CHAPTER-ONE

INTRODUCTION

1.1 General Background

Government has to spend a lot of money to fulfill its responsibilities towards the people. The government of a country requires sufficient revenue to handle day-to-day administration, carry out development plans, maintain, peace & security and to lunch other public welfare activities. Government collects revenue from various internal and external sources. External source of fund is foreign grants and loans. This kind of fund is received from foreign countries and international organizations. External sources of fund is important for undeveloped and underdevelopment countries. It is used for economic development, reconstruction, foreign exchange, to recover from crisis condition for productive use etc. (Sharma and Luitel, 2059. P 17). However, the external sources are uncertain, inconvenient and not good for healthy development of the nation. It is better to mobilize internal sources rather than working with beggars eye to the donors (Pant, 1996). The external sources of financing is depends upon the interest and the condition of funding countries and no discretion to spend the fund available. Continuous use of external source of fund is not good because it reduces liquidity position of the government, increases inflation and make over-dependence upon other countries.

Internal sources of fund is own source within the nation and it includes both tax and non-tax revenues. Internal sources are more important and it is necessary for proper mobilization of internal sources to fulfill government's financing necessities. Internal source has no obligation towards the third party and is less risky as compared to the external fund. The government is not obliged to pay back the fund and only has to see the need of its economy and the interest of the people while mobilizing internal sources.

On the other hand, internal sources of fund can be classified in to two types: i) Tax source ii) Non-tax sources. Tax sources are the compulsory contribution from the taxpayers to the government. Non-tax revenue includes special assessment, fees, grants, gifts, fines etc. Non-tax sources are uncertain and inconvenient so, taxes are the better sources of public revenue. The use of tax is safer for financing public revenue in developing countries.

Tax is, in simple terminology, a liability to pay an amount to the government. It is a compulsory contribution to the national revenue from the taxpayers according to the nation's law. Professor Seligman has defined tax as a compulsory contribution form a person to the government to defray the expenses incurred in the common interest of all without special benefits conferred. In other words, tax is a compulsory levy imposed by the government and the taxpayers cannot get direct corresponding benefits from the government.

Tax is classified in to two categories i.e. direct and indirect. The person paying and bearing tax is same in direct tax. It is legally imposed. Income tax, property tax, land tax, interest tax, gift tax etc. are the examples of direct tax. Indirect tax is a tax, which imposed on one person but partly or wholly paid by another. Value added tax, import/export/excise duties, hotel tax etc. are the examples of indirect taxes where the person paying and bearing tax is different.

Income tax is essential not only for collecting government revenue but also to control over consumption, to reduce in-equality of income & wealth, to promote saving and investment and to accelerate economic development (Joshi, 2055. P 74). It is not doubt that income tax is main source of government revenue. Income tax is collected from various sources of profits and incomes. It is collected from public enterprises, semi-public enterprises, private corporate bodies, individuals, remuneration and interest.

Nepal has been adopting the income tax system for last four decades and is assessed on yearly basis. Although the legal provision has been made and updated timely, there are many problems about income tax such as leakage in tax, feeling of people about tax as a penalty, lack of consciousness of people, inability of tax administration to cover new tax payers, delays in computation & collection, lack of accuracy and unity in accounting system etc (Khadka, 2001. P53).

According to Seligman "Compulsory contribution from a person to the government to defray expenses incurred in the common interest of all without reference to special benefit conferred." From this definition, tax is a compulsory levy and those who are taxed have to pay it without corresponding benefits from the government. Tax amount is spending for the common interest of the people.

The primary purpose of the taxation is to divert and control of economic resources from taxpayers to the state for its own use of transfer to others. Bringing about economic growth, elasticity of tax structure, control of inflationary pressure and reduction in inequality is the main objectives of tax policy.

Lack of capital is one of the greatest problems to the economic development countries like Nepal; government expenditure rate is exceeding the growth of revenue rate almost every year. It is due to significant increase in both regular as well as development expenditure of the government investment in public sector, enterprises, and raising inflation rate. So, taxation is the most powerful tool of resource mobilization in the initial state of development and its role as instrument of income redistribution.

Industrialization is considered as key economic success of the country. If the country is industrialized, its portion of tax collection is relatively height, mass employment is created and country is able to operate its development program efficiently. Among many factors, influencing industrialization, tax (provisions, rules and regulation and act) is one of the major factors.

Corporate tax, personal tax, House and land tax, Interest tax etc. are the components of Income tax. Governmental organizations public limited companies and private Ltd Company's tax is related to corporate tax.

Thus, tax, which is paid by the income from entities, is called corporate income tax. As other laws corporate income tax is enacted to have peace, progress and development in a country. The law related to constitution, finance act, income tax rules, provisional tax realization act, legal precedents established by the court etc.

In gist, corporate income means the net profit earned by the corporate body, where it means total revenue minus total cost. So it is obviously that corporate income tax shows income, which is generated from business.

1.2 Focus of the study

The topic itself is very clear about the focus of the study. The study aims to analyze the corporate tax system of Nepal and its contribution to revenue collection by using descriptive tools under descriptive and analytical research design. Being the developing country, Nepal has not made a separate corporate tax law; or corporate income tax act. Many companies are established and trend is rapidly increased in private sector an account of privatization, liberalization and policy reform after reestablishing multiparty democracy in 2046 B.S.

More specifically, the study focuses on role, significant, trend of corporate tax and also recommendation and suggestion to tax administrator. For the study purpose, materials or data has collected from unpublished dissertation of T U, related textbooks, articles, reports and personal views of respondents.

1.3 Statement of problem

Nepal is one of the least developed countries with low per capita income. People of Nepal depend on agriculture for their livelihood. There is resource gap problem in Nepalese economy where public expenditures are greater than public receipts. The resource gap has been widening in the recent years. In order to meet the public expenditures, the government has to raise funds through external and internal sources.

A sound tax system is one of the essential requisites for an economic development. Thus, different taxation policies have been introduce and renewed on timely basis with a view to mobilize internal resources. It contributes to economic growth and reduces dependency on foreign loan. In Nepal, the coverage of income tax is very low. One research found that only about 1% percent of the total population pays income tax. There is poor tax paying habit of Nepalese people. The tax authorities are also insufficient and ineffective in enforcement. There are no integrated programs for taxpayers' education, assistance, guidance & counseling. Tax officers are looked upon as heaven for corruption, harassment and incompetent personnel. The assessment procedure of income tax is not effective, undue delay in tax assessment not only reduces the total revenue but also brings harassment to the taxpayers (Aggrawal, 1973, P25).

Therefore, the coverage of income tax is very narrow in Nepal. Agricultural incomes are exempted from income tax. Retirement amount received by Nepalese people being retire from the service by army or police of foreign countries are also exempted. Exemption of these sources provided loophole for tax evasion and complicates to the tax administration too. It is necessary that all corporations pay tax based on their ability to pay .Although, there is not scientific basis for measuring ability to pay.

Contribution of the income tax to the national budget must be increased to achieve the goal of national development and equal economic distribution. The goal can be achieve only if the government of Nepal takes steps for making the income tax management. Income tax from corporation must be increased by bringing the new taxpayers in to the tax net and implementing the tax laws effectively so as to discourage the tax evasion practice. Loophole must be traced out and monitored effectively. Large taxpayers who are hiding their income should be brought in to tax bracket.

There has been a big gap between formulation of policies and its implementation. This study will analyze the existence of such gap in corporate taxation policies. Further, this study attempts to solve the following problems:

- What are the provisions made for corporate income taxation in Nepal under the present Income Tax Act, 2058?
- What is the composition of government revenue of Nepal?
- What is the trend of corporate tax in Nepal?
- What is the contribution of corporate tax to total revenue, total tax revenue, direct tax revenue and income tax revenue of Nepal?
- How can corporate tax avoid the financial deficit?
- What are the major problems of corporate income tax?
- Is the tax administration of corporate tax in Nepal effective?
- What should be Practical and effective solution for improvement in tax administration in Nepal?
- What should be new ideas to mobilizing source for corporate tax?

1.4 Objectives of the Study

The basic objective of this study is to gain an insight in to the provision made in the present taxation policy regarding provision on corporate tax and give appropriate suggestions to improve the system so that the government can collect more revenue. In a developed economy, corporate tax has a dominant share in the total revenue because the people of these countries are under the tax net. However, we are quite unsuccessful to bring most of the prospective taxpayers under the tax net. If we classify the tax exemption limit according to the income of Corporation and make it proportional to the size of corporation, we can encourage more people to pay the tax. Tax paying habit can also be increased by providing appropriate incentives to the taxpayers. In this regard, the specific objectives of the study are as follows:

1. To analyze the impact of corporate tax of Nepal on government revenue.
2. To analyze the trend of the income tax revenue collected from corporate tax.
3. To analyze the contribution of corporate tax to total revenue, total tax revenue, total direct tax revenue and income tax revenue of Nepal.
4. To identify difficulties faced by taxpayers in complying with tax procedure.
5. To predict new ideas for mobilizing resources for corporate tax.
6. To provide suggestions and recommendations for the betterment of corporate tax in Nepal.

1.5 Importance of the Study

Nepal is heavily dependent on the foreign aids and grants to undertake development activities. The resources collected internally are sufficient to run day-to-day administration of the country but the revenue surplus is not adequate for development activities. Out of various source of income, income from corporate tax is an importance source. It has been contributing to income tax revenue of the nation being a regular source of income. As this study has analyzed the corporate income tax, this study is concerned with the appropriate suggestion for the estimation and correction of income tax evasion and helps to economist, planner, tax officers, tax administrator and government so that corporate tax evasion can be controlled and sufficient resource, could be mobilized from taxation.

Besides, this study would be helpful to the students of taxation, teacher, researchers and other interested person. Its contribution to revenue collection, the findings, conclusion and recommendation of the study will be useful to design and formulate policies by the concerned authorities.

1.6 Limitations of the Study

This study is specially based on corporate tax and not a complete study of Income Tax Act, 2058. So, the study is not far from some limitations. The limitations of the study are as follows:

- The studies focus basically the corporate tax but it is not the complete study of income tax.
- The reliability of the study is depended on the reliability and validity of the secondary data. While getting some primary views, the taxpayers of Jhapa are only considered.
- Tax is a complicated and vague subject matter. Due to the limitation of time, each and every aspect of the chosen topic may not be covered.
- Most of the data, information and findings are based on primary data as well as secondary data.
- Tax planning and tax avoidance is not taken into consideration.
- As a primary source, opinion surveys collect from only 45 respondents of Bhadrapur, Chandragadi & Birtamode, the study is not included the views of small scale and rural areas corporation and response of selected 45 respondents is analyzed.

1.7 Organization of the Study

This study is organized in five chapters: Introduction, Review of Literature, Research Methodology, Presentation and Analysis of Data and Summary, Conclusion and Recommendations.

1. Introduction: This chapter is related to define the corporate tax system and explain its major components, focus of the study, statements of problem, and objectives of the study, Theoretical framework, and significance of the study and limitation of the study which are the fundamentals for the research study.

2. Review of the Literature: To enter the research work; review of literature is regarded as entrance gate. Review of Dissertations, concern, books, rules, regulations, acts and articles from newspaper or bulletins are taken for the study purpose.

3. Research Methodology: This chapter includes research design, sources of data, samples, methods data analysis, various tools of analysis.

4. Presentation and Analysis of Data: The data collecting from various sources are presenting in suitable tables, diagrams and graphs for clarification of study. Statistical tools are widely used in this chapter due to analysis and achieve research objectives. Major findings of the study are listed at the end of this chapter.

5. Summary, Conclusion and Recommendation: This chapter contains summary and conclusion, suggestion and recommendation for the betterment of corporate tax system in Nepal. Beside this bibliography and appendices will also present at the end of the thesis.

Similarly, acknowledgement, table of contents, list of figures, abbreviations are included in the front part of the thesis report.

CHAPTER - II
REVIEW OF LITERATURE

2.1 Introduction

This chapter deals with the literatures relevant to the study. To deepen knowledge and understanding about the subject matter, some literatures related with the study were reviewed. It includes the conceptual review and review of some previous studies.

2.2 Conceptual Review

This sub-chapter presents the theoretical aspects of the study. It includes concepts of income, concept of tax, objectives of taxation, principles of taxation, historical background of income tax special focus on employment income tax and definition of new Act. 2058 for employment income.

2.2.1 Concept of Tax

Tax is a compulsory monitory contribution to a state by its residents without getting corresponding benefits of service or goods from the government. The government of any country needs adequate budget to run administrative and development activities. The government through various sources collects the revenue. Tax is the major sources of government revenue.

Seligman has defined tax as a compulsory contribution form a person to the government to defray the expenses incurred in the common interest of all without reference to special benefit conferred (Dhakal, 2057. P17).

Plehn stressed that taxes are general contribution of wealth levied upon persons, natural or corporate to defray expenses incurred in conferring common benefits upon the resident of the states (Dhakal, 2057. P18).

"A tax is a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the tax payer in return and not imposed as penalty for any legal offence." - Dalton.

"Tax is a compulsory payment to the government without expectation of direct expenses of direct return as benefit to the tax payers". -Taylor

"A tax is a compulsory contribution of wealth of a person or body of persons for the service of public powers". – Bastable

Form the above definitions; it is clear that tax is imposed on the person by the government according to the laws of the country. If the person on whom tax is imposed does not pay, law will punish him. The government does not provide any corresponding benefits to the taxpayers for tax paid. In other words, the government does not provide special benefits in return of tax paid. Tax is considered a compulsory monetary contribution to a state by its residents for which the state provides security to them. Citizens are supposed to earmark a certain portion of their income for the state in turn of justice given by the king. In ancient time when coin and paper money were not in use, various corns, metals, cattle and the like commodities were used to be given to the king as a tax. The king in turn, would provide peace, security and justice to the people.

Tax is classified in two categories i.e. Direct and Indirect. "A direct tax is really paid by the person on whom it is legally imposed."- Dr. Dalton.

The person paying and bearing tax is same in direct tax. Income tax, property tax, land tax, interest tax, gift tax etc. are the examples of direct tax.

"An Indirect tax is imposed on one person but paid partly or wholly by another." -Dr. Dalton.

Value added tax, import/export/excise duties, hotel tax etc. are the examples of indirect taxes where the person paying and bearing tax is different.

2.2.2 Historical Background of Income Tax

Income tax was first introduced in Great Britain in 1799 in order to finance wars with France. Only after 1980, it was accepted as a permanent tax. In United State of America, first federal income tax was imposed in 1862 to finance civil war expenditure. However, it became a permanent feature only in 1913 after 16th amendment to U.S. constitution. In neighbor country India, at first income tax was introduced in 1860. After introducing 'Income Tax Act 1886', it was imposed as a permanent. Italy adopted income tax in 1864, New Zealand in 1891, Australia in 1915 and Canada in 1917. After First World War, the income tax became an important source of tax revenue in many developed countries. By 1939, it has become the most important source of revenue in most developed countries and had made appearance in a number of developing nations.

In the beginning of introducing time, it was generally levied at a flat rate. Only after 1909, the principle of flexibility was introduced from UK and New Zealand.

In Nepal, taxes on agriculture and business incomes were introduced as direct tax for first time in the Lichhavis regime. During that time, land revenue was the main source of public revenue. Tax on business income was called 'Kara' and tax on agriculture income was 'Bhaga'. In the time of King Anshuverma, religious movements and irrigation taxes were also existed. Different types of taxes were levied to generate government revenue during 1768-1846 A.D. The major sources of revenue were 'Birta' & 'Kipat'. Taxes on land, customs, transit & market duties, mints & mines, export of forest products, birds, animals and various fines were the sources of tax revenue. Royal Palace, Government and Local levies were the levels of taxes collected. At that time, the taxes were basically imposed on occupations and economic activities, not in income and property.

There were not any formal provisions for imposing taxes during the period of Rana regime. Taxes were imposed according to the needs, objectives and the ruling decision of Prime Minister. There were not provisions of separating the personal income of the Prime Minister and the state and the system of preparing government budget. If there is surplus revenue over expenditures, it was taken as the personal income of the Rana Prime Minister. At that time, the employees should have to transfer a certain amount to the government as taxes.

Till 1951, the major sources of revenue of Nepal were land, custom, exercise duties in lump sum contracts, royalties from forest, royalties on the supply of porters & soldiers, entertainments and other minor taxes. The taxes were not imposed for raising regular revenue of the state but for meting specific expenditures and emergencies. The taxes were collected in the form of cash, kinds and labors. Land tax on a contractual basis and the salary tax were the direct taxes in the country. The salary tax paid by government employee i.e. 'Salami' was bringing to an end in 1951. There was not effective revenue administration in the time of Rana rulers. After the democratic government in 1951, taxes are not collected except in accordance to law.

After the independence in the country in 1951, the role of government has changed. The government was enforced to operate development activities, besides governing the regular function of maintaining law & order.

The government of Nepal enacted "Business Profits and Remuneration Tax" in 1960 (2017 B.S.) for the assessment and collection of taxes. That was the first income tax act of the kingdom of Nepal. There were only 22 sections and it was not broad and detail. The provision of taxation of business incomes and remuneration incomes were only introduced in the act. The tax on remuneration was to be deducted at source and basis of calculation of the tax liability from remunerations was the income of the current year. The act defined remuneration as the salary, allowances, special allowances, fee, house rent allowance, vehicle received in cash or kind. The rates of remuneration tax were differed from 5% to 25% and there were no provisions of deductions from the total income of the employee. The exemption limit was Rs.7000. The tax officers were empowered to assess tax on best judgment and in case of false statement, there was a provision of fines ranged from Rs.500 to 5000.

In 1962 A.D. (2019 B.S.), the 'Business Profits and Remuneration Tax Act 1960' was replaced by 'Income Tax Act 1962'. There were 29 sections in the act and for the effective implementation of the act; the government enforced 'Income Tax Rules, 1963.' Provisions of taxes were made on incomes from any professions, rent from house or land, investment in cash or kind, agriculture, insurance agencies and any other sources of income in addition to business profits and remuneration income. There were provisions of reassessment of tax as well as rectification of arithmetic errors.

The personal income tax was categorized under three different heads for the first time namely individual, couple and family. The finance act defined couple as the married husband and wife. For the purpose of income tax, an individual with a spouse and dependent children was treated as the family. According to the act the exemption for an individual, couple and family were Rs.3000, Rs.4500 and Rs.6000 respectively. The tax rate was varied from 5% to 50% with 12 different categories of income. The act slightly revised in 1972 and defined different terms of income tax in way that is more comprehensive. The taxpayer (married or unmarried) who have spouse, dependent children, sisters brothers and parents and had no income source were treated in the family.

'The Income Tax Act 1962' was replaced by another act i.e. 'Income Tax Act 1974' considering the needs of the time. The act was in practice from October, 1974. It had 66 sections and was amended many times in its implementation. The act had clarified some terminology used in the act i.e. Income Tax, Tax Payer, Income Year, Resident, Non-resident, Tax Assessment, Agriculture Income, Remuneration Income, Gross Income, Net Income, Loss etc. The act was classified income heads in to five categories: a) Industry, trade, profession or occupation, b) Remuneration, c) Agriculture, d) House rent & compound rent and e) Others.

In the act, there were several provisions for personal income tax. The treatment of income as earlier in to three categories was revised in to two category: Individual & couple or family. The exemption limit was raised to Rs.4,500 and Rs.6,000 for individual and couple or family respectively and the tax rates varied from 7% to 55% in different income levels. The act made exemption of house rent of Rs.2,000 with the income tax exemption. In 1975, the income tax exemption limit was raised to Rs.5,500 for an individual, Rs.6,000 for couple and Rs.7,500 to family and Rs.3,000 were taken as house rent exempt in the overall exemption. The tax rates varied from 7% to 60% and income levels subject in 7 different groups.

In 1976, income tax exemption was revised to Rs.6,500, 7,500 and 8,500 for individual, couple and family respectively. Fewer than six different income levels, the rates of tax were differed from 5% to 51%. In 1977, the interest tax was introduced. The interest from saving accounts, employees provident fund and the deposits of social organizations and religious firms were all tax exempted. It included the provision of deduction amounted to 5% of the remuneration or Rs.5o per month whichever less as stationary expenses. That provision was made for the first time in the income tax act. In 1978, the exemption limit was revised to Rs.7,500 for married couple and 10,000 for family. The tax rate was from 5% to 50% under seven income groups.

The third amendment of the income tax act 1974 in 1980, it had included the provision for deduction of tax on the amount contributed by the employee from his/her remuneration to the Provident Fund. The revised act included the provision for deduction of educational expenses for a maximum of two minor children at the rate of 2.5% for each child. The act also provided the provision of deduction of life insurance premium paid. Maximum of 7% of insured amount or actual premium paid whichever is less deductible from taxable remuneration.

In 1981, the exemptions limit for individual and family was increased to 10,000 and 15,000 respectively. Fewer than seven different income brackets, the tax rates were from 5% to 50 % and it was revised in 1982 from 5% to 55% under eight different income levels. Similarly, the exemption limit for an individual and family was raised to Rs.15,000 to Rs.20,000 respectively. The income tax on remuneration was from 10% to 55% under eight different levels of income.

Fourth amendment of income tax act had made in 1984. The revised act had a provision of deduction on educational expenses from 2.5% to 5% for each minor child. It was restricted to deduct educational allowances from both parents' income if both are earning parents. But in 1986, the provision of deduction on the stationary and education allowances was withdrawn. There was made the provision of deduction of Rs.3,000 or 15% of income as standard deduction instead of these item wise deductions. The concept of standard deduction was first time in the act. The exemption limit of the taxpayer was increased to Rs.20,000 for the individual and Rs.30,000 for the couple or family and the rate of tax varied from 15% to 50% in six different categories of income.

The standard deduction would also revise to Rs.5,000 or 15 % of net income whichever less. The finance act had the provision of exempting investment on the Citizen Investment Fund and the gain and interest earned from Citizen Investment Fund was made tax-free. Furthermore, there was the provision of tax exempt for less than Rs.5,000 earned from fixed deposit account.

The standard deduction had fixed to Rs.5,000 reducing 15% of the income clause and the exemption limit was made to Rs.25,000 and 35,000 for the individual and couple or family respectively in 1992. The minimum rate of taxes was 15% and maximum of 40% at that time. The finance act 1992 was made the provision of self-assessment to the taxpayers and provision of audition their accounts from the certified auditor. The Finance Act 1993 revised the interest tax and made levied the tax of 5% on all the interest gained. But the interest earned from Employee Provident Fund and other special cases were still tax-free. According to the act, the earning for the agriculture sector was also tax-free.

In 1994, there was the provision to exempt interest tax on the interest earned from saving deposits accounts. First, it was made exemption limit on interest gained less than Rs.700 and the finance act 1994 revised the exemption limit on the interest from Rs.700 to Rs.1,000. There were 10% to 35% tax rates on remuneration at three different levels. The act had also provision to deduct 5% of remuneration on Citizen Investment Fund while assessing the taxable income. The rate of taxes on remuneration was revised to 10% to 30% in Finance Act 1995 but the exemption limit did not changed Rs.7,500 or 15% of income whichever fewer clauses were made for standard deduction in the act. The investment on Citizen Investment Fund was increased to 10% from previous provision and the interest gained from such investment was taken tax-free.

The exemption limit was increased to Rs.30,000 for individual and for couple or family to Rs.40,000 in 1997. The income tax was imposed on two categories of remuneration income with the rate of 15% and 25%. Income up to 45,000 above the exemption limit was levied at 15% and the higher rate was applicable to the income above the previous income level. Standard deduction on the income tax was increased to 10,000 or 15% of net income whichever is less and the foreigners were on the surcharge of 20% on the above maintained tax rate.

Furthermore, the remuneration income tax exemption limit was raised to Rs.40,000 and Rs.50,000 for an individual and the couple or family respectively in 1998. The rate of taxes was the same but the first earning above the exemption limit made up to Rs.75,000. In another word, the rate of tax of 15% was applicable on the earning of Rs.75,000 above the exemption limit.

The exemption limit was raised to Rs.50,000 for an individual and Rs.60,000 for the couple or family in 1999. The tax rates, standard deductions and other provisions were made same. The finance act permitted to deduct premium of life insurance, provident fund equivalent to 10% of the remuneration and 10% as citizen Investment Fund of early remuneration not exceed of Rs.100,000. No exemption limit was made for the temporary residents.

In 2000, the finance act raised the exemption limit of Rs.55,000 and Rs.75,000 for an individual and the couple or family. The finance act defined the deductible expenses are: Deduction on the chargeable contributions; deduction on premium of life insurance, provident fund equivalent or 10% of the remuneration, investment on the citizen investment fund equivalent to 10% of the remuneration. The rate of income tax was 15% to the income of Rs. 75,000 above the exemption limit and 25% above the earning of previous category.

In 2002, 'Income Tax Act, 2002 (2058 B.S.)' was enacted by the parliament by replacing existing income tax act 1974. The new act is taken as broad and in accordance with the global standard. Similarly, 'Income Tax Rule, 2003 (2059 B.S.)' was form by the government to clarify some provisions of the act. Finance ordinances have been making slight amendment in the act every year.

2.2.2.1 Objectives of Taxation

Taxation has been a very essential element of a government from the very inception of the state system. However, the objective of taxation has been different from time to time. In ancient times, the major objectives of taxation were strengthening the muscle of the arms of the state by providing the resources. Until to the time of Adam Smith, the chief motive of collecting revenue was to make available resource to the government for providing security to an individual and society against violence, invasion, and injustice and maintaining public institutions.

In modern days, the main objective of taxation has been sifted from security perception to the economic development. The objective of taxation is not only to maintain peace and security. Some major objectives of taxation are as follows:

- Raising more revenue,
- Prevention of concentration of wealth in a few hands,
- Maintenance of welfare state,
- Re-distribution of wealth for the common good.
- Rapid economic growth,
- Increasing saving and investment,
- Enforcing government policy,
- Reduction of unemployment

2.2.2.2 Principles of Taxation

The economists of different time have given different views on the requirement of good tax system in the state. According to Adam Smith, Bastable and views some modern economists, the principles of taxation can be summarized as follows:

- **Principle of Equality**

Tax should be imposed on equal ground to all taxpayers based on ability to pay.

- **Principle of Certainty**

There should be certainty on time, manner, method and quantity of paying tax.

- **Principle of Economy**

The cost of collection tax should be very small. The amount paid by the people and it actually goes to the state should be minimum difference.

- **Principle of Convenience**

The tax system of the state should be convenience so that the ordinary people of the society can easily follow. Time, manner and method of paying tax should be convenient. Most of people of the nation do not have adequate knowledge on tax and they not have capacity of hiring tax experts. The tax system should be simple to understand to general people. Therefore, the principle of convenience is the vital quality of good tax system.

- **Principle of Productivity**

The tax system of the nation should provide adequate revenue. Otherwise, it should withdraw.

- **Principle of Flexibility**

The tax system should be of revenue elasticity i.e. higher the economic activities, higher the tax revenue. On the other hand, the tax system should be of that type which provides revenue as per the necessity of the state. If there is higher need of revenue, the tax system should provide adequate to fulfill the need.

- **Principle of Diversity**

If the tax system is depended on one source of revenue, that would be risky to the government. Therefore, the system of taxation should diversify on various sources as far as possible.

- **Principle of Neutrality**

The economic sector of the country should not badly affect by the tax system. The tax policy should not only focus on collection more revenue but also see the effect on economic activities.

2.2.2.3 Types of income tax

Most of the country has broadly classified her income tax into two groups. Those classifications may be depending upon corporation status and individuals although, there are two parts of income tax individual and corporate, under the study of topic, studied only corporate income tax. In some countries, separate laws are made to deal with individual and corporate income taxes. The short descriptions of above are as follows:

Individual Income Tax

The case of a system of strict personal taxes in persuasive one carried one it logical conclusion, it would abolished even the corporate tax in favor of an extension of personal income taxation to undistributed corporate earnings If so, it is more difficult to its classification in between corporate and individuals income tax. To identify various legal system of individual income tax is depends upon the related country rules, regulations and policies etc. Henary Simons argued that an individual's (or household's) consumption, plus charges, including accrued changes, in net wealth during an accounting period constituted the proper base for an income tax. Alternatively this concept can be interpreted as meaning that one's ability to pay taxes is measured by amount of consumption that could be undertaken during the year and still maintain one's wealth as its initial level. Most economist subscribe to this definition in principle. The tax base that has emerged in practice diverges considerably from Simon's norm: the divergence results from three factors; exclusion from taxable of income from certain sources, personal exemptions and allowance deductions.

Personal receipts necessary to cover expenses incurred as the tax payer earned his income are not income and are excluded exemptions from personal income (Dictionary of Economics, 2001).

However, the taxpayer's total receipts minus such exclusions are called adjusted gross income. Exemption and deduction are subtracted from adjusted gross income to derive taxable personal income.

Therefore,

Individual Income Tax = Adjusted gross income - Exemptions

Where, Adjusted G.I. = Total receipt - Exclusion

Corporate Income Tax

Corporate income tax is first introduced in 1909 in America. First we consider taxes on corporate income and assume that the tax is assessed on the profit (income of the corporation). The tax base is defined, for purpose of this theoretical analysis, as profit in economic sense- total revenue minus total cost. Total cost includes purchases of raw materials and other intermediate products. A capital allowance and all factor payments including the normal return to invested capita just sufficient to keep that capital employed in the firm. Economic theory teaches the under conditions of perfect competition the profit maximizing firm in the long run will earn no pure economic profit and the corporate income tax will therefore raise no revenue and have no long run-effect. Therefore, we assume imperfectly competitive, profit-maximizing corporations where the firm may earn long-run economic profit and thus incur corporate income tax liabilities.

The corporate income tax is not a cost of doing business in the ordinary sense. It is not a variable cost directly related to the firms output and it is not a fixed cost. In fact, a tax liability may be avoided by not earning economic profit. Traditional Analysis of the corporate income tax conducted that the tax cannot be shifted at least in short-run, because the profit maximizing firm produces and sells that output where marginal cost is equal to marginal revenue. Marginal revenues depends on consumer demand which is unaffected by this tax. Marginal cost equal and additional costs that must be paid for variable inputs as the firm and varies its outputs; since this tax is levied on profit and not any particular unit of output, marginal cost is altered by the tax. Therefore price and output are unaffected and the incidence of the corporate income tax falls entirely on the firm's owners who find their after-tax, pure economic profit reduced. Since the tax is some portion of profit, maximizing before tax profit will also maximize after tax profit.

On the other sentence, corporate income tax is explained as "Taxable corporate income is basically defined as the gross receipts of the corporation reduced by the expenses incurred producing those receipts It includes proceed from sales plus whatever dividend or interest income the corporation receivers. The cost of producing these receipts includes wages salaries rents and interest as payments to factors of production: purchase of raw materials and manufactured inputs; national, states and local taxes; charitable contribution (within limits); and advertising expenditure to raise all these are status forward deduction. In addition, depreciation (or capital consumption) allowance, and depletion allowance in extractive mineral industries are permitted deductions; these provisions are controversial and are taken of in detail as the discussion develops dividend paid on the equity capital of the corporation are not deductible to the extent that individuals represent a normal return to equity capital. The Inland Revenue Department of Nepal's (IRD/N) destination profit differs from economist's definition. Thus, the base for corporate income tax is the economic profit of corporation subject to certain qualifications which are source of controversy.

Two basic approaches to the taxation of corporate income are the integration and the segregation.

In essence, corporate income tax is defined as a direct tax levied by the government on the profits occurring to business, companies and corporation. A tax imposed on the annual get earning of a corporation (Dictionary of Business and Economic, 1997)

Therefore,

Corporate Income Tax = [All income of corporation with capital gain - All general expenses of corporation business as well as capital gains - special deductible items which are enacted by taxation laws and regulation] × Tax rate.

2.2.2.4 Corporate Income Tax System

Corporate Income Tax System includes those rules, regulations policies, and provisions of a country. All taxation frameworks depends upon its descriptions which are explained to achieve certain targeted mission, goals and objectives of nation on the side of taxation, which are formulated under the general accounting principles as well as socio-economic environment of a country.

Within it, a country tries to define its all sources of income. Among those, corporation sector income taxation is most important for every nation.

Most of countries socio-economic are operating its periphery and a country lives within its fluctuation.

Thus, corporate income tax system means that country taxation system where; what is corporation, where its registrations for tax purpose. Which kinds of tax base is adopted with its and what rate, what are the rules, regulations, policies on about it, what kinds of business transaction and entitles are involved within its definition, what is tax collection, assessment procedure and enacted respective tax act, who are taxpayer and officer and their rights, duties and responsibilities and its organization structure, refund policies etc. are included in a good and sound tax system.

Moreover, the whole tax administrating, monitoring and supervision are also involved within. In addition, justice of court also explained by respected taxation system. Therefore, the following headings are involved is corporate income tax system.

- Meaning of corporation for tax purpose.
- Registration of corporation for tax purpose.
- Organization Structure of corporation income tax of administrative.
- Appeal system Refund and Audit

2.3 Review of Related Studies

During the course of reviewing related studies, some books, articles, reports and dissertations were studied. They are summarized as follows:

2.3.1 Review of Books, Reports and Articles:

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2.3.1 Review of Books, Reports and Articles:

Agrawal, (1984) has presented a report entitled Direct Tax Reforms in Nepal to Ministry of Finance. The increasing trend of resource gap in Nepal has shown in his report. He has advised the state to mobilize additional resources from domestic resources instead of being depended on foreign aids. The growth rate of direct taxes had been lower than the growth rate of total revenue as well as total taxes. According to his study, urban property tax has found to be most elastic. He has suggested political and other pressures should not be subjected to tax administration. The policy should encourage self-assessment and for small tax payers it should be on a door-to-door basis. He also suggested including capital gains for income tax purpose. The new act has adopted most of the suggestions that given by him.

Dr. Rup Bahadur Khadka has been conducted a study in title 'Nepalese Taxation; Path for Reform' in 1994. He motioned, mostly, Nepalese tax system in detail. In where he had been observed the following points:

- Segregation of corporation income tax from individual income tax and its increasing dependence on the presumptive basis.
- Basic allowance and progressive rate structure.
- Move from joint taxation to individual taxation and shift from itemized to flat system of standard expenses.
- Experiment with an advance tax on impacts and the existing structure.
- Individual and corporate income tax, house rent and interest tax and business and Professional tax.
- From where he recommended to reform the Nepalese Taxation Department in Different points.

Poudel and Timsina (1990) wrote a book of income tax named 'Income Tax in Nepal'. They described the theoretical as well as practical aspect of income tax. The book has found fully based on prescribed syllabus of T.U. The book is descriptive in nature but is not described the problems of income tax system of Nepal.

Kayastha (1993) wrote an article in Rajaswa entitled 'Problems and Prospects of Resource Mobilization through direct Taxation in Nepal'. The article has shown that Nepalese tax structure has extremely depended upon indirect taxes and non-tax revenues. Lack of clear tax policies and procedures, lack of proper information and records, lack of trained and technical staff, lack of proper accounting and auditing system and proper monitoring are pointed as the week parts of revenue administration of Nepal. He has suggested the revenue administration to make widen the tax base. In order to make revenue administration more effective, there should be formed separate 'Revenue Group'. He also suggested to reform in tax rates, rules and the regulations in the annual budget.

Ghimire (1993) presented an article named 'Principle of Direct Tax and Provision of Direct Tax'. He had described the classification of tax, relation of capital gain and income, bases of income and tax in Nepal, procedure of computing income weakness of traditional accounting system, classification of tax rate index, contribution of income tax to national revenue, errors of past provisions and suggestions regarding improvement of tax administration in the article. He found income tax occupies only 7% of total revenue that is very low as compared with other countries. He has suggested reducing exemption limit on remuneration income and making minimum 40% tax rate for individual Income.

Poudel (1998) published a book named 'Corporate Tax Planning in Nepal'. The book is depended basically in research information and found very essential to gain conceptual knowledge of tax planning. He discussed relevant theoretical aspects of tax planning in the book. Corporate tax structure of Nepal, Strategic planning, project and operational planning are clearly maintained in descriptive manner. Although the book is not focused on remuneration aspect, it is found vary much useful to anyone who is interested in the subject of taxation.

Dhakal (2002) published revised edition of his book named 'Aayakar Tatha Ghar-jagga Kar Sambandhi Kar ra Lekha'. For understanding Income Tax Act 2031 (1974) the book found so much useful. The history of taxation and practice under various previous acts are clearly maintained theoretical and practical manner in the book.

Adhikari (2003) wrote a book named 'Income Tax Law: Then and Now' and described the comparative provisions of Income Tax Acts 1974 and 2002. He also has described the decisions made by Supreme Court about the income tax. The critical analysis of legal provision had described in the book. The book found very useful to understand new Income Tax Act 2002.

Mallik (2003) published a book 'Nepal Ko Aadhunik Aayakar Parnali'. In the subject of taxation the book is found very much useful. He has explained Income Tax Act 2058 with enough examples. The book is found descriptive & analytical and simple to understand. He has also compared old and new provision of Income Tax Act where as necessary.

2.3.2 Review of Dissertations

This sub-chapter is concerned with the previous research works done by different scholars in the field of income taxation.

Suwal (1981) conducted a research work on income tax system in Nepal. She had studied the importance and the problem of income tax in solving financial resource gap problem in Nepal. She has discussed the trend of income tax and effect of income tax on production in Nepal. She has suggested some factors like increasing tax consciousness to the taxpayers, clear and comprehensive definition of the incomes for improvement to HMG regarding income tax and tax administration for effectively collection of income tax in Nepal.

Subedi (1982) conducted a research work on an analytical study of income tax in Nepal and analyzed the role of income tax on national revenue of Nepal. He has examined the growth of income tax collection, the ratio to GDP, cost of income tax collection and its elasticity. Historical prospective and legal aspects of income tax has included in has study. Inefficient tax administration, dominated role of indirect tax and tax evasion are the problem of Nepalese tax system, he pointed.

Regmi (1986) carried out a study on the role of income tax in Nepal. In the study, he had described the conceptual framework of income tax, structure of income tax, income tax and resource mobilization, problems of income tax. He had more concerned on the study of tax structure of Nepal. In his study, he had found that the share of indirect tax was more than 70 percent of total tax revenue.

Lack of proper record keeping by taxpayers, assessment delay, lack of responsibility and honesty among the tax officers, tax evasion and corruption, lack of coordination between revenue and other non-revenue departments and leakage on personal income tax collection were the problems of income tax in Nepal, he identified in his study. His suggestions were; income tax law should be clear and precise, widening the tax coverage, application of scientific assessment method, simple and easy procedure of tax payment, honest and efficient staffs, coordination between staffs and departments establishment of research unit and tax holidays for new industries.

Siwakoti (1986) conducted a research work on an analytical study of income tax in Nepal. He had described the role of income tax, income tax in tax structure of Nepal, personnel management aspect of tax department, legal aspects of Income Tax Act, 2031 and problems of income tax administration in

Nepal. He had identified the role of income tax as economic growth, equitable distribution and stabilization growth. His finding was the share of income tax to total tax revenue was nominal. Regarding the personnel management aspect, he had found that the department had not well trained and expert personnel. There were no any training and development activities to the personnel and workload distribution was uneven.

He had identified the major problems of income tax system as defective personnel management, lack of public information, delay in tax assessment, nominal role of income tax etc. Some of the problems are still exist at now. He also highlighted the problems of Income Tax Act, 2031.

Mr.Binod Rijal has presented a research report entitled 'A Study on contribution of corporate tax in Government revenue in Nepal dated on 2006. In his study, he mentioned the positive attitudes and drawbacks of current tax system. According to him, ITA 2058 is more reasonable, scientific and modern then before. He has mentioned the assessment delays, negative attitude and unfriendly behavior of tax authorities; in consistency in the tax rules are the main drawback. Besides these problems, corporate bodies have made some grievances such as the corporate tax rate should be reduced, loss provision should be fully allowable, and deduction limitation should be extended.

Baral (1989) carried out a study on income tax in tax structure of Nepal. She had discussed the contribution of income tax in tax revenue and total revenue of Nepal. Decreasing trend of direct tax and increasing trend of indirect tax contribution is shown on her study. She has found lack of clear and comprehensive definition of income, tax consciousness, efficient tax administration, scientific method of tax collection, punishment to the tax evaders are the main causes of income tax evasion in Nepal.

Bhandari (1994) tried to examine historical background, tax structure of Nepal and contribution of income tax to economic development of the nation.

He has found that the actual collection of revenue through income tax was lower than its estimated targets because of poor tax paying habits of Nepalese taxpayers, poor tax administration system and wide spread evasion of income tax. He had given suggestion to make effective personnel management, proper tax education and communication, reducing collection costs and minimizing tax evasion practices etc.

Shakya (1995) conducted a research work on income tax system in tax structure of Nepal. His studies were done with basic objectives of analyzing the causes of heavy reliance of indirect taxes, analyzing the volume of indirect and direct tax revenue in total tax structure, highlighting the revenue assessment procedures from different sources and suggesting improving them. In his study, he had identified that income tax had occupied forth position among the tax revenue of Nepal. Custom duty, sales tax and excise duty has occupied first, second and third position respectively. He had highlighted that the taxable capacity of Nepali people is limited by various factors such as low per-capita income, extensive subsistence economy, relatively closed economy, week export position etc.

He had found that the ratio of income tax to GDP, total revenue, total tax revenue and direct tax revenue have been increasing trend in Nepal. However, increasing rate is very low in comparison to other countries. Tax evasion is the main reason behind it. Lack of clear and comprehensive definition of income, lack of appropriate punishment to the tax evaders, low tax paying capacity and non-conscious of taxpayers, lack of inefficient tax administration, lack of scientific method of tax collection and trained tax collectors were the reasons of income tax evasion in Nepal, he identified in his study.

Shahu (1995) conducted a study on contribution of income tax in national revenue of Nepal. The role and contribution of income tax in the economic development of Nepal was focused on the study. He found only

0.35% of the population of Nepal fall in income tax bracket. He found indirect taxes like customs, excise and sales tax occupy first, second and third rank respectively. Income tax occupies the fourth rank in the revenue composition of Nepal.

Tripathi (1995) had written a thesis on income tax system of Nepal and some potential areas for reforms. Government revenue, income tax revenue, income tax administration personal tax administration, efficiency in income tax collection, income evasion, tax assessment and efficiency of income tax system had described in his research. The study was firmly depended on Income Tax Act, 1974 and had emphasized on the income tax administration and tax evasion. He had suggested increasing the exemption limit for remuneration taxpayers. Furthermore, he had suggested the education expenses of children not exceeding Rs. 10,000 per year, house rent allowances up to Rs. 12,000 per year and actual education expenses of the taxpayer him/herself if he/she is studying further education should make deductible while ascertaining remuneration tax. His study found very useful for the study of income from remuneration.

Pant (1996) conducted a study on income tax management in Nepal. He stressed various problems of Nepalese income tax management system. Lack of effective personnel management, week income tax assessment procedures, poor reward and punishment system, lack of taxpayers' education, poor tax information system, narrow coverage of income tax were the problems of income tax management in Nepal, he identified in his study. He pointed that well managerial efficiency was the major problem of income tax management of Nepal.

Timilsina (2001) wrote a thesis on personal income taxation in Nepal and focused on exemptions and deductions. He has analyzed the system of tax exemption and the deductions and suggested to improve tax system so the government can collects more revenue. He has suggested reintroducing standard deductions, different exemptions for couple considering dependents, increasing trend of income tax and personal income tax revenue and increased moral of tax officials. Furthermore, he has suggested adjusting exemption limit based on inflationary condition of the nation.

Shrestha (2001) had conducted a research on revenue collection from income tax in Nepal focusing problems and prospects. She had described the conceptual framework, provisions, structure of income tax and tax administration in Nepal. She had also done an empirical investigation on problem and prospect of income tax in Nepal. Mass poverty of Nepalese people, narrow tax coverage, lack of conscious taxpayers, inefficient tax administration and instability in government policy are the problems of income tax system of Nepal, she pointed in her study. She has recommended measures for improvement of income tax law and management in Nepal.

Poudel (2002) carried out a study on income tax in Nepal. Her study was emphasized structure and productivity of income tax. She has described income tax in its historical prospective, income tax structure, elasticity and voluntary discloser of income scheme and the role of income tax administration of Nepal. She has more stressed on income tax structure of Nepal. She found the contribution of indirect tax is about twice then direct tax. Furthermore, direct tax is the largest source of revenue within the income tax. She found the working procedures were traditional and the costs of administration are not satisfactory. She suggested making board the income tax base, reform of tax administration and establishment of standard accounting system. She also suggested for the successful implementation of VAT. She has not discussed the exemption and deductions provisions in the Income Tax Act.

Palli Magor (2003) conducted a research work on income tax in Nepal. He focused his study on exemptions and deductions aspects of income tax Act.

The provision of exemption and deduction under Income Tax Act 2002 were studied. He has explained problems and weakness of income tax system, contribution of income tax to government revenue and suggested possible areas of improvements. Furthermore, he has recommended ten level of taxing the income from 5% to 55%. He has written on remuneration sides also and suggested to make provision of deducting expenses for the better education of the children, actual medical expenses of the taxpayer, house rent expenses, educational expenses of him/herself if he/she is studying and life insurance premium of the taxpayer.

In this way, various reports, books and master level dissertations have been reviewed in the course of preparing this thesis. Besides these, some articles about income tax published in Rajaswa, Gorkhapatra, Rising Nepal, Kantipur etc. and publications of Ministry of Finance such as Budget speech, Economic Surveys etc. were reviewed during the study period. Almost dissertations were written on the different aspects of tax and income taxation. However, the studies are not sufficient to analyze the employment income tax system of Nepal. Therefore, the study will be able to prove its own validity on the selected subject matter.

2.3.3 Tax Incentive in Nepal (Review of Various rules and regulation regarding Corporate Income Tax):

The corporate sector is in the initial stage of development in Nepal. The performance of corporate sector especially the industry is very poor. To develop the corporate sector in Nepal, many incentive provisions are providing by different government laws. They are industrial Enterprises Act, 1992; Nepal Petroleum Act, 1993; Electricity Act, 1992 and Foreign Investment and Technology Transfer Act, 1992.

Nepal Petroleum Act, 1993 has provided certain relief on tax rate to petroleum industries. Similarly, Electricity Act, 1992 has given certain facility to the hydro electronic power in Nepal and Foreign Investment and Technology Transfer Act, 1992 has made the provisions regarding tax relief to foreign investors.

Most important law regarding to the corporate bodies in Neal is Industrial Enterprises Act. The main agenda of this act is to provide fiscal incentives in to the industries. Up to this date; Nepal has experienced four industrial enterprises act. They are industrial Enterprises Act, 1962; Industrial Enterprises Act, 1974; Industrial Enterprises Act, 1981 and Industrial Enterprises Act, 1992.

In relation to tax incentives provided by them, first industrial Enterprises Act of 1962 made the provision of 10 years tax holiday for new industries; tax rebate up to 25% of the tax liability on the discretion of Government/Nepal to existing industries; full or partial rebate of the tariff for exporting goods and importing machinery, parts and raw materials. The main type of tax incentives provided by Industrial Enterprises Act, 1974 were: up to 18 years tax holidays to different industries established in different part of the countries; investment allowances and depreciation facility to extension and modernization; relief of excise duty, import duty etc. Accordingly, the main types of tax relief of excise duty, import duty etc. Accordingly, the main types of tax relief provision appended in Industrial Enterprises Act, 1981 also were not so much difference from that of its predecessors. It also included up to 12 years tax holiday to industries, income tax rebate of up to 50% for export, 15% investment allowances to additional investments, only 1% levy for import of machinery spare parts and raw materials; excise exemption to different types of industries; exemption of sales tax to cottage industries on import of machinery, spare parts etc. and domestically produced goods. Apart from these, there was also the provision relating to tax life of the assets containing 20 years for building, 10 years for machinery, 5 years for furniture and vehicles and 10 years for other remaining assets.

Industrial Enterprises Act, 1992 and amendment 1997 has given various tax related facilities to the industrial communities. They are as follows:

- Complete exemption of any type of income tax, sales tax, excise etc. for cottage industries.
- Specifying 20% as maximum rate of tax to industries except those related to tobacco and alcohol.
- Ten years 50% of tax holiday to the national priority industries related to the construction of roads, bridges, tunnels, ropeways, flying bridges, trolley buses and trams.
- Income tax rebate of 60%, 50%, 25% and 10% and excise rebate of 35%, 25%, 15% and 10% to the industries established in remote, undeveloped, partially developed and developed area respectively except industries based on tobacco and alcohol.
- 25% of exemption for ten years to those industries, which are not related to tobacco and alcohol and are established in undeveloped area stated in Appendix-II of the act.
- Five plus three years sales and excise rebate to the fruit processing and fruit based wine producing industries located in remote areas.
- Investment allowance of 40% extended fixed assets investment if the firms increased its capacity of line production by more than 25% of original level.
- Deduction of 50% of expenditure made for pollution control from taxable income.
- Deduction facility of 5% of taxable income as donation.

- Deduction facility of 5% and 10% of gross income for promotion and development of technology respectively from net income.
- 3% tax exemptions for industries, which are not related to tobacco and alcohol and are established in most undeveloped district stated in Appendix-III of the act.
- 20% tax holiday for those industries, which are not related to tobacco and alcohol and are established in under undeveloped district stated in Appendix - III of the act.

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Introduction

This chapter is concerned with the procedures that are adopted in the research work. It includes the research design, nature and sources of data, methods of data collection, data analysis tools and limitations of the methodology.

3.2 Research Design

Research design is an integrated framework of the whole study that guides the researcher in formulating, implementing and controlling the research work. The study is designed within the framework of descriptive and analytical research design. Descriptive research seeks to find out the fact by the help of sufficient data and information. Thus, the study is performed in and around the root, to fulfill the research objectives.

3.3 Population and Sample

For the fulfillment of mentioned objectives, the researcher has conducted primary sources of data by distributing structured questionnaire among various respondents of Bhadrapur, Chandragadi & Birtamode, researcher has distributed 100 sample of questionnaire among various respondent: tax experts, tax administrators and tax payers. But it is collected only 45 sample of questionnaire out of 100 distributed. The collected samples of questionnaire are tabulated as follows:

Groups of Respondents	Sample Size
Income tax Experts	15
Income tax administrators	15
Income tax payers	15
Total	**45**

3.4 Nature and Sources of Data

The data used in the study are taken from both primary and secondary sources. The major sources are as follows:

a) Primary Sources of Data:

The primary data have been collected from the responsible persons representing various sectors through structure questionnaire. The same questionnaire was distributed to three groups, i.e. tax administrators, tax experts and tax payers.

Interview is also conducted for the collection of relevant information from related department and office.

b) Secondary Sources of Data:

Secondary source is the major source of data required for the research work. The required data and information were collected from various sources as below:

a) Budget Speech, Economic Surveys of various years, Ministry of Finance Government of Nepal,

b) Books related to income tax and public finance,

c) Dissertations related to income tax,

d) National and international newspapers, journals and magazines etc.

e) Websites and other relevant records and data.

f) Report and records of Inland Revenue department, Reports and records of Department of Taxation, Ministry of Finance Government of Nepal.

3.5 Data Collection Techniques

Mainly, the study is dominated by secondary data collected from the above mentioned sources. Primary data and information also are used in this research work, which were collected by using unstructured interview with some taxpayers, tax administrator and tax experts in the different areas of Jhapa such as birtamod,chandragadi and bhadrapur.

3.6 Data Analysis Tools

In this research work, only descriptive tools are used to get the meaningful result of the collected data and to meet the research objectives. Simple mathematical and statistical (descriptive) tools such as percentage, tables, graphical presentation, and average, least square trend analysis are used in this research. The major tools applied in the study are discussed as below:

1. Tabulation: Tabulation is the process of arranging the data in columns and rows. It facilitates easy understanding of the data. It is the final stage of data collection and it is a useful tool to analysis and interprets the figure.

2. Bar diagram: Bar diagrams are most popularly used. They are also known as dimensional diagrams, because it is only the length of the bar that matters. There are various types of bar diagrams however have used only two in my study.

a) Sub divided bar diagram: The sub divided bar diagrams is used where the total magnitude of the given variable is divided into various parts and different colors, shapes, designs etc. are used to distinguish various components and index is given along diagram to explain these differences.

b) Multiple bars diagram: multiple bars is used to represent more than one variables, different shades, color, dots are used to distinguish between the bar and key or index is given to explain these bar diagrams.

3. Pie-chart: pie-chart is used to show the breakup of a total into component part. A very common use of pie-chart is to represents the division of a sum of money into its components.

In contracting a pie-chart:

a) Various components value can be transposed into corresponding degree in a circle.

b) Draw a circle with appropriate size of a compass.

c) Measure point in the circle representing the size of each sector with the help of a protector.

4. Average: A simple arithmetic average is used to summarize the data as a representation of mass data. Specially, the average is applied to compare the composition of income tax of Nepal over the study period. A simple arithmetic average is a value obtained by dividing the sum of the values by their numbers. Thus, the average is expressed as:

$$\text{Average} = \frac{\text{Sum Of the Values}}{\text{No Of Values}}$$

$$= \frac{x_1 + x_2' + x_3 + x_3 + \ldots x_n}{n}$$

N = number of values

X_n = individual value for period t.

5. Least Square Trend Analysis: Least square trend analysis has been used to find out the trend in government revenue collection. The general equation used for linear trend is given below:

$\hat{Y} = a + bX$ ... ... here,

$\hat{Y}$ = Dependent variable

X = Coded time in year

a = Y- Intercept

b = slope

In the above model,

$$b = \frac{\sum XY - n\overline{XY}}{\sum X^2 - n\overline{X}^2}$$

$$a = \overline{Y} - b\overline{X}$$

3.7 Limitations of the Methodology

The study is carried out within the framework of descriptive research design. So, it is difficult to illuminate the limitations of descriptive research design, in which the study as well as the methodology is bounded only ten years' data from fiscal year 2000/01to 2009/10were used in this study. Therefore, the study may not be able to represent the whole scenario.

Finally, the different tools are used to analyze the collected data, which are based on certain assumptions. So, reliability of the study depends upon the circumstances on which the models are based.

CHAPTER -IV
PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

Data are collected from secondary source as well as primary source. Collected data are presented in systematic and systematic and scientific way tables and analyze with various statistical tools and diagrams to get correct result. Secondary data are collected from web sites, IRD office, economic surveys, finance ministry, dissertations, and reports, so on primary data are collected by distribution of questionnaire to tax experts, tax officials, and tax payers. The data was collected for the period of 2000/2001 to2009/10.

4.2 Structure of government revenue

Government needs large amount of money to rule the country. Collected revenue from public is spent in various activities as infrastructure development, salary, and allowance. Interest paid to loan, operating expenses and others current expenditure. To fulfill this expenditure government needs to collect revenue from various sources .Total revenue of government is composed of tax and non-tax revenue. On the other hand , the structure of government revenue is composed of custom duty, sales and value added tax, income tax ,land revenue and miscellaneous tax as the tax revenue ,charges, fees, fines and penalties, gift, receipt from sale of commodities and services, dividend, royalties, sales of fixed assets, principal and interest collection and miscellaneous items as non-tax revenue.

4.2.1 Composition of total tax and non-tax revenue to total revenue

Total revenue of government is composed of the tax revenue and non-tax revenue. Tax revenue includes the amount compulsory contribution by the tax payer to the government. Non-tax revenue includes fees, special assessment, gift, grants, fine and penalties etc. On tax revenue's sources are uncertain and inconvenient because they are imposed according to necessary of the government. The composition of total tax and non-tax revenue is presented in table-1

Table-1

Composition of total government revenue

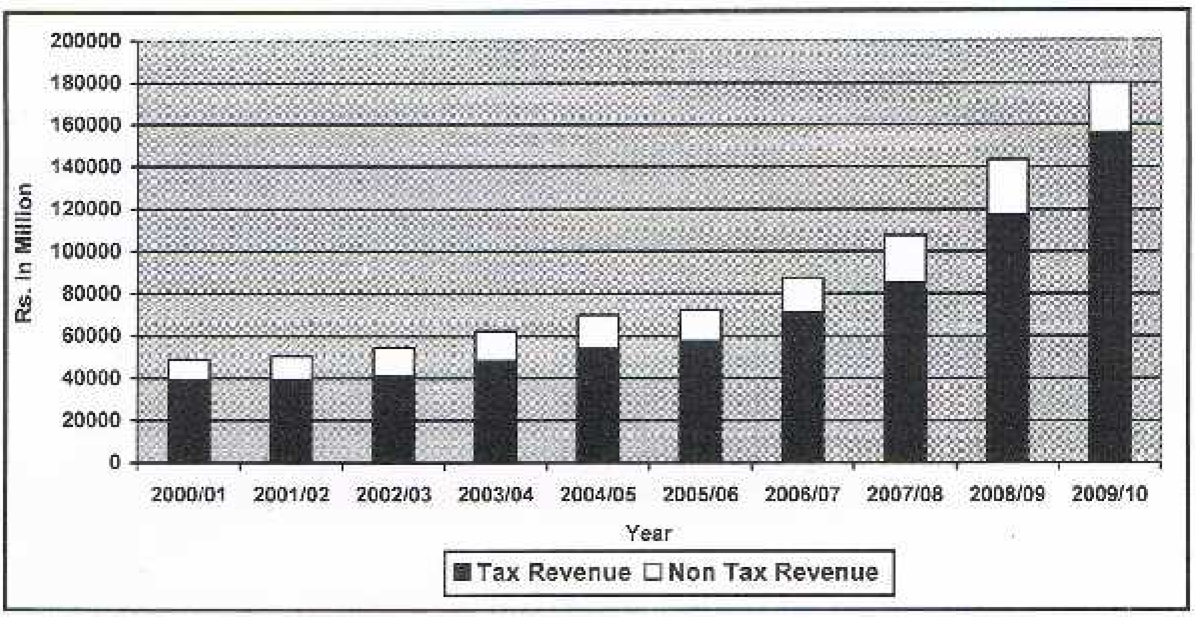
Fiscal Year	Total Tax Revenue		Non Tax Revenue		Total Revenue
	Rs(in million)	%	Rs(in million)	%	Rs(in million)
2000/2001	38865.0	79.49	10028.8	20.51	48839.8
2001/2002	39330.6	77.97	11116.0	22.03	50446.60
2002/2003	40896.0	74.99	13642.9	25.01	54538.90
2003/2004	48173.0	77.29	14158.0	22.71	62331.00
2004/2005	54104.7	77.14	16018.0	22.86	70122.70
2005/2006	57430.4	79.45	14851.5	20.55	72281.90
2006/2007	71126.7	81.10	16585.4	18.90	87712.10
2007/2008	85155.5	79.13	22467.0	20.87	107622.50
2008/2009	117051.9	81.59	26422.6	18.41	143474.50
2009/2010	156294.9	86.86	23650.9	13.14	179945.80

Source: Economic Survey, Ministry of Finance

Above mention table shows the total revenue of F.Y2000/2001 to 2009/2010, where two components tax revenue and non-tax revenue are shown in the contribution of total tax revenue. Both tax and non-tax revenue is seen increasing. As seen in table the trend of tax revenue is seen increasing. According to table the trend of tax revenue and non-tax is not much fluctuating .fluctuation of tax revenue is within (74-87) % where as non-tax revenue is within (13-23) %.

Total tax revenue is rapidly increasing each year, except F.Y2001/02. and2005/06.initially the total tax was increasing slowly as years has passed the growth rate of tax seems to be increased. From above table it is clear that in 2001/02 tax revenue is increased by 1552.8 million and in 2005/06 it is increased by 2159.2 million. Besides that the growth of tax revenue is from4000 million to 36471.3 million. Similarly the non-tax revenue collection is also increasing but as compared to tax revenue its growth is in small amount. In the F.Y2001/02 non-tax revenue is increased by Rs1087.2 million and in the year 2003/04 by Rs 515.1 million. Besides that it has increased from Rs2000 million to 5900million.to further analysis, the above table is plotted in bar diagram following.

Fig1: Composition of Total Government Revenue



4.2.2 Composition of Total Tax Revenue

Tax revenue is composed of total direct tax revenue and total indirect tax revenue. If someone pays tax to government from his/her own income, like income tax, penalty tax, interest tax etc. is called direct tax. On the other hand, indirect tax is that tax which is imposed on one person but paid partly or wholly by others. Custom duty, VAT entertainment tax etc are indirect taxes.

The composition of direct total tax and indirect total tax is shown in Table-2

Table-2

Composition of Total Tax Revenue

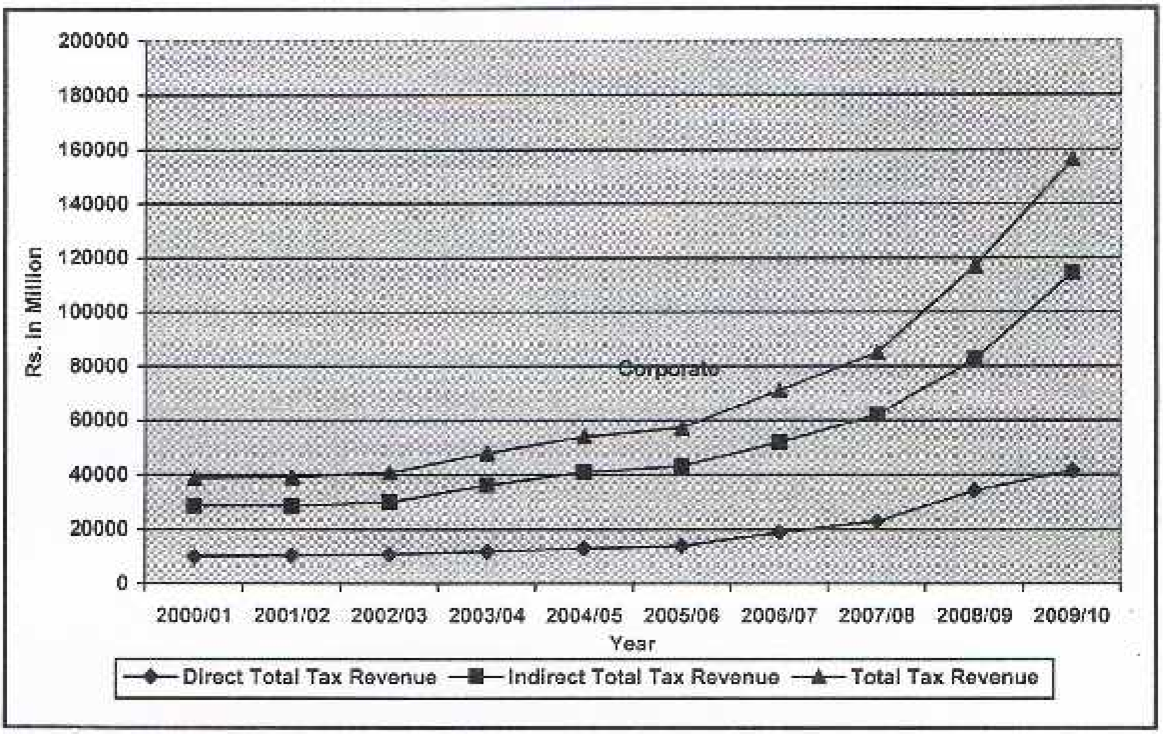
Fiscal Year	Direct Total Tax Revenue		Indirect Total Tax Revenue		Total Tax Revenue
	Rs(in million)	%	Rs(in million)	%	Rs(in million)
2000/2001	10159.40	26.14	28705.70	73.86	38865.10
2001/2002	10597.50	26.94	28733.10	73.06	39330.60
2002/2003	10881.90	26.61	30014.10	73.39	40896.00
2003/2004	11912.60	24.73	36260.40	75.27	48173.00
2004/2005	13071.80	24.16	41032.90	75.84	54104.70
2005/2006	13968.10	24.32	43462.30	75.68	57430.40
2006/2007	18980.30	26.68	52146.40	73.32	71126.70
2007/2008	23087.70	27.11	62067.80	72.89	85155.50
2008/2009	34320.70	29.32	82731.20	70.68	117051.90
2009/2010	41750.00	26.71	114544.90	73.29	156294.90

Source: Economic Survey, Ministry of Finance

Above mention table shows the total tax revenue of F.Y2000/2001 to 2009/2010, where two components direct tax revenue and indirect tax revenue are shown in the contribution of total tax revenue. Both direct tax and indirect tax revenue is seen increasing. As seen in table the trend of total tax revenue is seen increasing. According to table the trend of direct tax and indirect tax is not much fluctuating .fluctuation of direct tax revenue is within (24-29) % where as non-tax revenue is within (70-76) %.

Direct total tax revenue is increasing slowly each year, but after F.Y2005/06 it started increasing largely. Similarly initially the indirect total tax was increasing slowly as years has passed the growth rate of tax seems to be increased. From above table it is clear that the growth of direct tax revenue up to FY2005/06 was in between Rs200 million to1200 million, after that growth was in between Rs5000million to Rs7500million. Similarly the growth of indirect tax revenue up to FY2005/06is in between Rs.28million to Rs.6300million,after that it increased up in between Rs8600million to Rs.32000million .To further analysis, the above table is plotted in bar diagram following.

The above table is plotting on graph which shows the contribution and trend of the total indirect tax, total direct tax revenue to total tax revenue.



4.2.3 Composition of Direct tax revenue

A direct tax is a tax paid by a person to whom it is legally imposed; person bearing and paying tax are same. Hence, it is tax levied on income and property. The Characterizes of direct tax are equitable as per property or income, certainty in process of payment, amount to be paid, time of payment etc. The examples of direct tax are Income tax, property tax, vehicle tax, interest tax, expenditure tax, gift tax and so on. To make study easier direct tax is classified into two categories a. Income tax b. house land and other property tax.

Income tax is levied on consideration payment made for the provision for labor or capital, or combination of both. Income tax act 2058 has excluded casual receipt such as prizes and lotteries from the definition of income for the purpose of income tax. They are subject to casual tax at flat rate of 25% but not income tax. And other property tax which are direct tax but not included in income tax are fallen in category b. i.e. House land and other property tax.

The composition of income tax and house, land and other property tax is presented in table-3

Table-3

Composition of Direct Tax Revenue

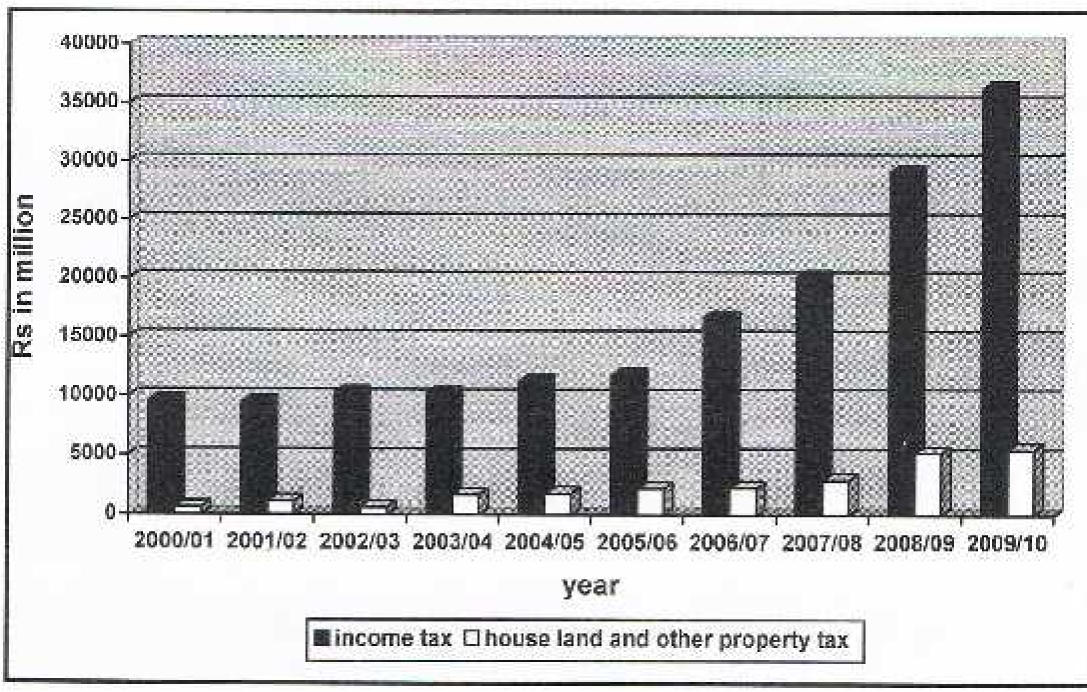
Fiscal Year	Income Tax	House land and other property tax	Total
2000/01	9546.5	612.9	10159.4
%	93.97	6.03	100
2001/02	9465.7	1131.8	10597.5
%	89.32	10.68	100
2002/03	10274.1	607.8	10881.9
%	94.41	5.59	100
2003/04	10215.1	1697.5	11912.6
%	85.75	14.25	100
2004/05	11272.6	1799.2	13071.8
%	86.24	13.76	100
2005/06	11787.0	2181.1	13968.1
%	84.39	15.61	100
2006/07	16726.8	2253.5	18980.3
%	88.13	11.87	100
2007/08	20147	2904.7	23087.7
%	87.26	12.74	100
2008/09	29097.4	5223.3	34320.7
%	84.78	15.22	100
2009/10	36238.9	5511.11	41750
%	86.8	13.2	100

Above table shows that the proportion of income tax is higher than other house land and other property tax .During the period, income tax fluctuation is between 84% to 95% and house land and other property tax is in between 5% to 16%.

Income tax is decreased in the financial year 2001/02 by Rs 80.8 million and in financial year 2003/04 by Rs 56million.Besides that in all financial year income tax has been increased. The fluctuation of income tax is between 84%to95%.Similarly only in FY2002/03 house land and other property tax has been decreased besides that it has increased in all FY. The fluctuation of house and other property tax is in between 5%to16%.

The above table is presented in multiple bar diagram as follows.

Fig3: Composition of direct tax revenue



4.2.4 Composition and trend of total income tax revenue

Income tax is levied on net taxable income. According to Income Tax Act 2058, both individual and corporate tax is mentioned as Income tax. Besides, that house and land rent and interest tax are also included in total income tax.

The tax, which is levied on organization, is called corporate tax and which is levied on person is called individual tax. ITA 2058 has clearly defined about the heading of the computation tax liabilities. They are as follows.

a) Income from employment

b) Income from business

c) Income from investment

Until 2050/51, income tax revenue was divided into corporate income tax, individual tax, and remuneration tax. After 2050/51, income tax revenue is classified into corporate tax, individual tax, house and land rent tax, and interest tax.

Corporate income tax is collected from Government Corporation, public and private Ltd companies, partnership firm .Individual tax is collected remuneration of business, industries and vocation .Interest tax is collected from bank or finance companies that pay interest on all types of deposit and collects interest on all types of borrowing .And the house land and rent tax is levied on income obtained from renting house and land in urban areas.

The composition and trend of income tax revenue is presented in table-4

Table-4

Composition and Trend of Total Income Tax

Fiscal Year / Source of Income	Corporate Tax	Individual Tax	House land and vehicle Tax	Interest Rent	Other Tax	Total
2000/01	8052.8	597.3	432.5	463.90	-	9546.5
%	84.35	6.26	4.53	4.86	-	100
2001/02	7600.4	835.6	562	467.7	-	9465.70
%	80.29	8.83	5.94	4.94	-	100
2002/03	8214.50	597.3	432.50	864	165.80	10274.10
%	79.95	5.81	4.21	8.4	1.61	100
2003/04	7121.30	1391.20	700.60	733.40	268.60	10215.1
%	69.71	12.34	6.86	7.18	2.63	100
2004/05	7726.50	1675.90	806.50	757	306.70	11272.6
%	68.54	14.87	7.15	6.72	2.72	100
2005/06	7834.70	1764.10	847.60	774.9	565.7	11787.0
%	66.47	14.97	7.19	6.57	4.8	100
2006/07	11971.2	2007.9	995	1054.90	697.8	16726.8
%	71.57	12	5.95	6.31	4.17	100
2007/08	13772.3	2451	1069.20	1087.90	1766.60	20147.0
%	68.36	12.17	5.31	5.4	8.76	100
2008/09	20261.7	3195.6	1850	1685.1	2105.0	29097.4
%	69.64	10.98	6.36	5.79	7.23	100
2009/10	24406.1	4413.9	2417.9	2466.40	2534.60	36238.90
%	67.35	12.18	6.67	6.81	6.5	100

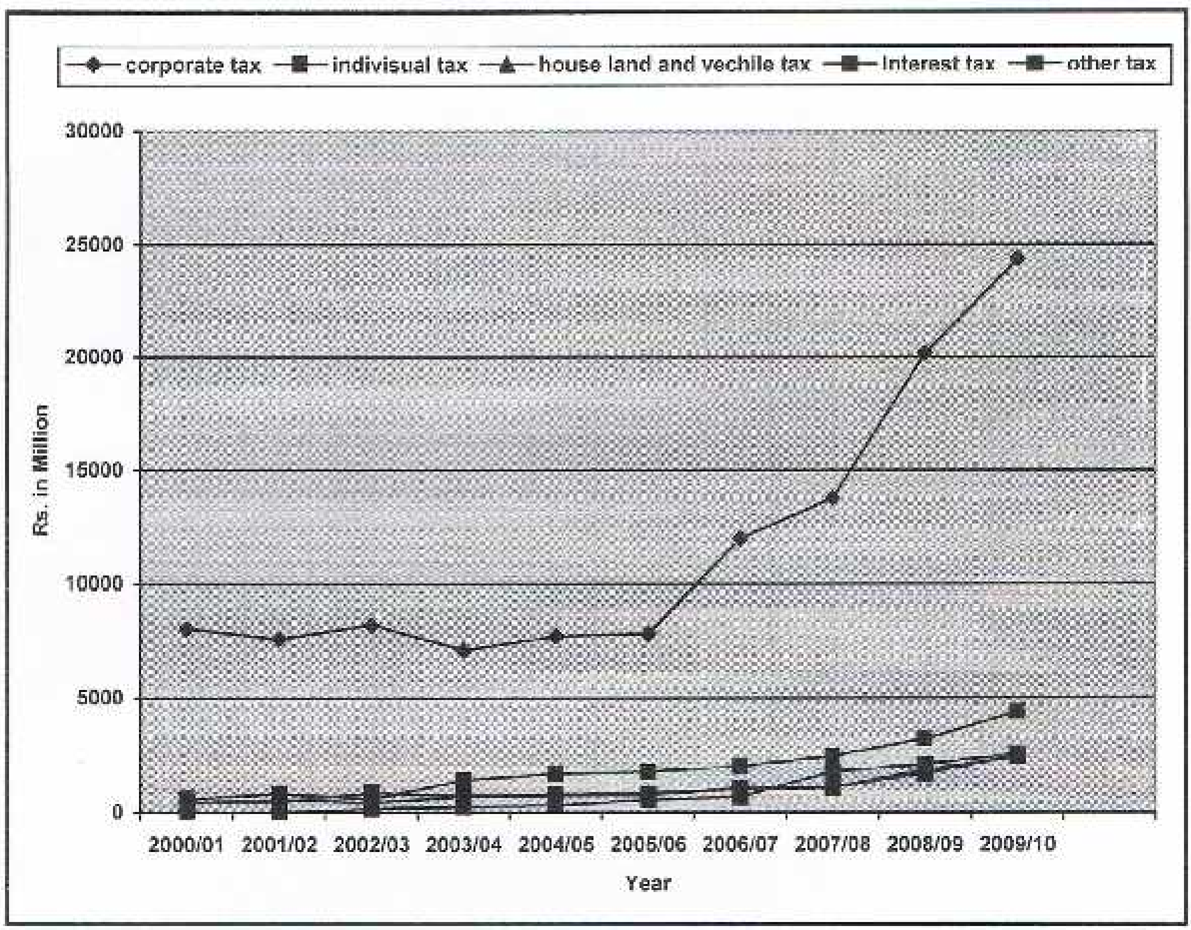
Source: Economic Survey of IRD, Ministry of Finance

Above table shows that out of total income tax more than 67% is occupied by corporate tax in all the year. As seen in the table the trend of corporate tax is increasing, it maximum in FY 2009/10 i. e. Rs24406.1 million. By percentage corporate tax is maximum 84.35% in FY2000/01.In the FY 2003/04 portion of corporate tax is decreased to Rs7121.30 million. Besides that in every year the volume of corporate tax is increasing.

Individual tax collection trend is fluctuating in FY 2002/03, 2006/07 and in 2007/08 the growth rate was negative. Besides that in all FY it is in increasing form .Individual tax collection is highest in the FY2009/10 which is Rs4413.9million.Similarly house land and vehicle tax, Interest rent and other tax is also fluctuating .But in FY2009/10 they are collected highly. IN FY2009/10 house land and property tax is Rs2417.9million, Interest tax is Rs2466.40million and other tax Rs2534.60million which is maximum amount from year 2000/01 to 2009/10.

Above table is presented in the graph as follows.

Fig 4: Composition and trend of Total Income Tax Revenue



In the above graph it is clearly seen that the trend of all tax is increasing and the income tax collection is maximum in FY2009/10 i.e. Rs.36238.9 million.

4.2.5 Composition and trend of corporate tax

To earn profit corporate bodies conduct business .corporate tax is a tax levied on corporate bodies contrast to unincorporated enterprises .Thus corporate tax comes from profit made by corporate bodies in a particular time period.

Government enterprises, public limited companies, private limited companies, partnership and sole proprietors firms are the components of corporate tax.

Government enterprises are those organizations which are managed by the government. So the levy on government enterprises is government enterprises tax .Those companies which have more than 50% share by government is public company and which has less than 50% share or total share hold by private persons, the shareholder is more than two is private ltd company .To make the study easier partnership firm, sole proprietor firm and other are also included in private Ltd company .Composition of corporate tax is presented in table-5 which is as follows.

Table-5

Composition of Corporate Tax Structure

Fiscal Year / Source of Income	Government Enterprises(Rs in million)	Public Ltd.(Rs in million)	Pvt.Ltd.(Rs in million)	Total Corporate Tax.(Rs in million)
2000/01	2928.0	1924.3	3200.5	8052.8
%	36.36	29.90	39.74	100
2001/02	1769.3	1412.0	4419.1	7600.4
%	23.28	18.58	58.14	100
2002/03	2928.0	1924.3	3362.3	8214.5
%	35.64	23.43	40.93	100
2003/04	2056.6	1531.3	3533.4	7121.3
%	28.88	21.50	49.62	100
2004/05	1332.4	2467.8	3926.3	7726.5
%	17.24	31.94	50.82	100
2005/06	195.7	3404.3	4234.7	7834.7
%	2.5	43.45	54.05	100
2006/07	1019.7	5717.1	5234.4	11971.2
%	8.51	47.76	43.72	100
2007/08	214.6	7186.5	6381.2	13772.3
%	1.49	52.18	46.33	100
2008/09	959.1	9425.1	9877.5	20261.7
%	4.73	46.52	48.75	100
2009/10	1131.8	12234.4	11039.9	24406.1
%	4.64	50.13	45.23	100

Source: Annual Report IRD, Ministry of Finance

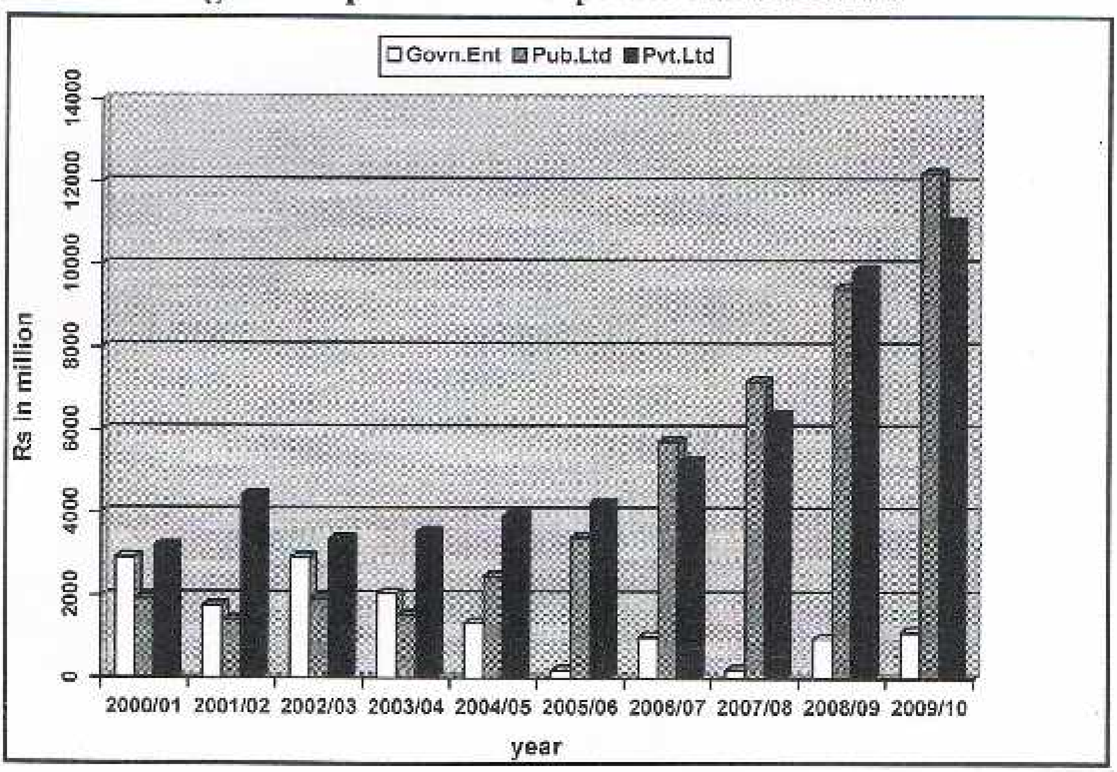
From the above table ,it is seen that the trend of corporate tax is increasing .But in FY 2001/02 it is decreased by Rs452.4million,and inFY2003/04 it is decreased by Rs1093.2million.Besides that in each year corporate tax seems to be increased .In the 2008/09 corporate tax is increased by Rs6444.4 million which is highest increment.

Most of the share of corporate tax is occupied by public and private limited companies .But in the initial year the contribution of government enterprises in corporate tax was very high but as years has passed the contribution of government enterprises decreased in FY 2007/08 the contribution was lowest i.e.1.49%.

Share of public limited was 29.9% in FY 2000/01 but it reached to 52.18% in FY 2007/08 which highest but also it not much fluctuating and its contribution is50.13% in FY 2009/10.Similarly the share of private limited company is also high in corporate tax. In the financial year 2000/01 out of total corporate tax Rs8052.8 million the contribution from private limited was 39.74% i.e. Rs3200.5 million which was highest .In the FY2009/10 the contribution of private limited is 45.23% i.eR.s11039.9million out of total corporate tax of Rs24406.1million.The fluctuation of private limited lies in between39% to 54%.

The above mentioned table is presented in multiple bar diagram as follows.

Fig 5: Composition of Corporate Tax Structure



In above bar diagram it is seen that in the trend of corporate tax is increasing .The third bar is for public limited which suggest that initially the contribution of private sector in corporate tax was maximum but after FY2005/06 the scenario was changed and the first bar seems taller that particular bar is for public limited. So after FY2005/06 the second bar is taller that means after that year the contribution of public limited was more than other sources.

4.3 Contribution of corporate tax in total government revenue and total tax revenue

Corporate tax is the main source of total income revenue. Corporate tax contributes the vital role in total government revenue, total tax revenue, direct tax revenue and income tax revenue.

Nepal has only limited numbers of corporate bodies. Due to the political and geographical condition the contribution of corporate tax in total revenue is low. Most of the enterprises have been private from the year 1993 according to liberalization policy of the government.

The increment of public limited companies is not running well and financial performance of the government enterprises is becoming further weaker. On the other hand many private companies practice tax evasion.

Contribution of corporate tax in total government revenue and total tax revenue is presented in the table below.

Table-6

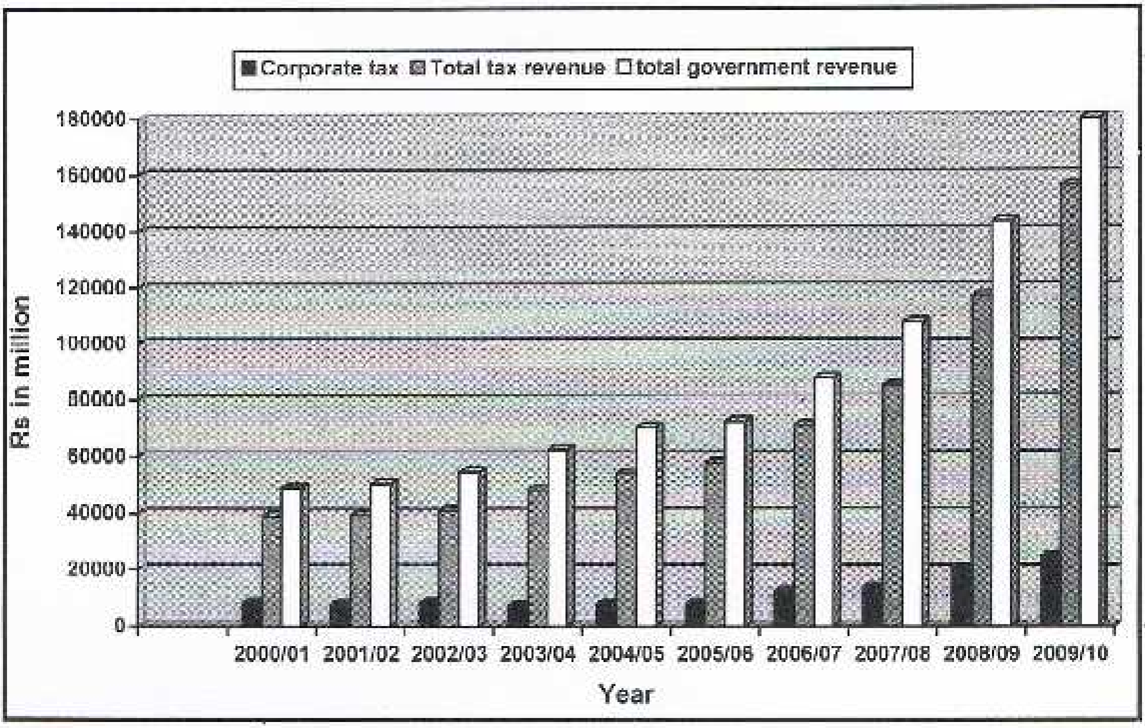
Contribution of Corporate Tax in Total Government tax and Total Tax Revenue

Fiscal Year	Corporate tax	Total Tax Revenue		Total Government Revenue	
	Rs(in million)	Rs(in million)	%	Rs(in million)	%
2000/2001	8052.8	38865.0	20.72	48839.8	16.49
2001/2002	7600.4	39330.6	19.32	50446.6	15.06
2002/2003	8214.50	40896.0	20.10	54538.9	15.06
2003/2004	7121.30	48173.0	14.78	62331.0	11.42
2004/2005	7726.50	54104.7	14.28	70122.70	10.69
2005/2006	7834.70	57430.4	13.64	72281.90	10.84
2006/2007	11971.20	71126.7	16.83	87712.10	13.65
2007/2008	13772.30	85155.5	16.17	107622.5	12.80
2008/2009	20261.70	117051.9	17.31	143474.50	14.12
2009/2010	24406.10	156294.9	15.61	179945.80	13.56

Source: Economic Survey, Ministry of Finance

The above table discloses the total contribution of corporate tax to total government revenue and total tax revenue. The contribution of corporate tax on total tax revenue and total government revenue is very fluctuating. In the financial year 2000/01 the contribution of corporate tax was highest to total tax as well as government revenue i.e.20.72% and 16.49% respectively. In the FY 2005/06 the contribution of corporate tax to total tax revenue is 13.64% and the contribution of corporate tax to total government revenue in FY 2004/05 10.69% which is lowest in percentage.

Fig:6 Contribution of corporate tax in total tax and total govt. revenue



4.3.1 Contribution of Corporate tax in total Income tax revenue and direct tax revenue

Income tax is one of the best resources of the national income. However non-tax revenue, customs, excises duties; value added tax or sales tax has been contributing to the higher rate of government revenue. Income tax is regular source of government revenue. It is not only for raising national revenue but also making balance between rich and poor people .Income tax helps to solve the problem of inequality of people by exempting low income taking only a small percentage out of small income and falling heavily on more income.

Corporate tax is major part of total income tax. Contribution of this tax is very important for developing country like Nepal .Where people are not capable to pay individual tax due to being low earners. In this situation income tax from corporation play vital role in resource mobilization in the national corporate bodies which are easily identifiable and keep account properly. They do not escape from tax liabilities and cannot practice of tax evasion. Nepal as a least developed country it has not been able to increase the numbers of the industry.

Contribution of corporate income tax in direct tax revenue and Income tax revenue is presented in the table-7

Table7

Contribution of corporate tax in total income tax and direct tax revenue

Fiscal Year	Corporate Tax	Direct Total Tax Revenue		Income Tax Revenue	
	Rs(in million)	Rs(in million)	%	Rs(in million)	%
2000/2001	8052.8	10159.4	79.26	9546.50	84.35
2001/2002	7600.40	10597.5	71.72	9465.70	80.29
2002/2003	8214.5	10881.9	75.49	10274.10	79.95
2003/2004	7121.3	11912.6	59.78	10215.10	69.71
2004/2005	7726.5	13071.8	59.10	11272.60	68.54
2005/2006	7834.70	13968.10	56.09	11787.0	66.47
2006/2007	11971.20	18980.30	63.07	16726.8	71.57
2007/2008	13772.30	23087.70	56.65	20147.0	68.36
2008/2009	20261.70	34320.70	59.03	29097.4	69.63
2009/2010	24406.1	41750.0	58.46	36238.9	67.35

Source: Economic Survey IRD, Ministry of Finance

Above mention table shows the total contribution of corporate tax on direct tax revenue and income tax revenue. Average 63.11%on direct tax revenue and 79.5%on income tax revenue is contributed by corporate tax. Up to FY 2002/03 the contribution of corporate tax to direct total tax and income tax seems in increasing form. After FY 2002/03 direct total tax decreases only in FY 2006/07 it seems to be increased. Similarly contribution of corporate tax in income tax also decreases; only in FY 2006/07 its contribution seems to be increased.

Table - 8

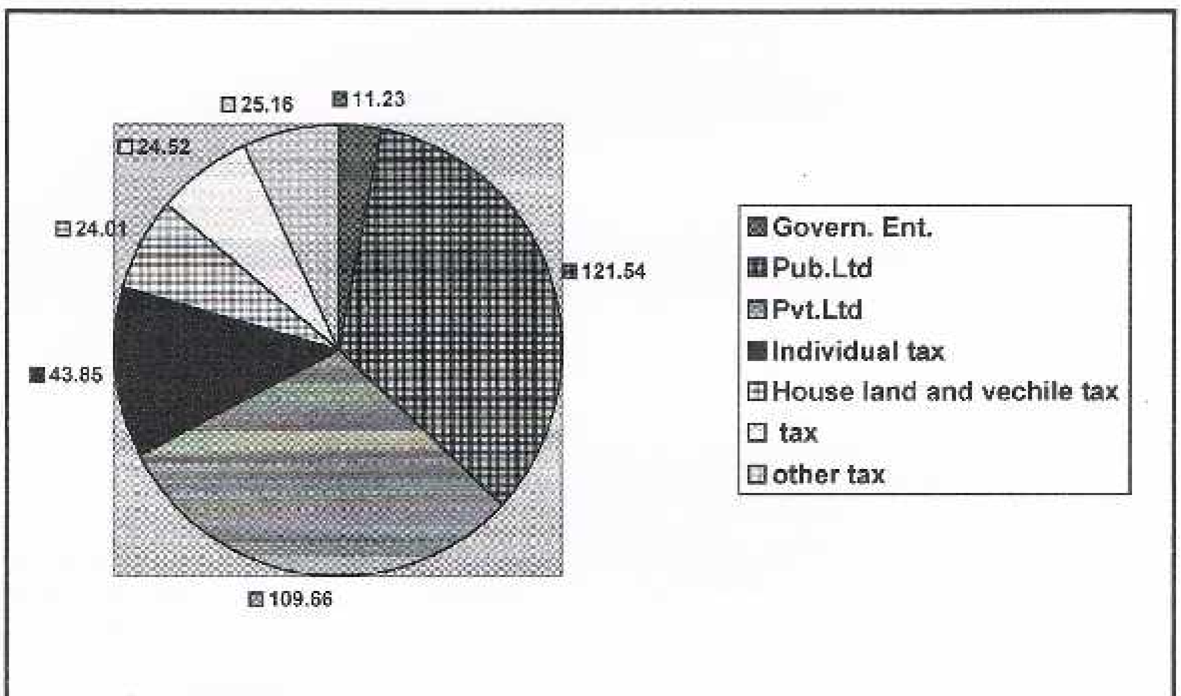
4.3.2 Contribution to Corporate tax structure of F.Y. 2009/10

Components	Rs in million	%	In degree
Gov. enterprises tax	1131.8	3.12	11.23
Public Ltd. co. tax	12234.4	33.76	121.54
Private Ltd. co. tax	11039.9	30.46	109.66
Corporate tax	**24406.1**	**67.35**	**242.43**
Individual tax	4413.9	12.18	43.85
House land and vehicle Tax	2417.9	6.67	24.01
Interest tax	2466.4	6.81	24.52
Other tax	2534.60	6.99	25.16
Total	**36238.9**	**100**	**360**

Source: Annual Report of IRD

Degree calculation= $\frac{Occupied\%}{100} \times 360^0$

Fig: 7 Contribution to Corporate tax Structure of FY 2009/10.



Above presented table and pie chart disclosed that around 67.35% is covered by corporate tax, around 12.18% is covered by Individual tax, 6.67% is covered by house land and vehicle tax, 6.81% is covered by interest tax and 6.99% is covered by other tax.

This study reveals that the contribution of tax from government enterprises is very low. It clearly means that they are not generating income tax; the reason may be different like corruption, political condition.

Private limited companies occupy a large scale of corporate tax due to liberalization and privatization. Except government enterprises, the share of public limited companies has been increasing.

4.4 Forecasting of corporate tax

Forecasting is the art and technique of foretelling the future. It is done with the help of known factors. Forecasting may be for near or distance future. Changes of the factors being reliable and correct are greater for the former as compared to the latter.

Hence, using time series uses the available data to forecast the corporate tax. Data related to corporate tax from FY2000/01 to FY2009/10 are tabulated in table-9 and the trend is shown in graph.

Table9

Annual corporate tax from FY 2000/01 to 2009/10

Financial Year	Corporate tax(Rs in million)
2000/01	8052.8
2001/02	7600.4
2002/03	8214.5
2003/04	7121.3
2004/05	7726.5
2005/06	7834.7
2006/07	11971.20
2007/08	13772.3
2008/09	20261.70
2009/10	24406.10

For simple calculation it has assumed that the financial year2000-01as financial year 2000 and so on.

Let the straight line trend be

y=a+ bx.......................(1)

Fitting of trend line by least square method

Year(X)	Corporate tax(y)	x=X-2005.5	x^2	xy
2001	8052.8	-4.5	20.25	-36237.6
2002	7600.4	-3.5	12.25	-26601.4
2003	8214.5	-2.5	6.65	-20536.25
2004	7121.3	-1.5	2.25	-10681.95
2005	7726.50	-.5	0.25	-3863.25
2006	7834.7	.5	0.25	3917.35
2007	11971.2	1.5	2.25	17956.8
2008	13772.3	2.5	6.25	34430.75
2009	20261.7	3.5	12.25	70915.95
2010	24406.1	4.5	20.25	109827.45
	$\sum y = 116961.50$	$\sum x = 0$	$\sum x^2 = 83.3$	$\sum xy = 139127.85$

Since $\sum x = 0$

$$a = \frac{\sum y}{n} = 116961.50/10 = 11696.15 \ or \ 11696$$

$$b = \frac{\sum xy}{\sum x^2} = 139127.85/83.33 = 1669.60 \ or \ 1670$$

Substitute the value of a and b in equation (i), the equation of trend line will be

$y = 11696 + 1670x$

Here, y is the, estimated corporate tax, x is the F.Y. Indicator

$\therefore$ Equation trend of the corporate tax be $y = 11696 + 1670x$

Estimated corporate tax:

For Fiscal year,

$2010/11 = 11696 + 1670 \times 5.5 = 20881$

$2011/12 = 11696 + 1670 \times 6.5 = 22551$

$2012/13 = 11696 + 1670 \times 7.5 = 24221$

$2013/14 = 11696 + 1670 \times 8.5 = 25891$

$2014/15 = 11696 + 1670 \times 9.5 = 27561$

Fig: 8 Annual Corporate Tax from financial year 2000/01 to 2009/10

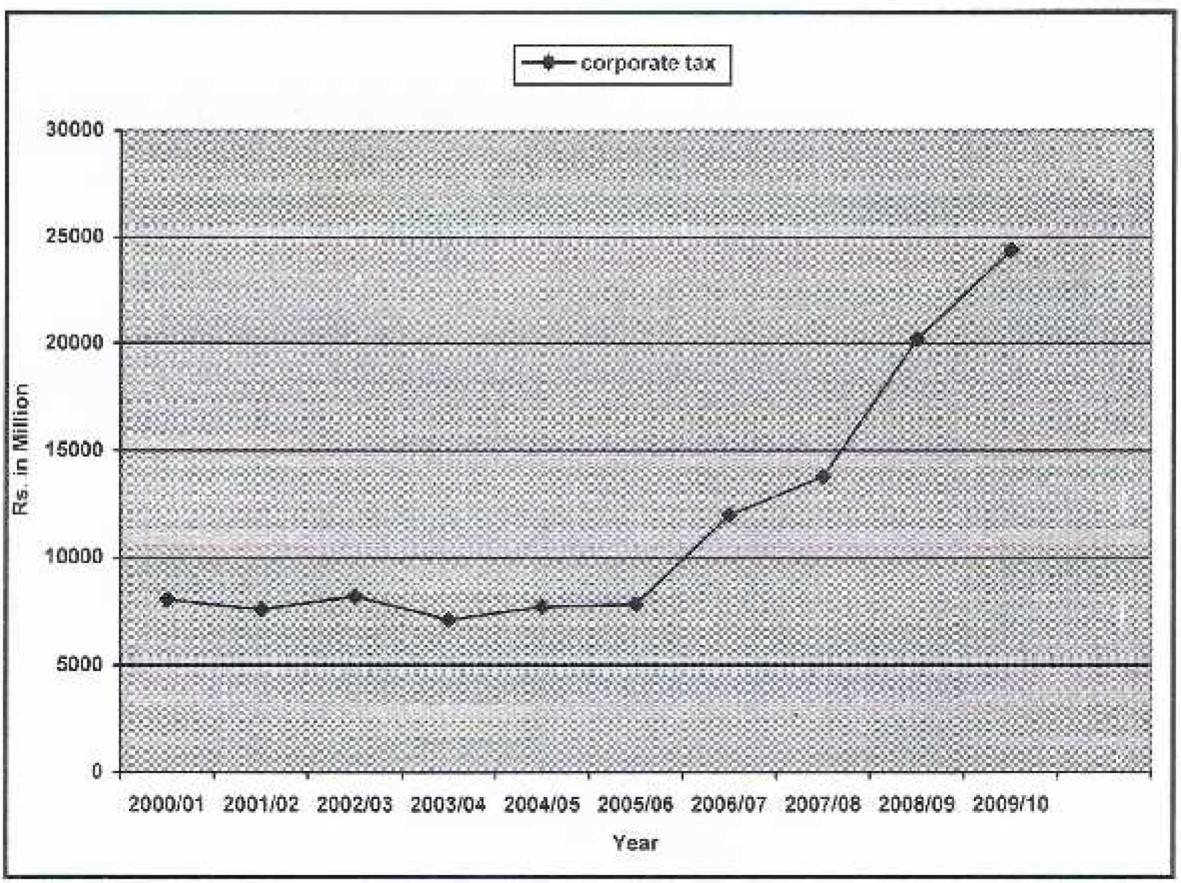
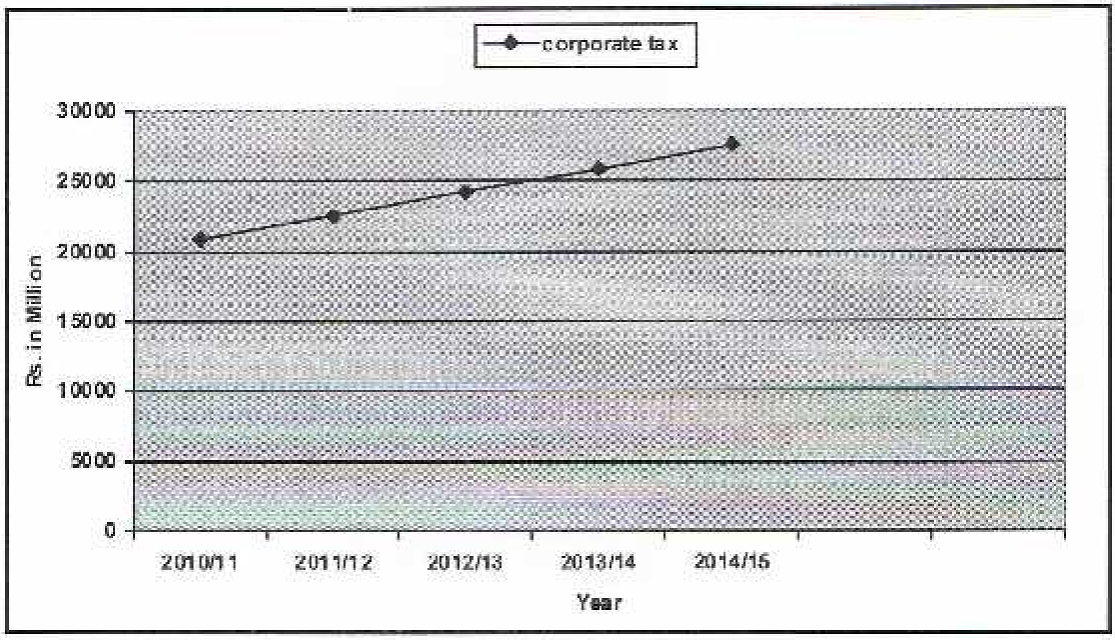


Fig: 9Estimated corporate tax from Fiscal Year 2010/11 to 2015/16



4.5 An Empirical Analysis

An empirical investigation has been conducted in order to find act various aspect of income tax from the experience of the real world. The major tools used for this purpose is an opinion survey through questionnaire, which was dispatched to 45 respondents represent tax experts, tax administrations, and tax payers. The questionnaire includes the various aspect of corporate income tax converting with its role, problem of corporate income tax, suggestion to improve corporate tax, strengthen of corporate tax etc.

The views of the respondents were collected from Chandragadi, Bhadrapur & Birtamode. Questions were provided with two or more alternative or asked for ranking of choice according to the number of alternatives where first choice was most important and last choice was the least one.

Information collected from the respondents was tabulated into separate format and they expressed in terms of percentage of total number and have been analyzed into descriptive ways.

Out of the total samples collected opinion were mainly taken from the tax experts, tax administrators and taxpayers.

Table-10

Group of Respondents and code use

S.N.	Group of Respondents	Sample Size	Code used
1.	Tax experts	15	A
2.	Tax administrators	15	B
3.	Tax Payers	15	C

The questionnaire either asked with yes/no response or alternative choice, the result of the questionnaire is presented in simple table form and for the open question, it is described in paragraph directly. Each question has given equal priority and respondents have requested to choose only one option for one question.

4.5.1 Role of Corporate Tax

The specific objectives may put more and effective efforts in tax revenue of government. Being contributed around 50% of income tax by corporate tax, the important role is self-indent. Although, to know the views and best result of role of corporate tax, opinion survey of the respondents is taken by asking a question. 'What role does the corporation play to Nepalese tax structure?' The responses received from the respondents are tabulated as follows:

Table-11

Role of Corporate tax in Nepalese tax structure

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	More important than non-corporate tax	11	10	9	30	66.67
2.	As important as non-corporate tax	2	4	3	9	20.00
3.	Less important than non-corporate tax	2	1	3	6	13.33
Total		**15**	**15**	**15**	**45**	**100%**

Source: Opinion Survey

Above table shows that corporate tax is more important than non-corporate tax. 66.67 percent of respondents felt the role of corporate tax in Nepalese tax structure is more important than non-corporate income tax and 20% respondents felt the corporate tax is as important as non-corporate tax and only 13.33% respondents felt that corporate tax is less important than non-corporate tax.

Hence, the corporate tax plays the vital role in Nepalese tax structure.

4.5.2 Necessary to public awareness program

To know the respondents view public awareness program the question was asked "Is public awareness program necessary in Nepal about corporate tax?" the opinion of the respondents are tabulated as follows:

Table-12

Necessary of Public Awareness Program

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	Yes	15	15	15	45	100
2.	No	-	-	-	-	-
3.	Don't No	-	-	-	-	-
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion Survey

From the table, it is found that all of samples of tax experts, tax administrators and tax payers approved public awareness program are necessary in Nepal about corporate tax. So, it can be concluded that public awareness program is necessary in Nepal about corporate tax.

4.5.3 Suitable Means of Source of Government Revenue

From which source does government collect more revenue or which is the suitable mean of income tax revenue? Weather corporate tax is suitable mean or not, to know the answer of the respondents a question is asked: Yes/No form. 'Is the corporate tax a suitable means of source of government revenue?' The response received from respondents is tabulated as follows:

Table-13

Source of Government Revenue

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	Yes	9	10	7	26	57.77
2.	No	6	5	8	19	42.23
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion Survey

Above table reveals that the corporate tax is the suitable mean of government revenue where income tax revenue is the main part of government revenue 57.77% respondents argued that the corporate tax is the suitable mean, without corporate tax the tax revenue, or government revenue is lamb. Only 42.23% respondents viewed that only corporate tax is not suitable means, other tax also prevailing, if government manage the, the government could be collect more tax revenue.

Hence, it can be concluded that the suitable means of tax revenue is corporate tax in current tax structure in Nepal.

4.5.4 Income tax assessment method

To know the respondents view towards income tax assessment method, a question was asked "Which income tax assessment method more suitable in Nepal." The opinions of the various respondents are summarized as below:

Table-14

Income tax assessment

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	Self-assessment	11	10	12	33	73.33
2.	Best judgment	1	2	1	4	8.88
3.	Tax settlement	2	2	1	5	11.12
4.	Lump sum	1	1	1	3	6.67
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion Survey

From the above analysis it can be concluded that the best method of income tax assessment is self-assessment because the average percentage of this is more than other methods. In aggregate 73.33 percent of total respondents are in favor of self-assessment method, 8.88 percent are in favor of best judgment method, 11.12 percent are favor of tax settlement and 6.67percent in favor of lump sum method. Thus, it can be conclude that the best method of income tax assessment is self-assessment.

4.5.5 Major problem of corporate income tax assessment in Nepal

Tax assessment system is the very important part of taxation. There are so many problems in corporate, income tax assessment. Thus to know the view of various respondents about these problems a question was asked "What are the major problem of corporate income tax assessment system of Nepal?" The response received from the respondents is tabulated as follows:

Table-15

Problem of corporate income tax assessment system

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	Complexity in income tax	6	5	7	18	40
2.	Ineffective tax administration	7	9	6	22	48.89
3.	Lack of tax education	2	1	2	5	11.11
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion Survey

From the above table, it can be concluded that major problem of corporate income tax assessment system is ineffective tax administration because the average percentage of this is more than other. In aggregate 48.89percent respondents viewed it as ineffective tax administration. 40% respondents were income tax of the opinion that system is complex and rest of them expresses that there were lack of education. Thus is can be concluded that the major problem of corporate income tax assessment system in Nepal is ineffective income tax administration.

4.5.6 Role of corporate tax administration

The role of tax administration is very crucial and important in the Inland Revenue department as tax office. Administration is just as management of all personnel and making policy and so on. But actually what is the role of corporate tax administration. To know the views of various respondent's' "what do you think about the role of corporate tax administration in Nepal? "The respondents are request to give their answer in choosing only one alternative among four.

The respondents received from respondents were tabulated as follows:

Table - 16

Role of corporate tax administration

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	Policy making	4	4	5	13	28.89
2.	Assessment of corporate tax	7	9	6	22	48.89
3.	Revised of vague section	2	1	3	6	13.33
4.	Information collection about tax payers	2	1	1	4	8.89
	Total	15	15	15	45	100

Source: Opinion survey

The above table shows that the role of corporate tax administration. Above table mentions that 48.89percent respondents were in favor of assessment of corporate tax,28.89% were in favor of policy making,13.33% were in favor of revised of vague section and rest of them are in favor of information collection about tax payer. Thus it can be concluded that the role of corporate tax information is to assess the corporate tax.

4.5.7 Suggestion to improve the corporate income tax in Nepal

In Nepal, the corporate tax collection is not being done in proper and scientific manner. To collect the suggestion from various respondents about improvement of corporate tax, question was asked "What action would you suggestion to improve the corporate tax in Nepal?" The respondents are request to give their answer in choosing only one alternative among three.

The responses received from respondents were tabulated as follows:

Table-17

Suggestion to improve the corporate income tax

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	Educating tax payers	8	7	6	21	46.67
2.	Assessment of tax in time	5	4	6	15	33.33
3.	Simplifying tax law	2	4	3	9	20
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion survey

A table mention above shows that the most important suggestion to improve the corporate tax from the view of various respondents is educating tax payers (45%), 40% respondents held different view as the assessment has to be done in time and only 15% respondents argued that simplifying the tax law to improve the corporate tax. Thus, it concluded that to improve the corporate tax in Nepal in the education of the tax payers.

4.5.8 Strengthen of Corporate tax

As a major component of tax revenue, corporate tax makes strength by introducing various, acts, rules and regulation. However corporate tax occupied around 50% share in income tax, the share of corporate tax will increase more by using legal tools and facility the corporations.

To strengthen the corporate tax, the system must be introduced and systematized. To know it a question with four options was asked to respondents - 'How do you think the corporate tax system of Nepal is strengthening?

The response from respondents is tabulated as follows:

Table-18

Strengthen of Corporate tax

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1	Introducing separate corporate tax act	10	7	11	28	62.22
2	Strong provision against tax evasion	4	6	3	13	28.89
3	Remove the investment barrier	1	2	1	4	8.89
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion survey

Above table represents on the favor of separate corporate tax laws, rule and regulation to strengthen the corporate tax system in Nepal.62.22% respondents were in favor of new corporate tax act,28.89% respondents viewed to make strong provision against tax evasion. And only 8.89% respondents referred to remove investment barrier from all sectors, which helps to develop the economic as well as physical sector.

4.5.9 Responsiveness of Tax Payers and State

Income tax act 2058 has many doubtful provisions, which makes confusion to its concern parties. Grievance is spread from all sectors to Income Tax Act 2058. Some experts, lecturers, professors, tax administrators, and taxpayer referred to amend the act.

To make responsible the government/state as well as taxpayer to concern parties, Improvement is needed in act, rules, regulation and new provision to the act.

The Respondents were asked a question with four alternatives. 'What types of changes need to Income Tax Act to 2058 make administrator, tax payer and state more responsible?'

Table-18

Strengthen of Corporate tax

S.N.	Options/Alternates	Respondent's Group			Total	
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1	Introducing separate corporate tax act	10	7	11	28	62.22
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3	Remove the investment barrier	1	2	1	4	8.89
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion survey

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The Respondents were asked a question with four alternatives. 'What types of changes need to Income Tax Act to 2058 make administrator, tax payer and state more responsible?'

The responses from respondents are tabulated as follows:

Table - 19

Responsiveness of taxpayers and State

S.N.	Options/Alternates	Respondent's Group			Total	
		A	B	C	No.	%
1.	Avoid the ambiguous provision	7	8	5	20	44.45
2.	Change the whole act	5	4	1	10	22.22
3	Add new provisions	2	1	2	5	11.11
4.	Others	1	2	7	10	22.22
Total		**15**	**15**	**15**	**45**	**100**

Source: Opinion Survey

Above mentioned table shows that for the effectiveness of corporate tax to make all parties responsible should be change the present act 2058, either by amending or make new one. If the act/law is strengthen than the state as well as other relative parties are responsible among them.

Ten respondents i.e. 22.22% of respondents viewed to change the whole income tax act 2058. Twenty respondents i.e. 44.45% of the total respondents support to avoid the ambiguous provision from Income Tax Act 2058.Five respondents suggested adding new provisions to clear the responsibility of these parties. Rest 22.22% i.e. ten respondents were standing to others like the administrators, government, sector experts and taxpayer are fulfilled their duties honestly.

4.5.10 Resource Mobilization for Corporate Tax

If the corporations are increased, the resources of corporate income should be increased either by introducing/establishing new corporation on various part of country or increasing the production capacity of Present Corporation. Whether these corporations are run under enterprise act, or company act, the resources should be searched and utilized fairly.

To know the new ideas of resource mobilization for the corporate tax, an open ended question were provided to the respondents. The question was in your opinion, what are the ideas that could mobilize the resource for corporate tax? Respondents were requested to give their responses in short points as far as possible.

The response from respondents is mentioned in a paragraph to make and understand easier. Most of the respondent's emphasis on the rapid development of corporate sector by introducing various related laws, rules, regulation, act and provisions .Besides, facilities, grant, rebate, securities, training, good education or business-industry-corporation focused education, is provided by government.

The fundamentals of the developments-transport: Railways, Roadway, Airways, water, electricity, telephone, warehouse and other infrastructure should be added. Practicable education, morality, skilled education, technical education, should be learned in school level education. Students are made to familiar with environmental force or bio-energy like water, solar, wind and so on emphasis the cottage industries to increase their capacity by adding investment and technology. More facilities should be added in rural area to establish new corporations depend on agriculture, natural resources like mine industry, tourism industry and so on.

Research and developing expenses to search raw materials, new technology, new product and new ideas for corporation development should be increased. People should be aware to rural forest, cave and minerals (Which are found under land) and they could beloved to wild animals and Nepalese forest and other natural resources for tourism industry.

Besides, government should be considered in security on investment, provide loan facility to lure for the foreign investors in rural enterprises, provide free training facilities to employees on job and leisure employees, avoid the violence and throat cut political scenario or: by using every effort, government provide full securities and make beautiful peaceful-calm state, Nepal. The government should be stable, and people feel good governance and full securities.

Another link road either it will road way or railway made from hilly region and avoid the dependency upon foreign country like India, America, Japan, China and Other. All district head quarter must be link with high way, which helps to supplying raw material and products.

Government should formulate new corporate act including above mentioned parts and apply systematically.

4.6 Major Finding of the Study

On the basis of the preceding chapter some of the important findings are observed. Major objectives of this study was to point out the position, contribution or trend of corporate tax in government revenue and problems related to corporate tax collection and mobilizing source for corporate tax.

The finding from the study were mentioned as

1. The income tax prescribed by Income Tax Act 2058 is very much reasonable, Scientific and modern. It is very efficient income tax system. It has prescribed many deduction and exemption in the income of corporations.
2. It seems that due to assessment delays, the income tax have made provision for the self-tax assessment is also seems lengthy process and demands many documents. From this system taxpayers traced many problems on heading of income and expenditure.
3. Because of unfriendly behavior of tax authorities to the taxpayers, taxpayers were not satisfied with them.

4. Tax administration was not more effective due to lack of trained employees, shortage of income tax professional, weakness in government policy, defective income tax act etc. in Nepal.
5. Nepal has least number of corporate bodies. Most privatized corporations are doing well and tax collection from also seems positive. But most the government enterprises are in loss. They are not properly managed and unable to collect more resources for government through corporate tax. Most of the small companies do not keep their accounts properly and practice to create different heading of income and expenditure to avoid tax.
6. Utilize of corporate tax is not totally sound, the government must need to improve the behavior of administrator.
7. The government is accountable to corporate taxpayer where the corporate tax plays vital role in total tax structure in Nepal.
8. The new corporate income tax act will introduced to remove all types of difficulties in tax system like duality in tax act, vague provisions, authorities, right and duties of tax administrator, government and tax payers. Special rules and regulation' against tax avoidance and evasion will have maintained.
9. Tax payers are wanted to pay tax in nearest bank because of avoid unnecessary processing, time consuming and make the effective corporate tax system in Nepal.

CHAPTER-FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Nepal is one of the least developed countries with low per capita income. There is resource gap problem in Nepalese economy where public expenditures are quarter than public receipts. In order to meet public expenditure, the government has to raise revenue through internal sources. Internal sources of fund can be classified in to two types i.e. tax sources and non-tax sources. Taxes are the better source of public revenues.

Nepal has been adopting income tax for last four decades and assessed on yearly basis. Although the legal provisions has made and updated timely, there are many problems on income tax system. The study was started. The study was started with the objectives to trace out the tax systems on the new act 2058 and proportionate contribution of corporate income tax to different tax revenue.

The specific objectives of the study were to analyze the composition of government revenue of Nepal, trend of income tax revenue of Nepal, trend of income tax revenue collection from corporate sector, role of corporate income tax to total revenue, total tax revenue, direct tax revenue and income tax revenue and problems faced by taxpayers in complying with tax procedures. Various materials were review in order to build up the conceptual foundation and to find out the clear destination of the research work. Concept of Income, concept of tax, objectives of taxation, principles of taxation, historical background of Income tax and the definition of new income tax act 2058 regarding corporate tax were reviewed as conceptual review. On the other hand various articles, books, reports and dissertations were included in research review section.

The research covers only ten year's period from fiscal year 2000/01to2009/10.The study was designed within the framework of descriptive and analytical research design and the analysis has been made in the same way. For the study purpose, various places of Jhapa District Chandragadi,Birtamod and Bhadrapur are taken as the study area. Required data and information's were collected from primary and secondary sources. In addition to data, some interviews with also used in the study which were collected through unstructured interviews with concerned persons. Simple mathematical and statistical tools have been used to get meaningful result of the collected data.

The analysis has been made according to the objectives. Comparative study among the various components of government revenue has been carried out in the study. The provision made for corporate tax has been analyzed in the study. Similarly the composition of Nepalese government revenues, and their relationship each other, trend of tax collection from corporation and its contribution to total Government revenue, total tax revenue, direct tax revenue and income tax revenue have been shown comparatively in the study. Some conclusions and the recommendation are also given at the end of the study based on research findings.

5.2 Conclusions

Based on the findings of the study, the following conclusions have been drawn and presented as follows.

1. The rules and provision of corporate taxation are complicated for average taxpayers. The Inland Revenue Department has not been able to provide adequate knowledge to the taxpayers. The effective implementation of the act is left on the hand of financial auditors. .

2. The revenue structure of Nepal is the Composition of Internal and External revenue. Internal revenue composed tax and non-tax revenue. Tax revenues have the largest contribution to total revenue.

3. Tax revenue consists of direct and indirect tax revenue direct tax revenues dominated by indirect tax revenue from the fiscal year 2000/01 to FY2009/10 among direct taxes, income tax has highest contribution. To direct the economy towards the development, it is necessary to increase the share of direct tax revenue. It should be focused for resource mobilization through direct tax.

4. The contribution of income tax from employment to total revenue and total tax revenue are insignificant. Similarly its contribution to direct and income tax revenue are not satisfactory. It may be due to low pay scale of employee, ineffective implementation of the Act, loopholes on the provision etc.

5. There is less chance of tax evasion as taxes on remuneration are deducted at source. In such a condition, the insignificant role of remuneration income tax indicates that the government has not been success to bring all prospective taxpayers into tax net.

6. Lack of proper knowledge of taxation, poor responses from tax administrators, unnecessary delay and mental pinch to taxpayers, complicated and unclear laws and procedures, hassles from the tax officers in getting tax clearance may play vital role on low contribution of remuneration tax.

5.3 Recommendations

Based on findings and conclusions, the following recommendations have been made:

1. The provision of corporate tax should be made simple and understandable to general taxpayers. Employees should be provided adequate taxation knowledge so they can aware about the existing provisions, which facilitates effective implementation of the Act.
2. The income tax act 2058 should be revised which simplified the language and remove the ambiguity and corporate tax act should be enacted with simple language.
3. Nepalese tax policy should be updated timely according to international tax policy.
4. Government should establish sufficient number of tax collection counters and update its personnel with adequate training regarding the latest tax policy.
5. Tax revenue is highly dominated by indirect tax. It is necessary to increase the share of direct tax. Resource mobilization through direct tax enhances the economy in the channel of development.
6. The contribution of corporate tax towards various tax revenues should be increased by monitoring tax evasion and bringing new taxpayers in to tax net. The slabs should be adjusted so that the high income earners should levied higher income tax.
7. The gap between formulation of policies and actual implementation should be minimized. The problems faced by the taxpayers should also be minimized. Tax administrations should be made responsible and dedicated to build the nation. Procedural complication in paying income tax should be minimized.

8. There should be clear and strict rule for reward and punishment. The person who conceals tax should be properly identified and punished.

9. Tax administration must be more efficient so that more revenue can be collected for making more effective. The morals of tax officials must be improved.

10. The tax authorities, administrations and the official must changed their value, believes, norms and attitude according to new democratic system.

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APPENDIX-A
Questionnaire

Name...Designation...
Office/Corporation:
Occupation:-..

This Questionnaire concerned with a study on"Corporate Tax System Of Nepal".It would be very much appreciated if you could spare some of your valuable time for filling this questionnaire.

1. *Is public awareness program about corporate tax necessary in Nepal?*
   a) Yes b) No c) Don't know

2. *How do you see the condition of Nepalese corporate tax stracture?*
   a) Effective b) Ineffective c) Need improvement

3. *In your view,what is the best way to increase corporate tax?*
   a) Increasing tax rate b) decreasing tax evasion c) Providing incentives d) Other

4. *Which income tax assessment method is suitable in Nepal?*
   a) self assessment b) Lump sum c) Best judgement d) Tax settlement

5. *What are the major problems of corporate income tax assessment in Nepal?*
   a) Lack of tax education b) Income tax act complexity c) Administrative problems

6. *What role does corporation play in Nepalese tax stracture?*
   a) Important b) very important c) Less important

7. *What are the problems of tax collection in Nepal?*
   a) Registration b) Accounting c) Refunding d) Other

8. *What is the best way to educate people about tax?*
   a) Print media b) Internet c) audio/visual d) Seminars

9. *What action would you suggest to improve the corporate tax in nepal?*
   a)Educating tax payer b)assessment of tax in time c)simlifying tax law

10. *What are the changes needed in income tax act 2058 to administrator,tax payer and state more responsible?*
    a).Avoid the ambiguous provision b) change whole act c)Add new provision

    d) others

11. *What are the main ideas to mobilize the resources for corporate tax ?*

....

....

....

12. *What should be Practical and effective solution for improvement in tax administration in Nepal?*

....

....

....

13. *Is the corporate tax a suitable means of source of government revenue?*

a)yes *b)no*

14 *What do you think about the role of corporate tax administration in Nepal?*

a)policy making *b)assessment of corporate tax* *c)revised of vague section*

d)information collection about tax payer