and its contribution to government revenue for the whole research period, the trend line indicated that the contribution ratio of this sector to national revenue in decreasing trend.

On the average the composition of national revenue of the government of Nepal has been shown into the figure 4.2 for the research. This figure helps to identify how much the contribution of each sector; taxation sector and non-taxation sector of income have been made to economy for the fulfillment of revenue need for the operational and development functions. As the figure 4.2 has shown the contribution made by taxation sector to the national revenue generation is 81.49% for the whole research duration on average. On the other hand, the contribution made by non-tax sector to the government revenue quantity has been seen 14.32% on average for the same period of time. Hence, the contribution made of taxation to national income or government revenue of Nepal has been almost 5.60 times greater than the contribution made by non-taxation sector of the economy. The contribution made by taxation is 559.91% of the contribution of non-taxation sector to government revenue generation.

4.2 Analysis of Taxable Income of Government

Into this section of study analysis of composition of income from taxation for the research period has been analyzed by classifying this sector into two broad sectors. Income from taxation broadly can be divided into two different categories. The total taxation income divided into the category of income from indirect taxation and income from direct taxation. Into both incomes category analysis has been made by evaluating the contribution made by each sector to national government revenue. This kind of evaluation has been conducted for the period of seven years from the beginning of fiscal year 2009/10 to 2015/16 . Hence, on the basis of appraisal making into this section analysis of contribution of direct taxation and indirect taxation to national income for research duration with comparative study also have been done. Hence, by dividing the taxation income to direct and indirect taxation income the micro analysis of the contribution made by each sector of taxation to government revenue generation has tried. This is done to make deep studied as possible the researcher can do by separating the total taxation income because only making study of gross contribution of taxation sector provides the surface knowledge about its contribution and may not be able to represent actual fact and figure of the national economy.

4.2.1 Analysis of Contribution of Direct Taxation to Government

Revenue

In the process of making appraisal of contribution of taxation to government revenue generation, here into this section of study evaluation of contribution of direct taxation to government income has been made. Direct taxation refers to all those taxation received by the government for which the taxpayers and the tax bearers are same and the tax liability cannot be transferred to anyone next person. So, how much the direct taxation has been able to cover the portion of government income for the research duration from fiscal year 2009/10 to 2015/16 has been analyzed. The volume of government income and volume of amount collected from the sources of direct taxation have been compared for making assessment of contribution conducted by this sector to national revenue fulfillment. To analyze the contribution made by direct taxation ratio of direct taxation to government revenue for research period has been

calculated and on the basis of which percentage of contribution each year has been compared and studied.

The table 4.3 shows the volume of income from direct taxation sector to the government of Nepal. At the beginning of research the quantities of amount of direct taxation and total government revenue were Rs. 4176.50millions and Rs17994.4 million respectively. Similarly, at the end of research duration they were Rs10333.25 million and Rs 48196.16 million respectively. The volumes of income from direct taxation has been seen increasing and became almost double at the end of study period than at the starting point of time. But the contribution ratio and the area of percentage of national income covered by this sector have been slowly increasing and reached at 25.03% from the percent of 23.21 in fact. At the fiscal year 2009/10 the contribution ratio and percentage of contribution of this sector to government income of Nepal was 0.23.21 and 23.21%

The ratio of 0.2503 and 25.03% has been covered by the contribution ratio and percentage of contribution made by direct taxation income to national revenue of Nepal for the fiscal year 2015/16. The average national government revenue for the whole research period is Rs48196.16 million and the average quantity of revenue from direct taxation for the same period is Rs10333.25 million. In comparison of this quantity of revenue from this direct taxation covers the percentage of contribution ratio of 23.92% for the whole research era on average with standard deviation of 1.14% and coefficient of variation of 4.76%.

Table 4.3**Amount of Direct Taxation to Government Revenue** Rs millions

Year	Govt. Revenue	Amount of Direct Taxation	Ratio	Percentage of Contribution
2009/10	17994.4	41776.50	02321	23.21
2010/11	19837.4	4828.42	02434	24.34
2011/12	24437.4	6055.58	02478	24.78
2012/13	29602.0	7409.38	02503	25.03
2013/14	35662.3	8837.11	02449	24.49
2014/15	40586.64	9773.26	02408	24.08
2015/16	48196.16	10333.25	02144	21.44
Average	30902.24	12716.20	0.2391	23.91
S. D.	8008.7	3034.370		1.14
C.V.	25.91%	23.86%		4.76

Source: IRD annual revenue collection report (2009/10-2015/16)

4.2.2 Analysis of Contribution of Indirect Taxation to Government Revenue

Into this section of research work analysis of contribution made by the indirect taxation has been analyzed. This contribution is analyzed with comparison of revenue collection of government of Nepal for the research duration from 2009/10 to the fiscal year 2015/16. The government of Nepal classifies all those incomes collection from various sources to the major sectors of indirect taxation. They are customs duties, value added tax, excise duty, and other indirect taxes. Thus, from these all indirect taxation how much contribution has been made to gross domestic revenue of Nepal government is measured for the research duration. To measure contribution of this sector the ratio of amount of indirect taxation to national revenue has been calculated

for the whole study time which has been shown into the table 4.4 below. To make analysis easy and more understandable the obtained contribution ratio is also converted into percentage too.

Table 4.4

Amount of Indirect Taxation to Government Revenue (Rs in million)

Year	Govt. Revenue	Amount of Indirect Taxation	Ratio	Percentage of Contribution
2009/10	17994.4	11453.43	0.6365	63.65
2010/11	19837.5	12321.07	0.6211	62.11
2011/12	24437.4	13108.22	0.5364	53.64
2012/13	29602.0	16023.56	0.5413	54.13
2013/14	25662.3	14021.88	0.5434	54.31
2014/15	40586.64	23410.37	0.5768	57.68
2015/16	48196.16	27712.792	0.5750	57.50
Average	30902.34	16864.47	0.5751	57.51
S. D.	8008.7	6236.37		3.6913
C.V.	25.91%	36.97%		6.42

Source: IRD annual revenue collection report (2009/10-2015/16)

As the above table 4.4 has shown the contribution made by the indirect taxation has been located in between 57% to 64% of total national earned by the government. Hence, all these information has proved that indirect taxation is the main source of income generation of Nepal government. More than half of the national income of government of Nepal has been collection form the indirect taxation. For the research period the least contribution made by this sector is 53.64% which is at the fiscal year 2011/12. At this fiscal year the contribution ratio of indirect taxation to total government revenue is

0.5751. The largest contribution made by this sector among all the research duration is 63.65% which is conducted by the fiscal year 2009/10. On the average the contribution made by this sector to national revenue generation for the seven years research duration is 57.51%. Hence, it proves that most of the revenue of government of Nepal is come from indirect taxation. So, to promote this sector the government should have more focus and become more sensitive because fluctuation on this sector can create more complexity to the government of Nepal to achieve its target revenue collection to conduct national development function. So, the development of total economy is affected by this sector if not effectively considered. The contribution made by indirect taxation is 57.68% at the fiscal year when the research started but till the research has completed this ratio of percent has reached at 54.34%. So, this trend indicates that the contribution of this sector is increasing with fluctuation of 3.6913% which is shown by the standard deviation value calculated and the coefficient of variation of 6.42%.

4.2.3 Comparative Analysis of Contribution of Direct and Indirect Taxes

In this study the comparison of direct taxation and indirect taxation has been done on the basis of their contribution made by these sectors to national economy and total revenue collection by the government of Nepal for the whole research duration of seven years from the fiscal year 2009/10 to 2015/16. Here, to compare the contribution made by these two sources of government revenue generation the ratios between direct taxation and total national income and direct taxation to total taxation income are taken. On the other hand, ratios of indirect taxation with total national income and total taxation income for the research duration has been obtained and compared with the same ratios of direct taxation. All of these information and data are presented into the table 4.5 below.

Table 4.5

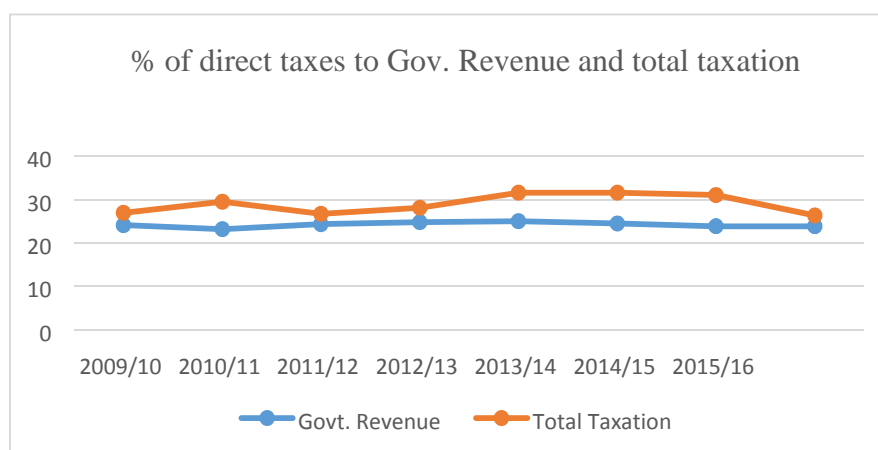
Comparative Analysis of Contribution of Direct and Indirect Taxes

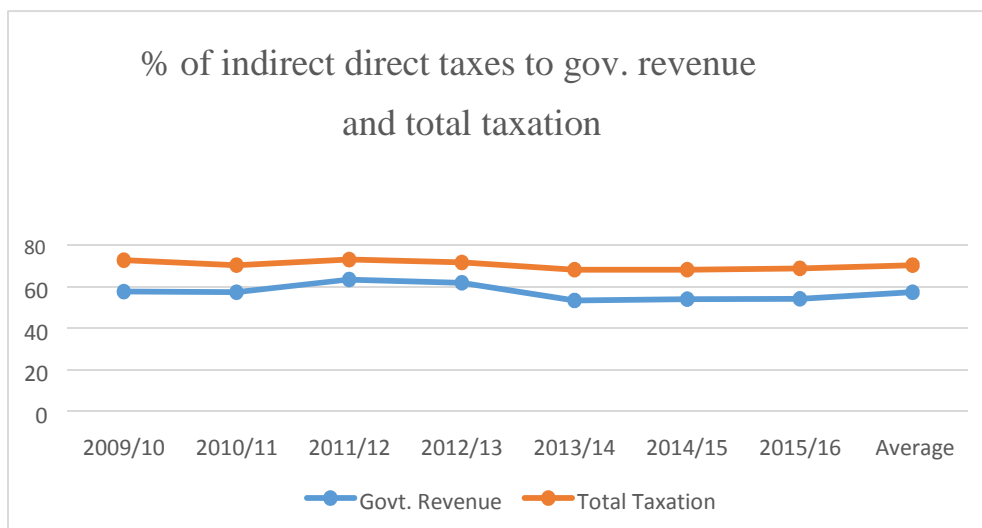
(Rs in million)

Year	% of Direct Taxes to		% of Indirect Taxes to	
	Govt. Revenue	Total Taxation	Govt. Revenue	Total Taxation
2009/10	24.08	26.72	63.65	73.28
2010/11	23.21	28.15	62.11	71.85
2011/12	24.34	31.60	53.63	68.4
2012/13	24.78	31.62	54.13	68.38
2013/14	25.03	31.06	54.34	68.94
2014/15	24.49	32.05	57.68	67.95
2015/16	23.91	32.60	57.50	67.40
Average	23.91	30.54	57.51	74.74
S. D.	4.76	1.055	3.6913	1.985
C. V.	21.44	7.92	6.42	2.80

Source: IRD annual revenue collection report (2009/10-2015/16)

Figure 4.2 Trend lines of contribution of direct and Indirect Taxation Taxation





As the table 4.5 indicates the average contribution made by direct taxation to the government income of Nepal for seven years research duration is 23.91% with the standard deviation value of 4.76% and co-efficient of variation of 21.44%. On the other hand, the same contribution by indirect taxation to the national income of government for the same duration is 57.51% with standard deviation of 3.6913% and co-efficient of variation of 6.4201%. Hence, the contribution made by indirect taxation to national revenue generation is almost 2.75 times greater than direct taxation. In case of contribution to total taxation by the each sector of taxation also the contribution made by indirect taxation is greater than the contribution made by direct taxation. The contribution made by indirect taxation on average for the total research duration is 74.74% of total taxation collected by the nation within the research period. The deviation value of this contribution till the research end is 1.985% on average and co-efficient of variation is 2.80%. Besides this the contribution made by direct taxation to total tax collection made by economy to the all research era is 30.54% on average. For this research duration the deviation and coefficient of variation are 1.05% and 7.92% respectively have been seen to the contribution of direct taxation to gross revenue collection from the all kinds of taxation to the whole research period. As like the contribution of indirect taxation to total national revenue generation the contribution of indirect taxation to total taxation for the economy to this research period is almost 2.55 times greater than contribution made by direct taxation to total taxation. Hence, it is proved that the most of national income is come from taxation. On the taxation most of the revenues are come from indirect taxation sources than the source of direct taxation. The income received from

indirect taxation is almost three times greater than income received from direct taxation to the government of Nepal during the research period. This trend of contribution of direct and indirect taxation to the economy can also be presented as following.

As shown by the figure 4.2 the trend lines of contribution made by the direct and indirect taxation to the government revenue and total taxation revenue of Nepal have been slightly fluctuated. During the research period of last seven fiscal years the trend of direct taxation to the total government revenue has been slightly increased with some degree of fluctuation. On the other hand, trend of direct taxation contribution to total taxation revenue has been slightly increased but there is also on consistency into the trend of increasing. It has been reached at picked at the fiscal year 2012/13 and then after it also decreased. In case of total contribution of direct taxation to the government revenue of Nepal it has been reached at the pick level of the contribution ratio or percentage of total government revenue on the fiscal year 2012/13. At the last fiscal year some of decrement of contribution has been seen into this sector.

Similarly, into the analyzing the trend of indirect taxation to total government income and total taxation revenue of the government of Nepal it has been seen that both are fluctuating during the research period of seven fiscal year from the fiscal year 2009/10 to the fiscal year 2015/16. But the contribution of indirect taxation to total government revenue has been slightly increased and on the opposite the contribution of indirect taxation to total taxation income has been slightly decreased. Hence it indicates that the gap between total government revenue and total taxation revenue has been reducing each year with some degree of fluctuation.

4.3 Analysis of Components and Contribution of Indirect Taxation to Government Revenue Generation

In this research work the researcher has been tried to conclude the analysis about the contribution made by the components of indirect taxation. To analyze the components of indirect taxation, in Economic Bulletin published by Nepal Rastra Bank has been taken. As per the classification made by the NRB on its report indirect taxation has been classified as customs duty, excise duty, value added tax, and other remaining

indirect taxations. On this study purpose only the contribution made by customs duty to total government revenue, contribution of value added tax to total government revenue and contribution made by excise duty collection to total government revenue of Nepal have been analyzed. The brief analysis of these three components of indirect taxation to total government revenue for the seven years duration has been presented below. The analysis has been conducted during the period beginning from the fiscal year 2009/10 to the fiscal year 2015/16.

4.3.1 Analysis of Contribution Made by Customs Duties to Government Revenue

Here into this section of the study the measurement of contribution made by customs duty to total government revenue of Nepal has been analyzed for the period of seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. In this process of conducting appraisal of contribution of customs duty measurement of average rate of contribution, standard deviation, coefficient of variation, ratio of contribution of customs duty to total government revenue of Nepal and percentage of coverage of customs duty on total government revenue during the research period have been analyzed. All these analysis and brief description has been presented below with the help of table 4.6. This analysis has shown information about the recent trend of customs duty to total government revenue for past seven years. This obtained trend would be efficiently useful to forecasting the future contribution of customs duty to make planning about the national revenue collection by the government of Nepal to operate its regular operating functions as well as development function.

Table 4.6**Customs Duties to Government Revenue (Rs in million)**

Year	Govt. Revenue	Amount of Customs Duties	Ratio	Percentage of Contribution
2009/10	17994.4	3310.96	0.1850	18.5
2010/011	19837.5	3882.19	0.1957	19.57
2011/12	24437.4	4520.91	0.1850	18.5
2012/13	29602.0	5624.38	0.190	19.0
2013/14	35662.3	6561.86	0.1840	18.4
2014/15	40586.64	6940.31	0.171	17.1
2015/16	48196.16	8868.09	0.184	18.4
Average	30902.34	5675.1	0.18.5	18.5
S. D.	8008.7	1883.29		0.8728
C.V.	25.91	33.18		4.71

Source: IRD annual revenue collection report (2009/10-2015/16)

Above table 4.6 has presented the ratio of contribution of customs duty to total government revenue for the seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. Contribution of customs duty to total government revenue has been shown into ratio and percentage basis. As shown by the table 4.5 the trend of contribution of customs duty has been shown that average of 0.1850 proportion of total government revenue has been covered by customs duty during the research period. So, this identify that the contribution of 18.50% has been done by customs duty to total government revenue with the deviation of 0.8728% and co-efficient of variation of 4.71%. During the research period trend of contribution of customs duty has been decreased although the volume of customs duty collection has been increased each year. From this it has been proved that increment into customs duty could not be able to meet the increment of total government as the time passed.

That's why the much more high speed of increment of customs duty has been needed to recover the past trend of contribution of customs duty to government revenue of Nepal. As the table shows in the beginning fiscal year of research.

i.e. in the fiscal year 2009/10 the contribution ratio and percentage of contribution are 0.18.40 and 18.40% respectively which are reduced and became 0.1710 and 17.10% respectively at the last fiscal year of 2013/14, than it increase the same path So, it has been identified that the decrement of contribution of customs to total government revenue of Nepal is 12.20% of total contribution of the beginning period.

4.3.2 Analysis of Contribution Made by Value-added Tax to Government Revenue

Value added tax is one of the indirect taxes levied by the government of Nepal to the consumers of different goods and services. It is collected through the middlemen who are involving into the process of providing these services and goods. The government has charged the value added tax into the price of the products to meet its objectives of revenue collection. Here into this section of the study the measurement of contribution made by value added tax to total government revenue of Nepal has been analyzed for the period of seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. In this process of conducting appraisal of contribution of value added tax measurement of average rate of contribution, standard deviation, co-efficient of variation, ratio of contribution of value added tax to total government revenue of Nepal and percentage of coverage of value added tax on total government revenue during the research period have been analyzed.

All these analysis and brief description has been presented below with the help of table 4.7. This analysis has shown information about the recent trend of value added tax to total government revenue for past nine years. This obtained trend would be efficiently useful to forecasting the future contribution of value added tax to make planning about the national revenue collection by the government of Nepal to operate its regular operating functions as well as development function. On the other hand, it would be useful to evaluate the performance of tax collection department especially value added tax collection department to collect targeted revenue set by the government of Nepal during the research period.

Table 4.7**Value-added Tax to Government Revenue** (Rs in million)

Year	Govt. Revenue	Amount of Value added Taxation	Ratio	Percentage of Contribution
2009/10	17994.4	4813.502	0.2675	26.75
2010/11	19837.5	5514.82	0.2780	27.80
2011/12	24437.4	6905.36	0.2818	28.18
2012/13	29602.0	8392.16	0.2835	28.35
2013/14	35662.3	9885.58	0.2772	27.72
2014/15	40586.64	10309	0.2540	25.40
2015/16	48196.16	12723.78	0.2640	26.40
Average	30902.34	9493.49	0.2722	27.22
S. D.	8008.7	2234.29		0.9999
C.V.	25.91%	23.53%		3.671

Source: IRD annual revenue collection report (2009/10-2015/16)

Above table 4.7 has presented the ratio of contribution of value added tax to total government revenue for the seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. Contribution of value added tax to total government revenue has been shown into ratio and percentage basis. As shown by the table 4.6 the trend of contribution of value added tax has been shown that average of 0.27228 proportion of total government revenue has been covered by value added tax during the research period. So, this identify that the contribution of 27.22% has been done by value added tax to total government revenue with the deviation of .9999% and co-efficient of variation of 3.671%. During the research period trend of contribution of value added tax has been increased with some degree of fluctuation with the volume of value added tax collection has been increased each year. From this it has been proved that increment into value added tax is being able to meet exceeding increment of total

government as the time passed. That's why it has been proved that the contribution of value added tax to government revenue is increasing with the higher proportion coverage each year to government revenue of Nepal. As the table shows in the beginning fiscal year of research i.e. in the fiscal year 2009/10 the contribution ratio and percentage of contribution of value added tax are 0.2675 and 26.75% respectively which are reached at the contribution ratio and percentage of contribution coverage are 0.2640 and 26.40% respectively at the last fiscal year of

2015/16. So, it has been identified that the decrease on contribution of value added tax to total government revenue of Nepal is 7.76% of total contribution made by value added tax to total government income at the beginning period of research.

4.3.3 Analysis of Contribution Made by Excise Duties to Government Revenue

Excise duty is one of the indirect taxes levied by the government of Nepal to consumers of different goods and services which are being under the provision of excise duty regulation and crossed the state and country boarder. It is collected through the middlemen who are involving into the process of providing these services and goods. The government has charged the excise duty into the products to meet its objectives of revenue collection of government via taxation income. Here into this section of the study the measurement of contribution made by excise duty to total government revenue of Nepal has been analyzed for the period of seven fiscal years from the fiscal year 200910 to the fiscal year 2015/16. In this process of conducting appraisal of contribution of excise duty measurement of average rate of contribution, standard deviation, co-efficient of variation, ratio of contribution of excise duty to total government revenue of Nepal and percentage of coverage of excise duty on total government revenue during the research period have been analyzed.

All these analysis and brief description has been presented below with the help of table 4.8. This analysis has shown information about the recent trend of excise duty to total government revenue for past seven years from the fiscal year 2009/10 to the fiscal year 2015/16. On this way, the obtained trend would be efficiently useful to forecasting the future contribution of excise duty to make planning about the national revenue collection by the government of Nepal to operate its regular operating

functions as well as development function. On the other hand, it would be useful to evaluate the performance of tax collection department especially excise duty collection department to collect targeted revenue set by the government of Nepal during the research period in case of excise duty forecasting.

Table 4.8

Excise Duties to Government Revenue (Rs in million)

Year	Govt. Revenue	Amount of Excise Duties	Ratio	Percentage of Contribution
2009/10	17994.4	2081.95	0.1157	11.57
2010/11	19837.5	2372.565	0.1196	11.96
2011/12	24437.4	2991.13	0.1224	12.24
2012/13	29602.3	3768.37	0.1273	12.73
2013/14	35662.3	4703.85	0.1319	13.19
2014/15	40586.68	5540	0.1365	13.65
2015/16	48196.16	6699.26	0.1390	13.9
Average	30902.34	4022.44	0.1274	12.74
S. D.	8008.7	1665.75		0.7619
C.V.	25.91%	41.41%		5.98

Source: IRD annual revenue collection report (2009/10-2015/16)

Above table 4.8 has presented the ratio of contribution of excise duty to total government revenue for the seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. Contribution of excise duty to total government revenue has been shown into ratio and percentage basis. As shown by the table 4.8 the trend of contribution of excise duty has been shown that average of 0.1274 proportion of total government revenue has been covered by excise duty during the research period. So, this identify that the contribution of 12.74% has been done by excise duty to total government revenue with the deviation of 0.7619% and co-efficient of variation of

5.98%. During the research period trend of contribution of excise duty has been increased with some degree of fluctuation with the volume of excise duty collection has been fluctuated after the fiscal year 2009/10. The contribution made by excise duty to government revenue is at the highest level into the fiscal year 2015/16 with the percentage of 13.90% of total government revenue of Nepalese economy. From this it has been proved that increment into excise duty is being able to meet exceeding increment of total government as the time passed. That' why it has been proved that the contribution of excise duty to government revenue is increasing with the higher proportion coverage each year to government revenue of Nepal till the fiscal year 2009/10 and then after it has been into decreasing trend. As the table shows in the beginning fiscal year of research i.e. in the fiscal year 2009/010 the contribution ratio and percentage of contribution of excise duty are 0.1157 and 11.57% respectively which are reached at the contribution ratio and percentage of contribution coverage are 0.1390 and 13.90% respectively at the last fiscal year of 2015/16. So, it has been identified that the increment of contribution of excise duty to total government revenue of Nepal is 49.46% of total contribution made by excise duty to total government income at the beginning period of research.

4.4 Analysis of Components and Contribution of Direct Taxation to Government Revenue Generation

Into this section of the research work the researcher has been tried to conclude the analysis about the contribution made by the components of direct taxation. To analyze the components of direct taxation the classification of direct taxation by Economic Bulletin published by Nepal Rastra Bank has been taken. As per the classification made by the NRB on its report direct taxation has been classified as income tax, land and building registration tax, property tax and vehicles tax. On this study purpose only the contribution made by income tax to total government revenue, contribution of land and building registration tax to total government revenue, property tax to government revenue and contribution made by vehicle tax collection to total government revenue of Nepal have been presented with the help of various tables and by using some ratios and statistical tools they are also analyzed. The brief analysis of only three components excluding property tax of direct taxation to total government revenue for the seven years research duration has been presented and

described below. The analysis has been conducted during the period beginning from the fiscal year 2009/10 to the fiscal year 2015/16.

4.4.1 Analysis of Contribution Made by Income Taxes to Government Revenue

Income tax is one of the direct taxes levied by the government of Nepal to consumers of different goods and services which are being under the provision of income tax act 2058 and regulation and crossed the state and country boarder. It is collected directly from who are involving into the process of generating incomes from employment, businesses, enterprises and investment, etc. The government has charged the income tax to those persons who are under the income category determined by the income tax act to meet its objectives of revenue collection of government via taxation income. Here into this section of the study the measurement of contribution made by income tax to total government revenue of Nepal has been analyzed for the period of seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. In this process of conducting appraisal of contribution of income tax measurement of average rate of contribution, standard deviation, co-efficient of variation, ratio of contribution of income tax to total government revenue of Nepal and percentage of coverage of income tax on total government revenue during the research period have been analyzed.

All these analysis and brief description has been presented below with the help of table 4.9. This analysis has shown information about the recent trend of income tax to total government revenue for past seven years from the fiscal year 2009/10 to the fiscal year 2015/16. On this way, the obtained trend would be efficiently useful to forecasting the future contribution of income tax to make planning about the national revenue collection by the government of Nepal to operate its regular operating functions as well as development function. On the other hand, it would be useful to evaluate the performance of tax collection department especially income tax collection department to collect targeted revenue set by the government of Nepal during the research period in case of income tax forecasting.

Table 4.9
Income Taxes to Government Revenue (Rs. In million)

Year	Govt. Revenue	Amount of Income Taxation	Ratio	Percentage of Contribution
2009/10	17994.4	3481.91	0.1935	19.35
2010/011	19837.4	4058.73	0.2046	20.46
2011/12	24437.5	5298.05	0.2168	21.68
2012/13	29602.0	6275.624	0.2120	21.20
2013/14	35662.0	7571.04	0.2123	21.23
2014/15	40586.64	1055.0	0.2300	23.0
2015/16	48196.16	11808.05	0.2450	24.5
Average	30902.34	5649.77	0.2163	21.63
S. D.	8008.7	3427.19		1.56
C.V.	25.91%	60.66%		7.21

Source: IRD annual revenue collection report (2009/10-2015/16)

Above table 4.9 has presented the ratio of contribution of income taxes to total government revenue for the seven fiscal years from the fiscal year 2009/010 to the fiscal year 2015/16. Contribution of income taxes to total government revenue has been shown into ratio and percentage basis. As shown by the table the trend of contribution of income taxes has been shown that average of 0.2163 proportion of total government revenue has been covered by income taxes during the research period. So, this identify that the contribution of 21.63% has been done by income taxes to total government revenue with the deviation of 1.93% and co-efficient of variation of 7.21%. During the research period trend of contribution of income taxes has been in increased with some degree of fluctuation with the volume of income tax collection has been fluctuated. The contribution made by income taxes to government revenue is at the highest level into the fiscal year 2012/13 with the percentage of 21.23% of total government revenue of Nepalese economy. From this it has been

proved that increment into income tax is being able to meet exceeding increment of total government as the time passed. That' why it has been proved that the contribution of income taxes to government revenue is increasing with the higher proportion coverage each year to government revenue of Nepal. As the table shows in the beginning fiscal year of research i.e. in the fiscal year 2009/10 the contribution ratio and percentage of contribution of income taxes are 0.1935 and 19.35% respectively which are reached at the contribution ratio and percentage of contribution coverage are 0.2450 and 24.50% respectively at the last fiscal year of 2015/16. So, it has been identified that the increment of contribution of income taxes to total government revenue of Nepal is 43.84% of total contribution made by income taxes to total government income at the beginning period of research.

4.4.2 Analysis of Contribution Made by Land and Building Registration Tax to Government Revenue

Land and building registration is a kind of direct taxation charged by Nepalese government. It is collected directly from who are involving into the process of transformation of ownership of land and building and conducting their registration. The government has charged the land and building registration tax to those persons who are involving transformation of land building ownership to meet its objectives of revenue collection of government via taxation income. Here into this section of the study the measurement of contribution made by land and building registration taxes to total government revenue of Nepal has been analyzed for the period of seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. In this process of conducting appraisal of contribution of land and building registration taxes measurement of average rate of contribution, standard deviation, co-efficient of variation, ratio of contribution of land and building registration taxes to total government revenue of Nepal and percentage of coverage of land and building registration taxes on total government revenue during the research period have been analyzed. All these analysis and brief description has been presented below with the help of table 4.10. This analysis has shown information about the recent trend of land and building registration taxes to total government revenue for past seven years from the fiscal year 2009/10 to the fiscal year 2015/16. On this way, the obtained trend would be efficiently useful to forecasting the future contribution of registration taxes

of land and building to make planning about the national revenue collection by the government of Nepal to operate its regular operating functions as well as development function. On the other hand, it would be useful to evaluate the performance of tax collection department especially land and building registration department to collect this tax as targeted revenue set by the government of Nepal during the research period in case of land and building registration taxes forecasting.

Table 4.10

Land and Building Registration Tax to Government Revenue (Rs in million)

Year	Govt. Revenue	Amount of Land & Building Reg.	Ratio	Percentage of Contribution
2009/10	17994.4	491.24	0.0273	2.73
2010/11	19837.5	762.05	0.0366	3.66
2011/12	24437.4	747.78	0.0306	3.06
2012/13	29602.0	526.95	0.0178	1.78
2013/14	35662.3	474.30	0.0133	1.33
2014/15	40586.64	657.50	0.0162	1.62
2015/16	48196.16	809.69	0.0168	1.68
Average	30902.34	544.63	0.0227	2.2657
S. D.	8008.7	90.09		0.816
C.V.	25.91%	16.54%		36 %

Source: IRD annual revenue collection report (2009/10-2015/16)

Above table 4.10 has presented the ratio of contribution of land and building registration taxes to total government revenue for the seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16. Contribution of land and building registration taxes to total government revenue on the average is 2.2637% for the whole research period with the standard deviation of 0.816% and the co-efficient of variation of 36%. During the research period trend of contribution of land and

building registration taxes has been fluctuated during the research period of seven years. The contribution made by land and building registration taxes to government revenue is at the highest level into the fiscal year 2010/11 with the percentage of 3.66% of total government revenue of Nepalese economy. From this it has been proved that there is no consistency of increment of volume of taxes received from land and building registration with the increment of total government as the time passed. As the table shows in the beginning fiscal year of research i.e. in the fiscal year 2009/10 the contribution ratio and percentage of contribution of land and building registration taxes are 0.0273 and 2.73% respectively which are reached at the contribution ratio and percentage of contribution coverage are 0.0168 and 1.68% respectively at the last fiscal year of 2015/16. So, it has been identified that the decrement of contribution of land and building registration taxes to total government revenue of Nepal is 29.53% of total contribution made by land and building registration taxes to total government income at the beginning period of research.

4.4.3 Analysis of Contribution Made by Vehicle Taxes to Government Revenue

Vehicle tax is one of the direct taxes levied by the government of Nepal to consumers of different means of vehicles under the prevailing provision of related act and regulation and. It is collected directly from who are consuming vehicles facilities as the means of transportation. The government has charged the vehicles tax to those persons who are using vehicles facilities within the span of the country Nepal to meet its objectives of revenue collection of government via taxation income. Here into this section of the study the measurement of contribution made by vehicles tax to total government revenue of Nepal has been analyzed for the period of seven fiscal years from the fiscal year 2009/2010 to the fiscal year 2015/16. In this process of conducting appraisal of contribution of vehicles tax measurement of average rate of contribution, standard deviation, co-efficient of variation, ratio of contribution of vehicles tax to total government revenue of Nepal and percentage of coverage of vehicles tax on total government revenue during the research period have been analyzed.

All these analysis and brief description has been presented below with the help of table 4.11. This analysis has shown information about the recent trend of vehicles tax to total government revenue for past seven years from the fiscal year 2009/10 to the fiscal year 2015/16 On this way, the obtained trend would be efficiently useful to forecasting the future contribution of vehicles tax to make planning about the national revenue collection by the government of Nepal to operate its regular operating functions as well as development function. On the other hand, it would be useful to evaluate the performance of tax collection department especially related department of vehicles tax collection to collect targeted revenue set by the government of Nepal during the research period in case of vehicles tax forecasting.

Table 4.11

Vehicle Taxes to Government Revenue (Rs in million)

Year	Govt. Revenue	Amount of Vehicle Taxes	Ratio	Percentage of Contribution
2009/10	17994.4	241.12	0.0134	1.34
2010/11	19837.5	299.54	0.0151	1.51
2011/12	24437.4	261.48	0.0107	1.07
2012/13	29602.0	473.632	0.0106	1.06
2013/14	35662.3	399.41	0.0112	1.12
2014/15	40586.64	515.450	0.0127	1.27
2015/16	48196.16	491.60	0.0102	1.02
Average	30902.34	383.176	0.01957	1.1957
S. D.	8008.7	220.68		0.1704
C.V.	25.91%	57.59%		14.25 %

Source: IRD annual revenue collection report (2009/10-2015/16)

Above table 4.11 has presented the ratio of contribution of vehicles taxes to total government revenue for the seven fiscal years from the fiscal year 2009/10 to the

fiscal year 2015/16. Contribution of vehicles taxes to total government revenue has been shown into ratio and percentage basis. As shown by the table 4.11 the trend of contribution of vehicles taxes has been shown that average of 0.01957 proportion of total government revenue has been covered by vehicles taxes during the research period. So, this identify that the contribution of 1.1957% has been done by vehicles taxes to total government revenue with the deviation of 0.1704% and co-efficient of variation of 14.25%. During the research period trend of contribution of vehicles taxes has been in increased with some degree of fluctuation with the volume of vehicles taxes collection has been fluctuated during the research duration. The contribution made by vehicles taxes to government revenue is at the lowest level into the fiscal year 2009/10 with the percentage of 0.0134% of total government revenue of Nepalese economy. From this it has been proved that increment into vehicles taxes is being able to meet exceeding increment of total government as the time passed with some degree of fluctuation. As the table shows in the beginning fiscal year of research i.e. in the fiscal year 2009/10 the contribution ratio and percentage of contribution of vehicles taxes are 0.13 and 1.3% respectively which are reached at the contribution ratio and percentage of contribution coverage are 0.0102 and 1.02% respectively at the last fiscal year of 2015/16. So, it has been identified that the increment of contribution of vehicles taxes to total government revenue of Nepal is 1.2% of total contribution made by vehicles taxes to total government income at the beginning period of research.

4.5 Major Findings

During the research period the following major findings are found from the above analysis of related sector.

1. The total revenue of Nepalese government has been reached at Rs. 42109.66 million during the research period from the volume of Rs,17994.4 million with the average income of Rs.30902.40 million since seven fiscal years duration.
2. The contribution made by total taxation collection to government revenue for Nepalese government during the research period is 87.62% with the deviation value of 6.29% and co-efficient of variation of 7.178%.

3. The average percentage of coverage of 11.96% to total government revenue of Nepal has been occupied by non-taxation revenue during the research period with deviation and co-efficient of variation of 3.59% and 30.01% respectively on their central value.
4. The average contribution made by direct taxation to total government revenue of Nepal for the last seven fiscal years of research duration is 23.91% with the deviation value and co-efficient of variation of 1.14% and 4.76% respectively.
5. The contribution made by total indirect taxation collection to the government revenue of Nepal during the research period is 57.51% with the deviation value of 3.6913% and co-efficient of variation of 6.4201%.
6. The average percentage of 30.50% to total taxation revenue of Nepalese government has been occupied by direct taxation revenue during the research period of seven fiscal years with deviation and co-efficient of variation of 1.055% and 7.92% respectively on their central value.
7. The average contribution made by indirect taxation to total taxation revenue of Nepal for the last seven fiscal years beginning from the fiscal year 2009/10 to the fiscal year 2015/16 of research duration is 74.74% with the deviation value and co-efficient of variation of 1.985% and 2.80% respectively.
8. The contribution made by total customs duty collection to government revenue for Nepalese government from the fiscal year 2009/10 to the fiscal year 2015/16 is 18.5% with the deviation value of 0.8728% and coefficient of variation of 4.71%.
9. The average contribution made by value added tax to total government revenue for the last seven fiscal years beginning from the fiscal year 2009/10 to the fiscal year 2014/15 of research duration is 27.22% with the deviation value and co-efficient of variation of 0.999%(1%) and 3.671% respectively.
10. The contribution made by total excise duty collection to the government revenue of Nepal during the research period from the fiscal year 2009/010 to

the fiscal year 2015/16 is 11.84% with the deviation value of 1.024% and coefficient of variation of 8.47%.

11. The percentage of 12.74% of total government revenue is contributed by revenue received by Nepalese government from income taxes collection on the average for last seven fiscal years of research duration with the deviation and coefficient of variation of 0.7695% and 5.98% respectively.
12. The land and building registration tax to total government revenue is 2.264% on the average for the research duration with 0.816% of standard deviation and coefficient of variation of 36%.
13. The contribution made by total vehicles taxes collection to government revenue for Nepalese government from the fiscal year 2009/10 to the fiscal year 2015/16 is 1.1957% with the deviation value of 0.1704% and coefficient of variation of 14.25% .
14. The majority portion of government revenue of the country Nepal is contributed by the taxation income. Only around fifteen percent of total revenue is received from non-taxation sectors of economy for government revenue during the research period.
15. Among total taxation revenue of Nepalese government direct taxation is contributed around one third of total taxation and rest two third of total taxation is contributed by indirect taxation received during the research period of seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16 .

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

It is the last chapter for any research work. Into this chapter basically overview of the whole study has been mentioned in brief with the possible suggestions and recommendations if the researcher feels needed. So, this chapter is mainly classified into three different sections. The first section is summary which deals in short about the whole research work conducted and mentioned into previous three chapters. Similarly, the second one is conclusions which consists all those matters of analysis and findings from the research work completed. At last the final section is recommendations. It included all those suggestions and advices that are given by the researcher about the research. Recommendations are presented as the feedback to the related sector of research. Thus, in this way formally the research work is completed after the completions of this section with possible suggestions and feedbacks.

5.1 Summary

Funds are the most important for the nation. from the fund a nation can do any financial activities and also sufficient funds to carry out development plans, handle day today administration, maintain peace and security and launch other public welfare activities. The funds required by the government are normally collected from two sources: debt and revenues. The revenues of the government come basically from two sources: tax and non-tax. Non-tax sources include different revenues like gifts, grants, revenues from public enterprises, administration revenues such as registration fees, fines and penalties. Tax sources include customs, excise duty, VAT, income tax. In Nepal around eighty percent of the government revenue comes from taxation. Hence, the tax is the major source of government revenue. Tax is any compulsory levy from individuals, households and firms to central or local government. It is an amount of money that we have to pay to the government so that it can pay for public services. It is simply a liability to pay an amount to the government. It is a compulsory contribution from the taxpayers. Tax is computed and paid as prescribed in the law. When a person or company is taxed, they have to pay a part of their income or profits to the government. When goods are taxed, a percentage of their

price has to be paid to the government. Thus, we can define tax as a compulsory contribution made by taxpayers to the government without having any direct personal benefits. Basically, tax can be classified into two broad categories: one is direct tax and another is indirect tax.

This study mainly focused on the composition of taxes to collect the revenue of the government's operation in the context of Nepal. It also tries to show how the government of Nepal collects the needed fund from the various sources of taxes as well as from the non-taxes sources too. Similarly, this study also tries to show the composition of tax structure and their proportion to the government revenue. The government of Nepal is bound to play a proactive role in support of programs related to education, health, drinking water, agriculture, local development and infrastructure. These activities require huge expenditure in excess of the revenue available to the treasury. Private sector is still too weak to deal with these issues. This has led to increasing revenue expenditure gap in Nepal, which calls for effective internal resources. But resource mobilization through taxation is a challenging proposition in Nepal. The tax evasion and leakage is the main problem of the overall Nepalese tax system. The past trend of tax leakage and evasion was very dangerous for the development of the country, which is continuing in present days too. There are so many ideas and techniques have been developed to cheat the taxes. Our rules and regulation is not strong and powerful to control the tax evasion and leakage. Also here is not any border point where corruption is not. Political instability and fully support to bad personnel by politician is another problem of revenue collection through taxation.

The basic objective of the present study is to show the composition of different taxes and non-tax income for the revenue collection for the government of Nepal as well as their contribution too. Thus, the study will try to meet the following specific objectives: To determine the contribution ratio of taxes to the total income of the government, to measure the proportions of tax and nontax incomes as well as their composition, to find out the sector-wise contribution and trend of direct tax and indirect taxes to total fund generation by the government and to analyze the overall composition of total revenue of government from the taxation as well as from non-taxes income.

In the context of Nepal many studies are done into the matter of laws, provisions, administration and structure of taxation. Most of those research works and theses are focused on the efficiency of tax administration of Nepal, and wide spread tax evasion and in the matter of value-added tax and some of others too. Although this situation this research work is conducted in the matter of taxation to test the level of contribution of taxes to government revenue of Nepal. The government is receiving income from various resources. But these sources can be broadly divided into two sectors of revenue generation. The first one is taxation and the next one is non-taxation sector. This research has been made to cover out the real position of taxation and its contribution to national revenue. So, it tries to find out the proportion of taxation and its components into total national income of government. It also makes comparison in between the contribution made by taxation and non-tax area of revenue collection.

5.2 Conclusions

There are various components at the composition of national income of any nation. Basically, all these income components can be categorized into broad two major types: income from taxation and non-taxation. Here, mainly as per the topic of study the contribution of income sources from taxation has been studied. To evaluate the contribution made by taxation to national revenue collection of the government of Nepal this research has been conducted. Here data of national revenue collection and taxation income from various headings of taxation have been collected since 2009/10 to the fiscal year 2015/16 So, the study is conducted for this period and it analyzed the trend and pattern to taxes and their contribution to government in case of revenue collection.

As this research is based on income from taxation which is conducted by the researcher for the seven fiscal years, the composition is contributed as following by taxation and non-taxation sector. The contribution made by total taxation collection to government revenue for Nepalese government during the research period is 87.62% with the deviation value of 6.29% and co-efficient of variation of 7.17%. The average percentage of coverage of 11.96% to total government revenue of Nepal has been occupied by non-taxation revenue during the research period with deviation and co-efficient of variation of 3.59% and 30.01% respectively on their central value.

The total revenue of Nepalese government has been reached at Rs 42109.66.1million during the research period from the volume of Rs17994.4 million with the average income Rs30902.2 million since seven fiscal years duration. The average contribution made by direct taxation to total government revenue of Nepal for the last seven fiscal years of research duration is 23.91% with the deviation value and co-efficient of variation of 1.14% and 4.76% respectively. The contribution made by total indirect taxation collection to the government revenue of Nepal during the research period is 57.51% with the deviation value of 3.6913% and co-efficient of variation of 6.42%. The average percentage of 23.91% to total taxation revenue of Nepalese government has been occupied by direct taxation revenue during the research period of seven fiscal years with deviation and co-efficient of variation of 1.14% and 4.76% respectively on their central value. The average contribution made by indirect taxation to total taxation revenue of Nepal for the last seven fiscal years beginning from the fiscal year 2009/10 to the fiscal year 2015/16 of research duration is 74.74% with the deviation value and co-efficient of variation of 1.985% and 2.80% respectively.

The contribution made by total customs duty collection to government revenue for Nepalese government from the fiscal year 2009/10 to the fiscal year 2015/16 is 18.50% with the deviation value of 0.8728% and co-efficient of variation of 4.71%. The average contribution made by value added tax to total government revenue for the last seven fiscal years beginning from the fiscal year 2009/10 to 2015/16 of research duration is 27.22% with the deviation value and co-efficient of variation of 0.999%(1%) and 3.671% respectively. The contribution made by total excise duty collection to the government revenue of Nepal during the research period from the fiscal year 2009/10 to the fiscal year 2015/16 is 12.71% with the deviation value of 0.7619% and co-efficient of variation of 5.98%. The percentage of 21.63% of total government revenue is contributed by revenue received by Nepalese government from income taxes collection on the average for last seven fiscal years of research duration with the deviation and co-efficient of variation of 1.56% and 7.21% respectively.

The land and building registration tax to total government revenue is 2.265% on the average for the research duration with 0.816% of standard deviation and co-efficient

of variation of 36%. The contribution made by total vehicles taxes collection to government revenue for Nepalese government from the fiscal year 2009/10 to the fiscal year 2015/16 is 1.1957% with the deviation value of 0.1704% and co-efficient of variation of 14.25%. The majority portion of government revenue of the country Nepal is contributed by the taxation income. Only around 15 percent of total revenue is received from non-taxation sectors of economy for government revenue during the research period. Among total taxation revenue of Nepalese government direct taxation is contributed around one third of total taxation and rest two third of total taxation is contributed by indirect taxation received during the research period of seven fiscal years from the fiscal year 2009/10 to the fiscal year 2015/16 .

5.3 Recommendations

1. Taxation income is one of the major parts of government revenue collection.
2. Some threats are seen in taxation revenue collection.
3. External pressure from global context, pressure from WTO to eliminate customs duty into international trade of goods & services, bargaining & pressure of various pressure groups and social groups of the economy etc. has been regularly giving pressure through which some of taxation revenue has been in decreasing trend.
4. Government should regulate effective policy at central and local level of economy for survival from external pressure.
5. Despite of having pressure on government form international trade taxation from various existing area.
6. Although this study indicated that volume & amount of direct taxation has been increased on each fiscal year within the last seven years of research period and total government revenue also in increasing trend.
7. Government should increase and make improve action to promote direct taxation collection as well as government should cover new sector, business sector, individual for collection of taxation.

8. There are lots of manipulation & corruption in tax administration, tax evasion and tax delinquency etc. So government should make corrective action on taxation act & policy to eliminate fraud & corruption from private sectors, organization, individual etc. for example fine & penalties should be implemented highly.
9. Tax program to tax payers and others should be implemented.
10. Punishment to tax fraud and additional incentive & facilities should be given to proper tax payer.
11. Establishment of “Information system into tax administration” should be given more priority to make tax payment easier, efficient & faster.
12. Making tax payer aware for their rights, obligation & sending taxpayer regular reminder notice to taxpayer should be done.
13. To overcome the tax administration problem, government should make the effective & efficient tax rules in simple way that everyone can understand.
14. Ignorance & avoidance is rapidly done by Nepalese people. So, to avoid this government should provide training to tax payers and facilities provided by tax law should be made clear.
15. Regular tax payer should be given incentive so, they will be highly motivated and became loyalty to the government’s rules & regulation of tax administration.

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APPENDIX I

Government Revenue, Taxation Revenue, Indirect Taxation Revenue, Direct Taxation Revenue and Total Non-taxation Revenue

(Rs in millions)

Fiscal Year	Govt. Revenue	Total Taxation	Indirect Taxation	Direct Taxation	Non-tax Revenue
2009/10	17994.4	85,147.1	62,076.3	23,070.8	22,475.6
2010/11	19837.5	117,051.8	82,499.2	34,552.6	26,422.6
2011/12	24437.4	156,290.7	114,530.2	41,760	23,649.70
2012/13	2960.0	172,755.2	124,114.3	48,641	27064.3
2013/14	35662.3	211,718.3	144,811.6	66,906.7	32651.40
2014/15	40586.64	177,206.1	177,206.10	81,937.5	36,792.90
2015/16	48196.16	312,441.1	215,375.6	97,065.4	44,179.5

Source: IRD annual revenue collection report (2009/10-2015/16)

APPENDIX 2

Direct taxation revenue , income tax , land and building and vehicle tax

(Rs in millions)

Fiscal Year	Direct Taxation	Amount of Income Taxation	Amount of Land & Building Reg.	Amount of Vehicle Taxes
2009/10	4176.50	3481.91	491.24	242.12
2010/11	4828.42	4058.73	726.05	299.54
2011/12	6055.58	5298.05	747.78	261.48
2012/13	7409.38	6275.624	52695	473.632
2013/14	8837.11	7571.04	474.78	399.41
2014/15	9773.26	1055.0	657.50	515.450
2015/16	10333.23	11808.05	809.69	491.60

Source: IRD annual revenue collection report (2009/10-2015/16)

APPENDIX 3

Indirect taxation revenue, custom duty, Value added tax and Excise duty

(Rs in millions)

Fiscal Year	Indirect Taxation	Customs Duties	Value added Taxation	Excise Duties
2009/10	1153.43	3310.96	4813.502	2081.95
2010/11	12321.07	3882.19	5514.82	2372.665
2011/12	13108.22	4520.91	6905.36	2991.13
2012/13	16023.56	5624.38	8392.16	3768.37
2013/14	14021.88	6561.86	98885.58	4703.85
2014/15	23410.37	6940.31	10309.00	5540.00
2015/16	27712.792	8868.09	12723.78	6699.26

Source: IRD annual revenue collection report (2009/10-2015/16)