

**A STUDY ON HOUSE AND LAND TAX OF
KATHMANDU METROPOLITAN CITY**

A Thesis

**Submitted to the Central Department of Economics,
Faculty of Humanities and Social Sciences, Tribhuvan University
in Partial Fulfillment of the Requirements for the
Degree of Masters of Arts
in
Economics**

By

SURYA MAHARJAN

Roll No.: 483/066

TU Reg. No.: 5-1-37-582-96

**Central Department of Economics,
Tribhuvan University, Kirtipur, Kathmandu.**

April 2017

LETTER OF RECOMMENDATION

This thesis entitled *A Study on House and Land Tax of Kathmandu Metropolitan City* has been prepared by **Mr. Surya Maharjan** under my supervision. I hereby, recommended this thesis for examination by the thesis committee as a partial fulfillment of the requirements for the degree of Masters of Arts in Economics.

I forward it with recommendation for approval.

Dr. Yogesh Ranjit
Associate Professor
Thesis Supervisor
Central Department of Economics,
Tribhuvan University,
Kritipur , Kathmandu.

Date: 2073/12/27 BS
(April 9, 2017)

APPROVAL LETTER

This is to certify that the thesis entitled *A Study on House and Land Tax of Kathmandu Metropolitan City* submitted by **Mr. Surya Maharjan** to the Central Department of Economics, Tribhuvan University, for partial fulfillment of the requirement for Degree of Masters of Arts in Economics has been found satisfactory in its scope and quality. Therefore we accept this thesis as a part of the said degree.

Thesis Committee:

Prof. Dr. Ram Prasad Gyanwaly
Head of Department

Tara Prasad Bhusal
Associate Professor
External Examiner

Dr. Yogesh Ranjit
Associate Professor
Thesis Supervisor

Date: 2074/01/10 BS
(April 23, 2017)

ACKNOWLEDGEMENTS

This thesis is prepared to fulfill the partial requirements for the degree of Master of Arts in Economics, Tribhuvan University, Nepal. Since, it involves intensive study and analysis of the related issues; it is very effective for the students in skill development as well as career enhancement. This thesis has come in this shape not by the sole effort of me but by the contribution of many individuals and institutions. I am very much grateful to all those people and institutions that helped in completing this thesis directly and indirectly. This thesis has aimed to study on “House and Land Tax in KMC”.

I would like to express my sincere thank to my thesis supervisors Dr. Yogesh Ranjit, Associate Professor, Central Department of Economics, T.U. for his regular supervision, support and valuable guidance.

I am also indebted to Prof. Dr. Ram Prasad Gyanwaly, Head of the Department, for granting me writing thesis on subject of my interest. Similarly, I am also feeling privileged to express my gratitude to all the faculty members and other staff of Central Department of Economics for gracious response to my queries.

I am also very thankful to Mr. Sushil Subedi (Section Officer, Revenue Department, Kathmandu Metropolitan City Office), who have helped me in every steps of my study by providing all required data and information to my study. I am also grateful to all respondents, who had provided me their valuable viewpoint on research questionnaires. Similarly, my sincere thanks also go to all staff of Central Library (TU), Kritipur and friends for their kind cooperation.

Last but not the least, my sincere gratitude go to my all family members for their valuable supports, cooperation and encouragement to the study.

Surya Maharjan

Central Department of Economics, TU

TABLE OF CONTENTS

	<u>Page No.</u>
Letter of Recommendation	i
Approval Sheet	ii
Acknowledgements	iii
Table of Contents	iv
List of Tables & Figures	vi
List of Abbreviations	vii
CHAPTER-I: INTRODUCTION	1-5
1.1 Background of the Study	1
1.2 Statement of the Problem	2
1.3 Objectives of the Study	3
1.4 Significance of the Study	4
1.5 Limitation of the Study	5
1.6 Organization of the Study	5
CHAPTER-II : REVIEW OF LITERATURE	6-20
2.1 International Context	6
2.2 Nepalese Context	9
2.3 Research Gap	19
CHAPTER-III: RESEARCH METHODOLOGY	21-23
3.1 Research Design	21
3.2 Nature and Sources of Data	22
3.3 Sample and Sampling Procedure	22
3.4 Sample Period Covered	23
3.5 Method of Primary Data Collection	23
3.6 Data Organization and Processing	23
3.7 Tools and Techniques of Data Analysis	23
CHAPTER - IV: PRESENTATION AND ANALYSIS OF DATA	24-53
4.1 History of House and Land Tax in Nepal	24
4.1.1 Origin and Evolution of House and Land Tax	24
4.1.2 House and Land Tax Laws	26

4.2	Trend and Contribution of House and Land tax in KMC	30
4.2.1	Trend and Contributions of House and Land Tax	30
4.2.2	Estimated and Actual House and Land Tax	34
4.3	Problems and Solution of House and Land Tax Collection	36
4.3.1	House and Land Tax as a suitable means of raising domestic resources	36
4.3.2	House and Land Tax Contributions significantly to the development of Municipalities	37
4.3.3	House and Land Tax Paying to KMC in the fixed time period	38
4.3.4	Information to Taxpayers about House and land Tax	39
4.3.5	Best way to inform tax payers about property tax to pay in time	41
4.3.6	Motivation for Taxpayers paying the House and Land Tax in time.	42
4.3.7	Motivation Factors that should be given to the Taxpayers to pay House and Land Tax in time	43
4.3.8	Rebates given by KMC	43
4.3.9	Paying Fine for Late Paying House and Land Tax	44
4.3.10	Payment of Land Tax After Building House and Paying House Tax on that Land	45
4.3.11	Complication in Paying House and Land Tax	47
4.3.12	Appropriate Solution for the Loopholes in the method of assessment and valuation of House and Land Tax	48
4.3.13	Introducing Computerized Billing System in KMC	49
4.3.14	Provision of Collecting Property Tax made	51
4.3.15	Follow Low Tax Rate for Broadness of Tax Payers	52

CHAPTER - V: MAJOR FINDINGS, CONCLUSION AND

RECOMMENDATIONS

54-58

5.1	Summary of Major Findings	54
5.2	Conclusion	55
5.3	Recommendations	56

REFERENCES

59-62

APPENDICES

63-66

LIST OF TABLES

<u>Table No</u>	<u>Title</u>	<u>Page No.</u>
3.1	Groups of respondents and size of samples for each group	22
4.1	Tax rate according as fiscal act 1961	26
4.2	Tax rate according as fiscal act 1991	27
4.3	Tax rate of house according as fiscal act 1991	27
4.4	Tax rate of house according as fiscal act 1993	28
4.5	Members of committee according as fiscal act 1961	28
4.6	Tax rate according as fiscal act 1993	28
4.7	Tax rate of house according as fiscal act 1996	29
4.8	Trend and Contribution of House and Land Tax in KMC	31
4.9	Efficiency of Collection of House and Land Tax of KMC	34
4.10	House and Land Tax as a suitable means of raising domestic resources	36
4.11	Contributions of house and land tax to the development of Municipalities	38
4.12	House and Land Tax Paying to KMC in the fixed time period	39
4.13	Taxpayers have been Informed Regularly	40
4.14	Best way to inform tax payers about property tax to pay in time	41
4.15	Motivation for Taxpayers paying the House and Land Tax in time.	42
4.16	Rebates given by KMC	44
4.17	Paying Fine for Late Paying House and Land Tax	45
4.18	Payment of Land Tax after Building House and Paying House Tax on that Land	46
4.19	Complication in Paying House and Land Tax	47
4.20	Appropriate Solution for the Loopholes in the method of assessment and valuation of House and Land Tax	48
4.21	Introducing Computerized Billing System in KMC	50
4.22	Provision of Collecting Property Tax	51
4.23	Low Tax Rate for Broadness of Tax Payers	52

LIST OF FIGURES

<u>Figure No.</u>	<u>Title</u>	<u>Page No.</u>
4.1	Trend of House and Land Tax and Total Revenue	32
4.2	Trend of Contribution of House and Land Tax	33
4.3	Trend of Efficiency of Collection of House and Land Tax of KMC	35
4.4	House and Land Tax as a suitable means of raising domestic resources	37
4.5	Contributions of house and land tax to the development of Municipalities	38
4.6	House and Land Tax Paying to KMC in the fixed time period	39
4.7	Taxpayers have been Informed Regularly	40
4.8	Best way to inform tax payers about property tax to pay in time	42
4.9	Motivation for Taxpayers paying the House and Land Tax in time.	43
4.10	Rebates given by KMC	44
4.11	Paying Fine for Late Paying House and Land Tax	45
4.12	Payment of Land Tax after Building House and Paying House Tax on that Land	46
4.13	Complication in Paying House and Land Tax	47
4.14	Appropriate Solution for the Loopholes in the method of assessment and valuation of House and Land Tax	49
4.15	Introducing Computerized Billing System in KMC	50
4.16	Provision of Collecting Property Tax made	52
4.17	Low Tax Rate for Broadness of Tax Payers	53

ABBREVIATIONS

AD	:	Anno Domini
BS.	:	Bikram Sambat
CEDA	:	Center for Economic Development and Administration
DDC	:	Distinct Development Committee
etc	:	et cetera (and the rest)
F/Y	:	Fiscal Year
GDP	:	Gross Domestic Product
H & L	:	House and Land
i.e.	:	That is
KMC	:	Kathmandu Metropolitan City
LOBOFAR	:	Local Body Financial Administration Regulation
LOSEGO	:	Local Self Government
NG	:	Nepal Government
No.	:	Number
Rs.	:	Rupees
SLG	:	State and Local Government
S.N.	:	Serial Number
TR	:	Total Revenue
TU	:	Tribhuvan University
TV	:	Television
VAT	:	Value Added Tax
VDC	:	Village Development Committee
WBI	:	World Bank Institution
%	:	Percent
&	:	and

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Nepal is the least developed country in the world. Its economy mostly depends on the agriculture. Agriculture stands with 36 percent contribution to Gross Domestic Product (GDP) at real prices in Fiscal Year (F/Y) 2014/15 and remaining is contributed by business and service sectors. The economic growth of Nepal is remained at 2.5 percent in F/Y 2006/07, which is 3.3 percent in F/Y 2014/15 and 0.6% in 2015/16. Politically Nepal is divided into 5 development regions, 75 districts, 14 zones, 217 Municipalities. Among 217 municipalities, there is one metropolitan city viz. Kathmandu Metropolitan City (KMC), 216 Sub-Metropolitan Cities and Municipalities. VDC and Municipalities are divided into 9 to 35 Wards. The Distinct Development Committee (DDC), VDC and Municipality are called local government as the local representatives from these local government units (CBS, 2016).

KMC is a local level city government. It has been provided the specific rights and duties by the specific laws. KMC is formed and run by the Local Self Government (LOSEGO) Act-1999, its Regulation-2000 and Local Body Financial Administration Regulation (LOBOFAR)-2007. Under the legal provisions, KMC has carried out the development and concurrent activities. The said laws have provided the powers of revenue collection at local level as government units. The level of exercising the power of revenue collection affects and execution of development project and qualitative and innovative city services.

Tax is the major source of the central as well as the municipal (Local) government revenues. Since concept of welfare government was introduced, the available limited internal resource did not meet the huge amount of expenditure on infrastructure development and for social activities like free education, medical treatments, employment and national defiance and securities.

The developing country like Nepal has not as enough development infrastructures as the required for the country. As the resource constrain the projects and program of the city infrastructure development and city services have to be executed by the government grants and loans. The government needs more money or fund to invest in essential public services. The receipts come from tax and non-tax revenues, grants and loans make the public fund. The strength of public fund depends on the economy of the country and institutional capacity. Tax revenue is the most effective source of government revenues as it not compliance with the direct returns to the taxpayers.

The house and land tax were collecting under the House and Land tax act, 1962 by the central government till the year 2000 when this power was devaluated to the municipalities and urbanizing VDCs. Municipalities and VDCs are collecting the House and land tax under the provisions of LOSEGO act 1999s, Regulation 2000 and Finance Act 2000. By the statutory provision, Municipalities have got the big chunk of local resources to enjoy its financial autonomy. After shifting the power of house and land tax collection to the municipalities, it is supposed to strength municipal fund. It is expected that the additional resources would bridge the gap between the local resources and the expenditures required for local development and providing city services.

Property tax, House and Land tax so far Nepal is concerned, has considerably contributed to the tax revenues of local government like municipalities of both developing and developed countries. In Nepal, municipality has been collecting the House and Land (H&L) tax under the LOSEGO Act its regulation, House and Land tax Act and its regulations, since 2000. The income generated from the house land tax has showed considerable proportion in comparison with total tax revenues of the municipalities like KMC in Nepal.

1.2 Statement of the Problem

The house and land tax is a direct tax as it impacts on the taxpayer only. It is a large source of local taxation. House and Land tax, as such property tax supposed as old as the existence of the state or city-state. Since the tax levied on the land by the state, the property tax was introduced then. In the early stage of

the history of taxation it was the major tax resources of the government like it becomes main resource in local taxation now.

In Nepal House and Land tax had no longer history as compare to Land tax, custom duties and other government levies. However, the statutory provision of both House and Land tax and Income tax were made in same decade. As the result House and Land taxation has not become matured as the Income tax. When it was introduced, government expected that more revenue from it. But it did not get the expected result. Then government did not give emphasis on it and intuitional and legal provision was not updated as required. Since government did not have priorities, House and Land taxation had to face the series of problems. The problems has not solved till the date.

The practice on house and land taxation shows that House Land tax is regarded as property tax and the terminology of ‘property’ and house and land’ are used interchangeably. The existing common and specific acts; rules, regulations and other related provisions are not clearly defined. The existing legal provisions and practices are not uniform and standardized. The House and Land taxation is not able to adopt the principal of taxation. As of today, House an Land taxation have the problems like; the existing legal system is not contemporary and their provisions are controversial, tax administration system is very conservative, the concerned government line agency is not properly cooperating with tax administration, taxpayer is not consciousness, the existing tax laws do not address the issues of house eland tax assessment, there is lack of transparency in tax system, there is weak incentive and punishment system in tax administration and valuation rate of house and land is very low. However, the study focused on the following research questions.

- a) What is the history of house and land tax in Nepal?
- b) What is the trend and contribution of house and land tax in KMC?
- c) What are the problems and solutions of house and land tax collection?

1.3 Objectives of the Study

The problems on house and land tax may be manageable or not that is going to find through the study. The study will try to analyze the present legal

provisions, tax administration and practices. The specific objectives of the study would be:

- a) To explore the history of house and land tax in Nepal
- b) To analyze the trend and contribution of house and land tax in KMC.
- c) To explain the problems and solutions of house and land tax collection.

1.4 Significance of the Study

House land tax is appeared as a major source of local government like municipalities. Its contribution in total revenue of central government was negligible when it was shifted to the local government. This tax was previously collect as property tax for a few years. As property taxation has some complications such as data of all properties and tax payers inconveniency, property taxation was postponed and house land tax has been collecting since F/Y 1995/96 under the house land tax Act, 1962 its rules, 1963 and finance acts. The object of this tax was to mobilize the internal resources that were needed for widening public expenditures then. In these days its objective is to strengthen the local fund to meet the local expenditure.

When local government started to collect house land tax, it has become a major internal resource of municipalities. The successful implementation of house and land tax produce more money and that money would available to meet the local expenditure. If local body able to mobilize internal rescuers efficiently, they can expense more money in projects and programme of local services. When the level of expenditure increased, the quality of public services increased and this causes higher living standard of local people.

The importance of house land tax can be analyzed when we see its contribution in total revenue and total tax revenue of a municipal viz. KMC. The revenue table of last 14 years of KMC has been shown below. This shows that how the house and land tax is important for local financing.

The study will be use full to the government, national planner, policy maker, municipalities, researchers, teachers, students, etc. who are interested to know about the house and land tax in Nepal specifically Kathmandu Metropolitan city.

1.5 Limitations of Study

As this study will be conducted to fulfill the requirement for master Degree's in economics, the whole problems and issues of house land taxation cannot be covered in the research problem.

- a) Only last fourteen years' trend and data be specified.
- b) The study deals with only Kathmandu Municipality. The finding of this study may not relate to other municipalities of Nepal.

1.6 Organization of the Study

The study is divided into five chapters. First chapter is the introduction which covers the background of the study, statement of the problem, objectives of the study, significance of the study, limitations of the study and organization of the study. Second chapter is the review of literature that is divided into international and Nepalese context. Similarly the third chapter is the research methodology that deals with research design, nature and sources of data, population and sample of the study, sample space covered method of data collection, data organization and processing, techniques of data analysis.

The fourth chapter is the body part of the study which is the data presentation and analysis. It emphasizes on the historical practices of house and land taxation, analysis and interpretation of the trend and its effectiveness of house & land tax of KMC and its major determinants. The fifth chapter includes the major findings, conclusion and recommendation.

CHAPTER - II

REVIEW OF LITERATURE

Review of Literature means reviewing of research studies or other relevant propositions in the related area of study so that all the past studies, their conclusions and deficiencies may be known and further research can be conducted. It is an integral and mandatory process in the research works.

The main reason for the review of research in the past is to know the outcomes of those investigations areas where similar concepts and methodologies had been used successfully. Further, an extensive or even exhaustive review of such review may offer vital links with the trends and phases in the researcher in one's area of specialization, familiarizing, with the special terminology, with the rationale for understanding one's proposed investigation. In this connection a review of related research projects are conducted. (Joshi, 2002: 112)

A summary of writing of recognized authorities and previous research provides that the research that researcher is familiar with what is already known and what is still unknown and untested. Since effective research is based upon the past knowledge, this step helps to eliminate the duplication of what has been done and provides useful hypothesis and helpful suggestions for significant investigation. The review of literature is divided into International Context and National Context.

2.1 International Context

Sundaran (1970) has published a book which includes annual value, how it is determined, deductions of income from house property. Amounts not deductible from income from house property owned by co-owners, owners of house property, annual changes etc. are defined. The annual value of property consisting of a buildings or lands apartment there to which the assesses is the owner, other than such portions of such property as Sundaran many occupy for the purpose of any business or profession

carried on by Sundaran. The profits of which are chargeable to income tax under the head 'income from house property'.

Taro (1990) has analyzed the situation of Japanese local tax system on his essay- National Taxation System- contented in the book entitled the Public Finance in Japan edited by Shibata Tokue. The writer added in this article that taxes can be divided into 2 types according to their connecting sources: they are national taxes levied by the national government, and local taxes by prefecture (as such, state or province) and municipal government. In this essay, Japanese tax structure was included. The tax structure given below emphasizes what a large sum of tax is collected by local authority (government). This study also shows an importance of direct tax revenues which is three fourth of total tax revenue.

Total tax collected is US\$ 50,632 out of which direct tax is US\$ 38,418 and indirect tax is US\$ 12,214. Total tax collected by Nation is US\$ 32,003 out of which direct tax is US\$ 22,644 and indirect tax is US\$ 9,359. Similarly total tax collected by Local is US\$ 18,629 out of which direct tax is US\$ 15,773 and indirect tax is US\$ 2,856.

Bhatia (1994) has defined the principal and theoretical concept of taxation and its impact in economy, which is the first part of the book. Second part of the book has a major content of the Indian tax system. The author has analyzed and presented the clear picture of income tax, property tax and net wealth tax system of India. While the writer analyzed the existing tax system and came to the conclusion that wealth tax is depended on grounds of checking evasion of income tax and reducing economic inequalities. Author also explored some issues in wealth tax like those of valuation and local bodies (Government) are mostly not well equipped to handle them with integrity and efficiency. The author also added that taxes on land and buildings in India are both in the nature of general tax and services charges. The writer has given examples as some municipalities charge for streetlight, scavenging and water supply in it. In the basis of house and land, other property situation in the collecting and valuation thereof.

Due and Friendlander (1994) has stated that Local Governments earn only those taxes which are specially authorized for them by the states, since they have

no inherent taxing power of their own. This is stated in reference to the taxing of USA. He analyzed on his study that the portion of property tax is very high among local taxes in USA. The developed countries like USA have been collected the sufficient proportion of property tax among the local tax revenues. The author would like to present following figure to verify the status of property tax in local taxation.

Local Government tax revenue of USA in 1979

Tax Revenue	Billions of US Dollars	percentage of total tax
Property	62.5	78%
Income	4.3	5%
Sales	7.1	9%
Excise	3.5	4%
Other	3.2	4%
Total	80.60	100%

Horold (1955) stated that it is broadest meaning the general property tax is a tax upon all wealth, house and land, tangible and intangible, which possesses exchange value. Both developed and developing countries have introduced and practicing it. But this tax is collecting by local level government in almost countries. As we study the system of house and land tax in different countries, it is collected by the local or state government rather than central government.

Malme and Youngman (2001) has edited a study report of World Bank Institution (WBI) entitled the Development of Property Taxation in economies in Transition: Case Studies form Central and Eastern Europe. The study has contented of property tax practices of post socialist countries like Poland, Russia, Estonia, Czechoslovakia etc. This case study focused on the issues like categories of property for tax purpose, rate of tax regarding the category of property, and valuation practice. The conclusion of the study was how the additional resource can be mobilized through the property taxation and economic resource can be equitably distributed in the country. Above all, the case studies recommend the valuable suggestions analyzing the economic, social and political status of the countries of east and central Europe.

Bahl and Vazquez (2007) has presented the ways to strengthen the revenue performance of property tax and the future of the property tax in developing countries. In this working paper, they have also mentioned the major advantages and disadvantages of the property tax.

According to them, Revenue Potential and Stability, Fairness and Equity, Tax Exporting, Compliance Costs, Tax Base Competition are the advantages while Administration Cost, Enforcement, Taxpayer's Attitude, Elasticity are the main disadvantages of the property tax.

Bahl (2009) has given the concept about the ways of fixing the property tax in developing countries. In this article the writer suggested the reforms in property tax administration and the writer has also suggested that the primary objective of reform in developing countries should be base broadening. The property tax base should be expanded to include nearly all properties in the jurisdiction, and most should be brought into tax. And provision should be made for regular revaluation, so that the valuation rolls do not get too far out of date. Indexing between revaluation periods might be considered. The writer also highlights that the Property tax reform must focus on all dimensions of the administration of the tax, e.g. coverage of the base, collections, and valuation.

2.2 Nepalese Context

Dhungana and Pradhan (1973) of an institution center for economic development and administration (CEDA) surveyed the property taxes for the first time and performed a general account on the revenue potentiality, assessment administrative mechanism of law, Administrative loopholes, problems and suggestions have made for the prospects and future score for the development and had proposed for improvement and implementation procedure of property taxation. The report published as the titled of "Evaluation of Urban Property (1st phase Kathmandu)". The report consists of various aspects of urban property tax in Nepal. It also deals with housing trained and revenue potentiality of Kathmandu.

Devkota (1980) has analyzed urban house and land tax and also analyzed the property tax legal aspect, evaluation procedure of haouse and land, collection of house and land tax, tax base, structure of tax rate, revenue potentiality,

historical aspect, and property tax in different nations along with international aspect.

In this report the reporter found out that the revenue from property tax has not been mobilized that much, it has low revenue productivity and contribution from this tax to total revenue is insignificant and also found assessment ratio is also very poor. And at least the writer has forwarded some suggestion from the improvement the property tax and also suggested for the more elastic property tax.

Dhungana, Kayastha and Rai (1985) have analyzed property taxation along with other taxes. In 1973, the research officers Dhungana and Pradhan of an institution center of economic development and administration (CEDA) surveyed the property taxes from the first time and performed a general account on the revenue potentiality, assessment administrative mechanism of law, administrative loopholes, problems and suggestions have made for the prospects and future score for the development and had proposed for improvement and implementation procedure of property taxation. The report published as the title of "Evaluation of urban property (1st phase Kathmandu)". The report consists of various aspects of urban property tax in Nepal. It also deals with housing trend and revenue potentiality.

Ghimire (1993) has described the classification of tax, base of income or expenditure tax, base of tax in Nepal, procedure of computing net income, weakness of tradition accounting system, classification of tax rate, index of income tax in Nepal, contribution of tax income to national revenue, errors of past provision, some steps of administrative improvement etc.

The writer has found that the tax covered vary low portion of total revenues because of no taxation in agricultural income, narrow base of income of retail business, high exemption limit on remuneration income etc. Writer has also noticed some errors of provision relating to income tax. They were progressive tax had not played an effective role for equal distribution of income, unproductive tax concession holiday and rebate, provision of low additional fee as compare to market interest rate etc and also suggested some step of

administration improvement. They were: provision of income assessment committee, flat rate of tax to small taxpayers, establishment of tax office etc.

Chapagain (1995) has carried out a Case Study of Lalitpur Municipality. The objective of this study was to do the financial analysis. This study is based on both primary and secondary data. The researcher has concluded that the income was always in excess over expenditure. Sources of tax revenue were octroi, house and land tax and other taxes. Tax structure was haphazard and there was much scope for increasing local revenue. Much of the expenditure had been done for office maintenance and unproductive purposes and those expenditure was contributed by property tax. No clear plans were formulated for development. The income had increasing not due to collection efficiency but due to increasing grant from NG, GTZ and TDFB etc.

Dharan Municipality (1996) has organized a workshop seminar on “House Numbering Data Base Linkage with Local Taxation fees” in December, 1996 (Fima, 1996). The output of seminar was presented to the gathering municipal councilors, municipal section heads, and observers and invited employees from other municipalities on 27 Dec 1996. The existing procedures followed by municipality to collect roof top tax, professional tax, building permission fees, house and land tax and other fees were discussed, analyzed and several recommendation were made for further implementation by the municipality. During the discussion period, the team used SWOT analysis to find out strengths, weakness, opportunities and threats in the collection procedures.

The report was based on primary data. Five percent samples of houses having house number plates were taken as sample. The seminar reached the conclusion that there should be separate computer unit and land revenue tax should be linked with house numbering database. Moreover, seminar concluded that there should be qualified and trained municipal employees, political commitment, systematized house numbering data base tax and well defined tax base in order to enhance the tax collection efficiency.

Timsina (1996) had done a study on Municipal Finance of Biratnagar Municipality in 1996. The objectives of the study were to analyze income and expenditure pattern, to explore the issue of financing and various sources as

income tax, land tax, house tax etc. of fund other than octroi and to identify an appropriate system for funding. His study is based on primary and secondary data. He drew the conclusions that financial autonomy should be granted for effective mobilization of financial resources to local bodies. The local bodies could mobilize financial resources in the form of various taxes, service charges and fees. Municipalities were augmenting their financial resources by collecting local taxes such as octroi, house and land tax (Property tax), profession tax, roof top tax and rent tax. They were also collecting revenue from non-tax revenue like service charges, fees and rent from property as well as grants and aid from town development fund and other national agencies.

Pahadi (1997) has studied the financial structure of Jankpur Municipality. The study was based on both primary and secondary data. The time duration for the study was five fiscal years since F/Y 1991/92 to F/Y 1995/96 AD. The data processing and interpretations were based on non-statistical analysis. The objective of the study was to carry out financial analysis of Janakpur Municipality. He concluded that octroi was the most significance revenue source. Property tax was also another important source of revenue. Janakpur Municipality was receiving very low amount of grant from the central government.

Overall financial position of the municipality was fluctuating during the study period. Huge amounts of collected resources were spent on building, drinking water project, sanitation, road, other town development project and salaries. The regular expenditure was always higher than development expenditure. This clearly indicates that the municipality could not able to utilize and develop the budget more effectively.

Silwal (1998) has conducted a case study of Baglung Municipality in 1998. The objectives of the study were to assess the income and expenditure pattern, to study the potential sources of revenue, to explore the possibilities of raising internal resources to finance the requirements of the municipality and to make policy recommendation for the improvement of financing of the Baglung Municipality.

The study is based on primary as well as secondary data adopting descriptive analysis. The thesis concluded that municipality should play a crucial role for the local development of the country. Octroi was the most important source of local revenue because it is politically painless, easy to collect and requires less manpower. Land tax and house tax was found other important sources of the Baglung Municipality. The revenue and expenditure are fluctuating and always, regular expenditure is in excess of development expenditure.

Adhikari (1999) has studied about property tax in Nepal. This content has the details sub contains of property tax and house land taxation in Nepal. The legal and background and practices of house and land taxation are clearly explained. The author has collected all the related notice and provision made by the government in house land taxation and property valuation. He exercised the clear example of valuation of the house and land the tax liability clearly. This book is very useful to student, researcher as well as those who want to know about the house and land taxation, the income taxation and value added taxation; they could get sample of knowledge and its practices in Nepal.

Adhikari (2001) has stated that the collection of property tax under LSG 2055 is good measure and suitable means for mobilizing internal resources. Adhikari has stated that there were two types of property tax first one is called house and land tax and other is called Unified property tax. The collection of house and land tax is collected by the municipalities and village development committees and latter one was only collected by municipalities.

The study also found out that in Dharan Municipality there was wide spread tax evasion so the researcher stressed that government should formulate a policy to check the tax evasion. It was recommended that tax administration must be enough efficient for the improvement of tax administration to simplification of tax laws and policies.

Khadka (2002) described that in Nepal, municipalities represent local government in urban areas where the demand for public services was very high due to the rural urban migration municipalities also had potential tax base due to the concentration of economic activities in the urban center. Since the

municipalities are in a position to manage their local affairs, including the management of the fiscal affairs reform of local finance implies putting priority on the reform of principal finance. The municipal experience can later only replicated to the rural areas. This explains the reason why this book is concentrated on the municipal finance.

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

Thapa (2002) had described the tax system, features of tax and causes of reform the tax. Thapa had characterized the tax system as too many and high rates, multiple objectives of taxes, scheduler rather global approach to income taxation and property taxation, too many income brackets and high progressively, complicated and ambiguous tax law.

Thapa had identified the areas for the reform of tax system in Nepal. They were; low rates on broad base, simplicity and neutrality, gradual abolition of exemption, deduction and tax holidays to broad tax base, few rates or single rate, few taxes with high revenue productivity, emphasis on tax compliance rather than coercive enforcement, incentives to brewing and investment, conversion of sales and service taxes into VAT. Moreover, excise duty only on cigarette, tobacco, alcohol, automobiles, petroleum and automobiles spare parts, abolition of surcharge and additional duty system to make the tax system, making the tax internationally compatible to attract foreign investment etc.

Malik (2004) has explained tax act, 2058 with examples wherever necessary. The writer has presented the complex act in simple manner so that it will be easy to understand the act. Malik has shared his expertise in his book. The book is descriptive and analytical. All the Provisions in the act have clarified in simple language. In some cases, the writer has also compared the provisions of the old act and new act. This book is very much useful to anyone who is interested in the subject of taxation.

Ghimire (2006) has reported about the dwelt upon the existing legal provision to check tax leakages and its implementation status. A critical appraisal for tax related earlier legal instrument has also been carried out. The importance of tax education, accounting knowledge, motivation for revenue staff and taxpayers are also reviewed.

This report has identified some legal, institutional structure of tax administration, revenue policy and monitoring activities. Prevailing tax related laws have made various anti-leakage provisions to minimize the non-compliance and to maximize the tax collection. There are special provisions for anti-leakages activities in Corruption Control Act. But these provisions are not properly handled and implemented.

Timilsina (2006) has mentioned about importance of land tax in Nepal. He has also clearly explained about the land tax development from ancient to modernize land tax system in Nepal. The major problems existing in Nepalese land tax system identified by him were the inefficient land revenue administration, lack of modern cadastral survey, up to date records, inequality of minimum valuation of land for different purposes, land classification made on the basis of it's productivity etc. Timilsina has suggested some improvement regarding land tax and administration for the collection of tax in Nepal.

Shrestha (2007) has tried to analyze the contribution of tax revenue in Lalitpur City with pointing the drawbacks of the tax administration and its local people (sources of tax). This work has also suggested some corrective ways to remove such drawbacks. He emphasized that economy is a vital tool for balance development of country for this house and land tax must be properly implemented to reduce the gap between rich and poor people. The writer also argued that clear act, rules and regulations are the most important instrument for effectiveness of property tax in Nepal.

Shrestha (2007) has conducted a study on Municipality Finance of Dipayal Silgadhi Municipality in 2007. The main objectives of this study were to analyze the trends in revenue and expenditure pattern and to explore the possibility of raising adequate revenue from internal sources as property tax. The researcher has concluded that the overall financial position of the Dipayal-

Silgadhi municipality in the study period was not so promising. Even though, collected revenue was significant amount. The expense on social program under development expenditure heading was very low in both absolute and relative term. The municipality though spent adequate resources did not render even its obligatory social program service like education, forestry, disaster relief etc. Huge amounts of resources were utilized in building constructions, land/building purchasing and other development construction but not in town level projects. Water supply and drainage, sanitation, public health, medical relief was totally neglected. Moreover, the municipality was not able to utilize its financial resources at all. The expenditure trend showed that development budget had not been utilized effectively.

Dahal (2008) has studied about house and land tax of Dharan municipality. Dahal has stated about this topic as, direct tax has strategic importance and best sources of tax revenue, the suitability of house and land tax could not be ignored in the course of raising domestic resources. Notifying the major problem, Dahal added that the problem of tax evasion was inefficient tax administration; there was no certain rule to certify valuation of gold, silver, equipment and goods. Dahal suggested that, house and land tax should be applied to reduce the gap between rich and poor people and for the improvement of tax administration, tax education to taxpayers and decentralization of authority and simplification of tax laws and policies were very necessary. Dahal focused that the taxpayers are not ready to pay the tax without compulsion but collection group were not being mobilized effectively. Dahal also described that in Nepal two types of property tax were imagined under LSG Act, 2055.

Rana (2009) has mentioned the short history of Nepalese taxes and mentioned the shortcomings of present tax system. The writer has stated that, the tax system in Nepal is circumscribed by serious structural constraints with tremendous administrative and procedural complexities envisaged in the existing Income Tax Act that simplicity and transparency are lacking. Tax payers are often unaware about the specific size of tax they are to comply with, because tax is determined arbitrarily. It has also suggested some effective measures to overcome the problems in tax system in Nepal.

Rajbanshi (2009) has mentioned about the property tax as a suitable source for the collection of public revenue and mobilizing internal resources. He suggested that, by giving the information about property tax by effective media large volume of revenue could be collected. Effective fine and penalties system could help to increase the tax paying habit of people. He highlighted that the House and Land Tax should be applied to reduce the gap between rich and poor people. He added that door to door visit programmer should be managed to make aware and collect property tax in the municipality. Clear Act, rules and regulation could be the most important for effectiveness of property tax in Nepal.

Shrestha (2010) has used statistical tools as a major tool of analysis. To achieve objectives, the researcher has taken seven-year period and applied the secondary data and primary data. Following conclusions are drawn from the study.

Most of the Nepalese people are not aware of property tax. Due to lack of tax education property holder are deprived from right to paying tax. If they are informed effectively about the property tax can expect the increase in tax volume as well as paying house and land tax time. In the administrative aspect there are a lot of weakness for efficient administration, and collection of this tax. There must be high degree of honesty and morality. Due to various problems related to property tax, revenue collection from property tax is relatively low in LSMC. For economic development of Nepal, the problems relating to property tax system in Nepal should be solved and resources should be effectively utilized.

Shrestha has suggested for the sound and effective property tax system. House and land tax rate, discount rate, price and other motivating factor should be advertised by newspaper, TV, Radio etc. to attract and motive taxpayers.

Kapri (2011) has studied about contribution of House and Compound tax to an annual budget (with special reference to Bhaktapur municipality). The main objective of this study is to examine and analyze the role of property tax in revenue collection in Bhaktapur municipality. The major findings of this study are as follows.

Revenue collection was fluctuated in every fiscal year and in F/Y 2060/61 and 2009/10 the tax administration and local people (taxpayers) weren't conscious and aware about house and land tax to Bhaktapur Municipality. Bhaktapur is the smallest town even though its revenue collection from other sources like business tax, service

tax, rental tax, fine and penalties, internal grant, external aid and other tax sources were greater than revenue from house and land tax. Revenue from house and land tax was not satisfactory to develop the municipality and daily administrative work due to low collection in amount and in whole percentage will comparison to other revenue sources. Therefore, it is difficult to present in simple bar diagram. Budgeted and Actual collection was not matching so everyone can easily conclude that either tax administration or taxpayers were not aware and conscious about house and land tax. This forecast also not helps to develop the city. The trend must be in increasing order due to increase in valuation of house and land in the market or government rate but the secondary data showed likely to be constant. Most of the taxpayers insisted for non-paying house and land tax in time due to lack of awareness about it.

Kapri recommended that, the municipality should dispatch the information of tax liability in advance. Effective billing system should be launched for informing tax payers about their tax liability. The municipality does not follow the appropriate penalty procedure against the tax defaulter. So it should follow the standard procedures for punitive action against defaulters.

Adhikari (2012) has studied about contribution of House and Land (property) tax to total revenue of Vyas municipality. The main objective of the study is to examine and analyze the role of property tax in revenue collection in Vyas municipality. He summarized that; the trend analysis of property tax in the municipality has estimated slowly growing. It has including that; little bit focus on quality service can lead the municipality for the huge collection in the coming days. The major findings of his study are as follows.

While studying the total income, property tax and other income, the highest contribution of property tax on total income was in fiscal year 2010/11 i.e. 35.07 percent and lowest was 0.71 percent in 2002/03 and the property tax revenue was increasing in 2001/02 then decrease in 2002/03 and increase in 2003/04. In 2004/05, the property tax revenue was also increase, then decrease in 2004/05 the increasing trend up to 2008/09 then decreased in 2009/10 and again increased in 2010/11. In the fiscal year 2010/011 there is highest contribution of house and land (Property) tax is 74.76 percent and in fiscal year 2002/03 is 13.98 percent, which is lowest.

While studying the budgeted and actual collection of property tax, the highest collection efficiency was in fiscal year 2010/011 i.e. 132 percent and lowest is in 2005/06 i.e. 42.20 percent. In the fiscal year 2002/03 there was total Local tax collected by 912105 and house and land tax collected by 127513 the percentage coverage was 13.98 percent which was lowest and in fiscal year 2010/011 local tax was 4596981 and house and land tax was 3436964 the coverage was 74.76 percent which was highest. As it has compared with the total Local tax revenue, the highest contribution was 74.76 percent in fiscal year 2010/011 and the contribution was in fluctuating trend during the ten fiscal years.

Neupane (2013) has carried out a research on municipal finance of Tulsipur Municipality. The study based on primary as well as secondary data. The researcher had concentrated on the analysis of various potential sources of revenue and pattern of expenditure to identify an appropriate system of financing of the municipality. The study found that house and land tax was the major source of revenue, which covered 86.4% to 88.4% of its own sources of revenue.

There was a little difference between the average percentage of total internal and external sources during study period i.e 50.3% and 49.7% respectively. Grants were the main sources of external financing. An average 90.6% of external sources were covered by the grant itself. Although the potential sources of the revenue were not fully identified, revenue was always excess over than total expenditure. The tax structure has not yet been clearly spelled out and planned. On the other hand, development expenditure was always more than regular expenditure, But less attention had paid toward the social programs. Lastly, it was found that revenue of the Tulsipur Municipality was increasing due to increase in the revenue from house and land tax not the reasons of improvement in the efficiency of the fiscal administration.

2.3 Research Gap

Research gap refers to the gap between previous research and this research. Many research studies have been conducted by the different students, experts and researcher about house and land tax (property tax). There have been found numerous research studies on this topic done by the students of master level. Most of them have chosen the different district and municipalities for this study area. There have been found numerous research studies on municipal finance and contribution of enterprise

tax of various municipalities. But a study on house and land tax (property tax) in KMC cannot be found the review of related studies.

Therefore, above reasons encourages doing the research on this topic. Thinking the scarcity of research on H & L tax the in capital city, it has been written the thesis on this topic for the study area of KMC, which is situated Bagmati Zone. This study covers the period of fourteen years data starting from F/Y 2002/03 to FY 2016/17. This study has been also presented about other revenue heads and expenditure heads of KMC. The study can be beneficial to all the concerned parties and people as well.

CHAPTER - III

RESEARCH METHODOLOGY

Literally, the word research means research again to repeat the process of observation in order to verify or expand the previous results. In simple words, research is an inquiry of facts or truth through investigation of every kind, which is based on original sources of knowledge. Research in any discipline starts with the observation of phenomena followed by theoretical analysis and explanation. The research has to follow the certain method to pursue his research and it is called research methodology. So, a sound methodology is essential. As mentioned earlier this study is focused on performance analysis of House and Land tax in Nepal with reference to KMC. Methodology reflects to the methods, techniques or tools employed for the collection and processing of data. Methodology is only a means to an end rather than an end itself. Method is doing of something. Methodology provides standards, which the researchers use for integrating data and researching conclusions. Hence, the objective could be to discover new facts or verify and test old facts, analyze their sequences, inter-relationship and casual explanation which were derived with in an appropriate theoretical frame of reference or to develop new scientific tools, concepts and theories which would facilitate and validate the study of human behavior.

3.1 Research Design

This study is the historical as well as distractive type of research design. The historical data and information were used to find out the background of the study from historical prospective some basic ideas of the given subject matter. Both historical and descriptive methods were used simultaneously in the study focusing on the institutional data and information provided by the Kathmandu Metropolitan city. Issues merging in house and land tax laws, its practice and impact were also explored using both primary and secondary data. Besides, the analysis of the subject matter was taken from both sides of tax payers and also institutional aspects.

3.2 Nature and Sources of Data

This study is based on both the primary and secondary data concerning with the given objectives of the study. The primary data have been collected from the responses of persons relating to House and Land tax representing from the various sector of Kathmandu City. For this purpose, structured questionnaire was distributed to the selected respondents along with the field visit. The questionnaire had included 15 sets of questions related to the major problems and solution of collecting house and land tax in KMC (Appendix – D).

Secondary data is taken to analyze the historical aspects and trend and contribution of house and land tax in KMC. It provides the historical and evolution process in the field of the research topic. The required secondary data and information were collected from the concern offices, institutions and visiting various libraries. The main sources of secondary data are the economic survey published by Ministry of Finance, various publications of Central Bureau of Statistics, National Planning Commission, and various publications of KMC.

3.3 Sample and Sampling Procedure

Kathmandu Metropolitan City (KMC) is taken as the sample of the study due to only one Metropolitan City. The required primary data and information were collected from seven wards out of 35 wards of the KMC. Similarly, the primary data information were collected from 50 respondents out of which 35 tax payers, 10 tax officers, and 5 tax experts within the KMC as shown in given table.

Table 3.1
Groups of Respondents and Size of Samples for Each Group

S. N.	Group of respondents	Sample size
1	Tax Experts	5
2	Tax Officers	10
3	Tax Payers	35
Total		50

3.4 Sample Period Covered

The study covered data and information for 14 years from the F/Y 2002/03 to F/Y 2015/16 due to the unavailability of data as data before F/Y 2002/03 couldn't be available in systematic form.

3.5 Method of Primary Data Collection

The primary data is collected from three different groups of respondents like the tax payers, tax officers and tax experts and the required data and information were collected from them with the help of a pretested structural questionnaire (appendix – I) covering all aspects related to the study. Data were collected by the researcher himself visiting door to door of the respondents.

3.6 Data Organization and Processing

A study without data may not fetch truth and reality. This statement is highly considered in this study and secondary data is taken to analyze the issues and make some conclusion base on data. The data are tabulated first and analyzed data will be presented along with the analytical table and schedule. The data tabulation and presentation will use simple tools and techniques. The tools of data analysis are the table, graph and simple mathematical tools to satisfy the research problem.

3.7 Tools and Techniques of Data Analysis

To make easier, the collected data from both primary and secondary sources are first tabulated into various tables according to the issues and subject matter in order. Then simple mathematical tools and analyses are used in the study such as average, percentage, trend analysis where as necessary.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 History of House and Land Tax in Nepal

House and Land tax is imposed on houses along with its compounded area of land and open land area. This tax is collected from the house and land, which are built. This is also called House and Compound tax, property tax or wealth tax. In regards with house and land taxation, land is not a separate unit. The land means the area where house is built and its compound, which is required for housing standard or voluntarily use as a compound of a house or building. The house and land tax is levied on the value of house and its compound. This is direct tax because incidence of this tax burden cannot be transferred to others.

4.1.1 Origin and Evolution of House and Land Tax

Urban house and land tax as a property taxation was introduced in European countries. Then the system of taxes on house land and other invisible properties was adopted in other countries as per their needs and requirements. In Nepal, Finance act introduced firstly house and land taxation as Property taxation in 1959.. Before declaration of this tax, land tax (revenue) was in enforcement. The first elected government declared such taxes to increase the internal resources. The fiscal Act had a tax rate of Rs. 30 for first 70,000 after 25000 exemption and then Rs. 12 per thousand (Napit, 2009). This act had a provision that if house was rented out, the tax rate could be surcharged 50 % more than general tax rate.

The fiscal Act, 1959 had also introduced the tax on foreign investment along with the urban house and land. The act had a provision that the government could declare the urban area for taxation purpose. It had also the provision of valuation procedures. Government could form a valuation committee to carry out the valuation of urban house and land and foreign investments. In recommendation of the valuation committee, the government could declare the values of urban house and building.

The general characteristic of fiscal act is to impose and collect the taxes and charges under the existing laws. In this regards the fiscal act only could not able to administrate the property taxation. Therefore the government declared specific laws for property taxation viz. Property Tax Act, 1960. This act covers properties like foreign investments and urban house and land. In 1962 separate tax laws are made for urban house and land and foreign investments. The House and Land act, 1962 and Foreign Investment act, 1962 replaced the Property Tax act, 1960.

In 1963 the House and Land Rules was announced to implement the House and Land Tax-Act, 1962. Since house and land tax laws were in enforcement, government imposed and collected housed and land tax. The yearly issued fiscal acts used to adjust and enforce the legal provision of house land taxation in particular ways. This provision remained continue toll the declaration of property tax act, 1990 and fiscal act, 1991.

After restoration of multi party system in Nepal, government again tried to introduce the property taxation. The Property Tax, introduced in 1990, brackets all properties whether they are visible or invisibles. Bank balance, precious metals, investments along with urban house and land are the component of the property government levy tax on such properties. In absence of proper information of invisible properties, unpopularity in property disclosures and lengthy as well as complicated procedures for tax assessment, the property taxation practice was completely failed. Almost proportion and valuation of property was covered by the urban house and land only. It resulted the downward trend of tax collection while collecting the property taxation in comparison to house and land taxation as property taxation had tax incentives whereas house land taxation enjoy no incentives.

When the government attempts were not being successes, the house and land taxation again introduced after 5 years of introducing property taxation in Nepal. The Fiscal act, 1995 made such provision that House and Land Tax act and rules came in enforcement withholding the Property Tax act 1990. Then government imposed and collected the house and land tax till the FY 1999/2000 when this power has been shifted to local level government like municipalities.

‘Finance Act – 2000’ had no rights to the central government to imposed and collect tax on urban house and land. The budget speech had made a provision that the house land tax collection power would be shifted to the local level government. Since the FY 2000/2001 Municipalities have been collecting the house land tax under the provision provided by the LOSEGO acts, 1999 and its regulations, 2000, government circulars and existing Nepal laws regarding house and land taxation. Today this tax has played an important role in internal resources mobilization of municipalities like KMC.

4.1.2 House and Land Tax Laws

The laws, which affect the house and land taxation, are called the house and land tax laws. As we are discussing the historical perspectives, we have to trace out the legal system of house land taxation since its introduction. The Laws regarding the house and land is separately discussed in following paragraphs.

a) Fiscal Acts:- Fiscal acts declared the tax rate, tax authority and the special provisions to implement the tax acts and its regulations. These acts could to postpone the existing tax acts wholly or partially. It could substitute the existing provision of the tax laws. Fiscal Act, 1959 is milestone for the house and land taxation in the history of Nepal. It firstly introduced the tax on urban house and land. These acts declare the power to the government to levied tax on urban house and land. This act also had a provision of valuation procedure, tax rate. The finance act provided the power to the government to declare the urban areas of the country. Fiscal act, 1961 has defined separate tax rate schedule as follows:

Table: 4.1
Tax rate according as fiscal act 1961

Valuation in NRs.	Tax amount in NRs.
First 50000	Tax exempted
Then after for 10000	1
Then after for 10000	2
Then after for 10000	3
Then after for 10000	4
Then after for 10000	5
Then after for 10000	6
Amount without limit	7

(Source: Revenue Department of KMC)

The fiscal act, 1961 has also declared that the above tax rate would be applied for F/Y 1959/60 and 1960/61 provided by anything by the fiscal act, 1959. The provision made by the fiscal act, 1959 of excess 50% more tax for rental house was dismissed by the fiscal act, 1962.

The fiscal act, 1991 has postponed the house land taxation and exercised the Property Tax act, 1990. Since F/Y 1991/1992, property tax had been collecting in the substitution of house and land tax by the fiscal act 1991.

Table: 4.2
Tax rate according as fiscal act 1991

Tax ceiling	Tax Rate
First Rs. 25, 00,000	Exempted
Then after Rs. 50, 00,000	0.25% of valuation amount
Then after Rs 100,0000	1% of valuation amount

(Source: Revenue Department of KMC)

The valuation of house and land was declared under the recommendation of valuation committee before the F/Y 1992/93. Since fiscal year 1992/93 Fiscal act, 1992 has declared valuation rate of the houses as followings. This valuation has been enforced since F/Y 1992/93.

Table: 4.3
Tax rate of house according as fiscal act 1991

House Type	Value/ Sq.ft.	Dep.Rate	Life in year
Raw brick	150	3%	25
Brick and mud	200	2%	30
Brick and cement	230	1%	70
R.B.C	240	0.75%	100

(Source: Revenue Department of KMC)

Fiscal act, 1993 has made following provisions regarding the house types and valuation as:

Table: 4.4
Tax rate of house according as fiscal act 1993

House Type	Value/ Sq. ft.	Dep. Rate	Life in year
Raw brick	300	3%	25
Brick and mud	350	2%	30
Brick and cement	380	1%	70
R.B.C	400	0.75%	100

(Source: Revenue Department of KMC)

For the land valuation, the Fiscal Act, 1993 (2050) had a provision of local land valuation committee. This committee has consists of following members.

Table: 4.5
Members of committee according as fiscal act 1961

Local Chief district officer	Coordinator
Chief of land revenue officer	Member
Chief of public works section	Member
Municipal mayor	Member
Chief of tax officer	member-secretary

(Source: Revenue Department of KMC)

The fiscal act, 1993 had a additional provision that the land which would not valued by the committee would be valued as per district land revenue office's land valuation rate which is determined for the purpose of land registration (transformation of ownership).

Table: 4.6
Tax rate according as fiscal act, 1993.

First	Rs. 10 Lakh	Exempted
Then after upto	Rs. 10 Lakh	Rs. 300
Then after upto	Rs. 30 Lakh	0.05%
Then after upto	Rs. 50 Lakh	0.25%
Then after upto	Rs. 100 Lakh	0.5%
Then after all		1.5%

(Source: Revenue Department of KMC)

Fiscal act, 1995 has postponed the Property Tax act and the House and Land Tax act again exercised since fiscal year 1995/96. This act has made provisions of taxes levied on the urban house and land.

Fiscal act, 1995 had a provision that the house land tax has been introduced again in the substitution of property tax for fiscal year 1995/96. This act also had a provision of a alternative choices that tax payer might pay property tax or house land tax for the previous F/Ys 1990/91 to 1994/95.

The Fiscal act, 1996 has changed the valuation rate of houses for the F/Y 1996/97 as:

Table: 4.7
Tax rate of house according as fiscal act 1996

House Type	Value/ Sq.ft.	Dep.Rate	Life in year
Raw brick	450	3%	25
Brick and mud	525	2%	30
Brick and cement	575	1%	70
R.B.C	625	0.75%	100

(Source: Revenue Department of KMC)

Fiscal Act, 1997 had a provision of imposing house and land tax on urbanization VDCs of the countries. Along with the municipalities the VDCs came to the tax bracket of house and land tax. For F/Y 1997/98 some and all wards of 43 VDCs of 13 districts are taxed and this area in extended into 14 districts and 44 VDCs later.

Fiscal act, 1998 had a special provision of house and land taxation as:

- a. Land revenue office might not transfer the ownership if the house and land tax clearance certificate is not issued.
- b. If the taxpayer paid tax within first three months of FY, they would get 10 % rebate in assessed tax amount.

Since F/Y 2000/001 power of house and land tax has been shifted to local level government, the fiscal acts have no provision regarding house and land tax since then.

Data presentation and analysis of House and Land tax of Kathmandu Metropolitan City has been done in this chapter. This is the major part of the study. It aims to make clear understanding of property tax administration in Kathmandu Metropolitan City which is presented as below.

4.2 Trend and Contribution of House and Land Tax in KMC

KMC started to collect the house and land tax after receiving the circular of the concerned ministry regarding house land taxation. All municipalities have taken necessary decisions to make the tax assessment more efficient, continece and simple. KMC took some importance decision regarding the house and land tax.

4.2.1 Trend and Contribution of House and Land Tax

Table presented below stressed on the competitive study about property and other taxes in total tax revenue. Here percentage of House and land (Property) tax is drawn on the total tax revenue of KMC. And it is compare with other taxes. Other taxes refer to the all the taxes that SLG 0998/99 has given right to the Municipalities to collect revenue tax.

Other taxes are all that taxes that KMC collect expect House and land (Property) tax. Other taxes also charged by KMC like Malpot Kar (Land Tax), Annual Vehicle Tax, Entertainment Tax, Unified Property Tax, Advertisement Tax, Business Tax and House Rent Tax etc.

KMC has estimated that around 2 lakhs 75 thousand taxpayers in Metropolitan City but due to the lack of filling and recording system it does not show any sound data for regular tax payers. And absent of proper recoding system arrears are not disclosed. KMC believed that out of 2 lakh 75 thousand taxpayers only 50 percentage tax payer pay regularly. Among them most of tax payers are corporate offices like Nepal electricity authority, Nepal Telecom Corporation etc. Whereas least paying tax are those individuals. Most of people own property less than 10,00,000 which are not in the tax brackets. They only pay house and land tax in the name of “service Charge” annually.

In 1962, there was provision of sending Bill to the individuals for the payment of House and Land tax but it could not come to practice. Since it was

only limited in the provision there is not any measures taken by KMC for taking any actions like fine and penalty for not pay tax.

Tax planning and tax evasion is another factor which hindrance in collection of House and Land tax. People reduce their responsibilities of paying tax by splitting the whole property to small valuation property to pay tax little or none. Some people have more than one house in same name which also lead to evasion simply pay for only one house. For all this reasons contribution of land and house tax seems less than in the comparison to other taxes.

KMC has been collecting property tax since 2000. It is known as house and land tax. This tax is playing vital role in Kathmandu Metropolitan City. The contributions of house and land tax in total revenue of Kathmandu Metropolitan City can be shown in table 4.8

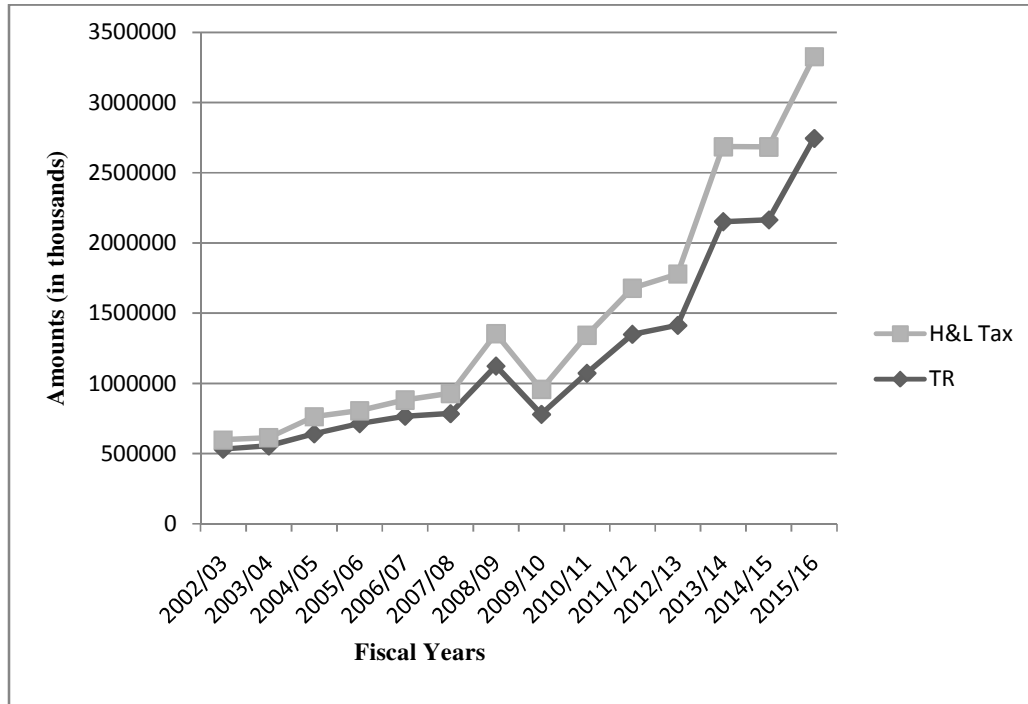
Table: 4.8
Trend and Contribution of House and Land Tax in KMC

Fiscal Years	Total Revenue (Rs. in thousands)	House and Land Tax (Rs. in thousands)	Contribution of House and Land Tax (in %)
2002/03	530880	66380	12.50
2003/04	553526	59184	10.69
2004/05	640084	122286	19.10
2005/06	712680	92249	12.94
2006/07	765450	115551	15.10
2007/08	783470	145197	18.53
2008/09	1123131	230477	20.52
2009/10	779308	177368	22.76
2010/11	1072223	269937	25.18
2011/12	1348216	328651	24.38
2012/13	1412478	366098	25.92
2013/14	2151014	533714	24.81
2014/15	2162896	520204	24.05
2015/16	2742704	582744	21.25
Average	1198433	257860	19.84

(Source: Revenue Department of KMC)

The table can also be shown with the help of given line diagram.

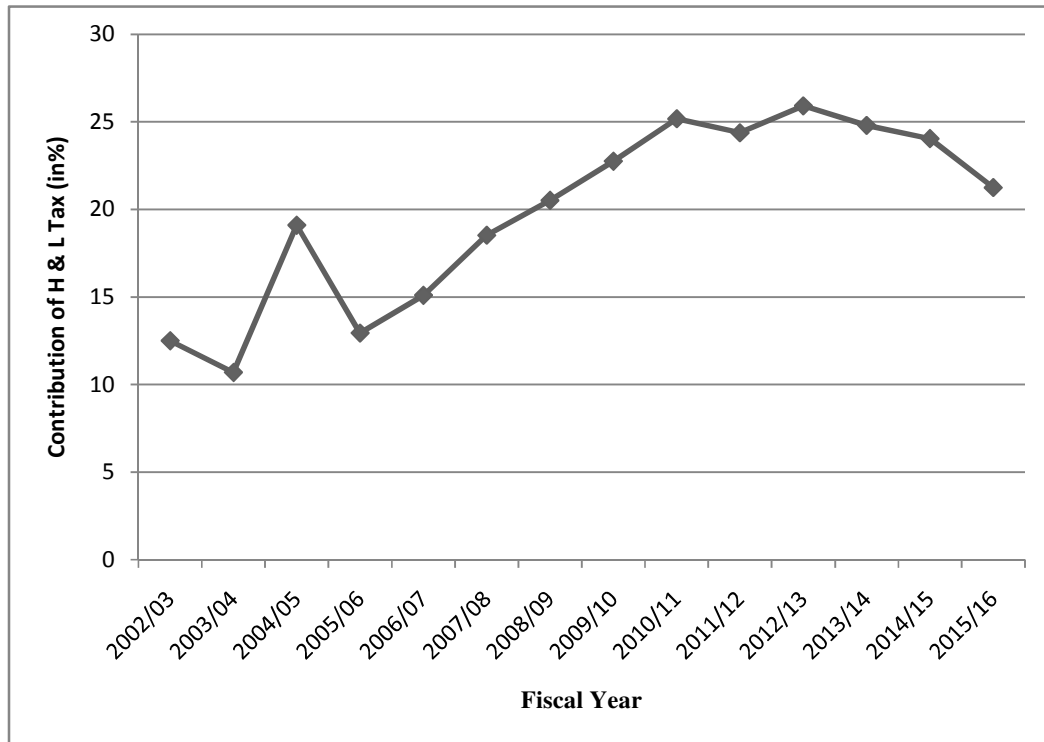
Figure: 4.1
Trend of House and Land Tax and Total Revenue



Above table and trend line diagram showed the contribution of house and land tax in the total revenue in Kathmandu Metropolitan City and % contribution of house and land tax. According to this table, the house and land tax plays vital role in revenue of KMC. The table showed that the maximum total revenue is Rs. 2742704 thousands in F/Y 2015/16 in which the income from house and land tax is Rs. 582744 thousands whereas the minimum total revenue is Rs. 530880 thousands in which the income from house and land tax is Rs. 66380 thousands. The maximum collection of house and land is Rs. 582744 thousands in F/Y 2015/16 in which the total revenue is Rs. 2742704 thousands. The maximum contribution of house and land tax in total revenue is in F/Y 2012/13 in which 25.92% is the house and land tax out of total revenue.

While observing the trend of house and land tax and total revenue, there is the increment of H & L tax and total revenue slowly from F/Y 2002/03 to F/Y 2008/09. Then after both decreased in F/Y 2009/10. Afterwards both increased rapidly. Simultaneously increasing trend line of H & L tax shows that the house and land tax directly affect the total revenue of KMC.

Figure: 4.2
Trend of Contribution of House and Land Tax



Contribution of house and land tax in % is maximum in F/Y 2012/13 which is 25.92%. It means collection of H & L tax is more than one fourth of total revenue which shows that it plays vital role on collecting H & L tax.

On the other hand, the average of total revenue of these 14 years is Rs. 1198433 thousands and the average of house and land tax collected in these 14 years is Rs. 257860 thousands. And the average % of contribution of house and land tax is 19.84 %. Observing the data of these 14 F/Ys, there are 9 F/Ys in which total revenues are less than average total revenue i.e. from F/Y 2002/03 to F/Y 2010/11, the total revenues are less than average total revenue. There are 5 F/Ys in which total revenues are more than average total revenue i.e. from F/Y 2011/12 to F/Y 2015/16, the total revenues are more than average total revenue.

Similarly from the data of these 14 F/Ys, there are 8 F/Ys in which house and land tax collected are less than average house and land tax collected i.e. from F/Y 2002/03 to F/Y 2009/10, the H & L tax are less than average H & L tax. There are 6 F/Ys in which H & L tax are more than average H & L tax i.e. from F/Y 2010/11 to F/Y 2015/16, the H & L tax are more than average H & L tax.

4.2.2 Estimated and Actual House and Land Tax of KMC

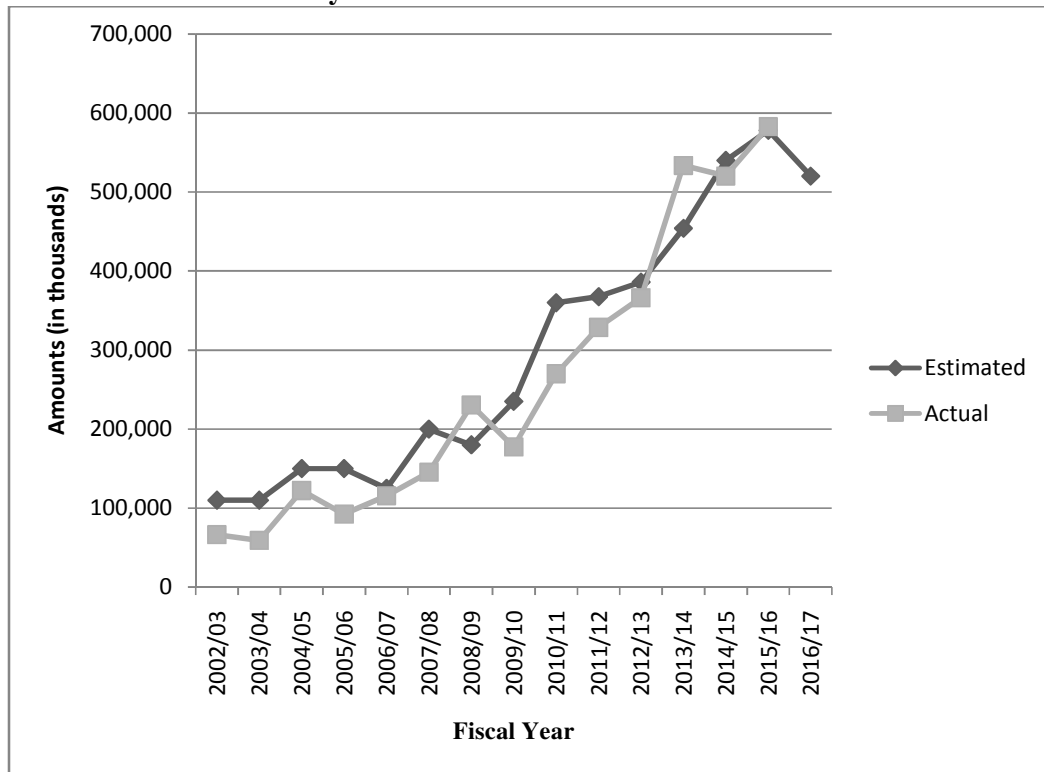
Every success on any organization is depended upon the correct estimated and it's correct implementation. So here is presented the table 4.2 to know the budgeted of property tax prepared by the KMC and succeeded to collect actual in different fiscal years.

Table: 4.9
Efficiency of Collection of House and Land Tax of KMC

Fiscal Years	House and Land Tax (KMC)		Collection Efficiency (%)
	Estimated (Rs. In thousands)	Actual (Rs. In thousands)	
2002/03	110,000	66,380	60.35
2003/04	110,000	59,184	53.80
2004/05	150000	122286	81.52
2005/06	150000	92249	61.50
2006/07	125000	115551	92.44
2007/08	200000	145197	72.60
2008/09	180000	230477	128.04
2009/10	235000	177368	75.48
2010/11	360000	269937	74.98
2011/12	367500	328651	89.43
2012/13	386000	366098	94.84
2013/14	454000	533714	117.56
2014/15	540000	520204	96.33
2015/16	578000	582744	100.82
2016/17	520000		

(Source: Revenue Department of KMC)

Figure: 4.3
Trend of Efficiency of Collection of House and Land Tax of KMC



From the above Table: 4.3, it shows that the revenue from house and land tax was fluctuating over the last 14 years. It shows unrealistic revenue projection. 128.04 percent is the highest collection efficiency in the F/Y 2008/09. And the lowest collection efficiency is 53.80 percent in F/Y 2003/04. From the last 4 years the actual collections try to meet the projection value. Projection value meets to the actual value in F/Y 2015/16.

Above projection showed vast difference compare to actual collection. Hence, projection should be realistic and the department of revenue as well as field offices also is to refer to before reaching estimation. Root level studies are necessary to before projection of house and land tax.

From the above trend lines of Estimated House & Land Tax and Actual House & Land Tax, it is found that Budgeted and Actual House & Land Tax may be fluctuated. In F/Y 2006/07 and F/Y 015/16, budgeted and actual were nearly equal. In F/Y 2008/09 and F/Y 2013/14, collected house and land tax is more than budged house and land tax.

4.3 Problems and Solutions of House and Land Tax Collection

There are many problems of house and land tax collection in KMC. However, there are many solutions as well to overcome the problems. For the problems and their solutions, some questions are asked to the respondents.

An investigation conducted in order to find out various aspects of House & Land tax from the experience of real life situation. The major tool used for this purpose was an opinion questionnaire, which was dispatched to 50 persons representing tax experts, officers/administrators and taxpayers.

The questionnaire were either asked for a yes/no response or asked from alternatives where most one was important. For this purpose, structured questionnaire was distributed to the selected respondents along with the field visit. The samples of questions are shown in appendix I.

4.3.1 House and Land Tax as a suitable means of raising domestic resources.

To know the respondents opinion about role of house and land tax raising domestic resources, the question, “Is house and land tax suitable means of raising domestics resources or not?” was asked. The domestic resources mean local means of resources or own internal resources which helps KMC in raising suitable means of revenue. A question was asked for each of the groups. First group which was consist of tax experts, second group was consists of Tax officers and third group was consists of Tax payers. The responses received from the respondents were tabulated below.

Table: 4.10
House and Land Tax as Suitable Means of Raising Domestic Resources

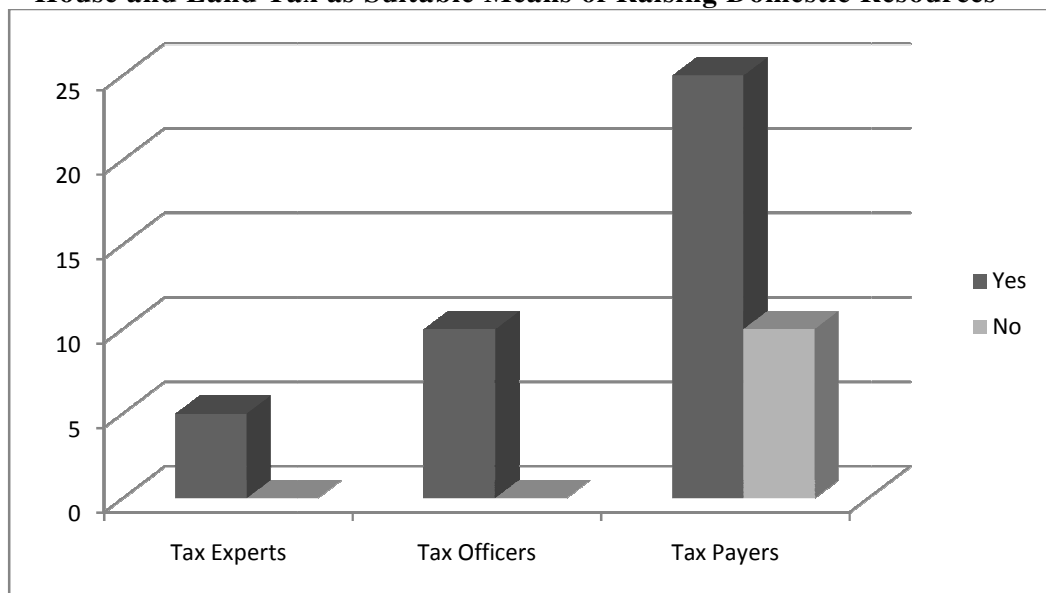
Respondents	Yes		No		Total	
	Number	%	Number	%	Number	%
Tax Experts	5	100	-	-	5	100
Tax Officers	10	100	-	-	10	100
Tax Payers	25	74	10	26	35	100
Total	40	80	10	20	50	100

(Source: Field Survey, Questionnaire no. 1)

From the above table, it cleared that 80 percent of the respondents approved the house and land tax is as a suitable means of raising domestic resources and only 20 percent of respondents did not recognize the house and land tax is as a suitable means of raising domestic resources.

It is totally harmful to depend fully on external sources. Among the internal sources house and land tax seems to be most viable method. It is perennial source of revenue of KMC. Thus, the conclusion can be drawn out that the house and land tax is a suitable means of raising domestic resources.

Figure: 4.4
House and Land Tax as Suitable Means of Raising Domestic Resources



4.3.2 House and Land Tax Contributions significantly to the development of Municipalities

House and land tax is one of vital tax that KMC collect. To know the view of the respondents about contribution of house and land tax significantly to the development of Municipalities. A question was asked “Do you think house and land tax contributes significantly to the development of municipalities?” The responses are tabulated below:

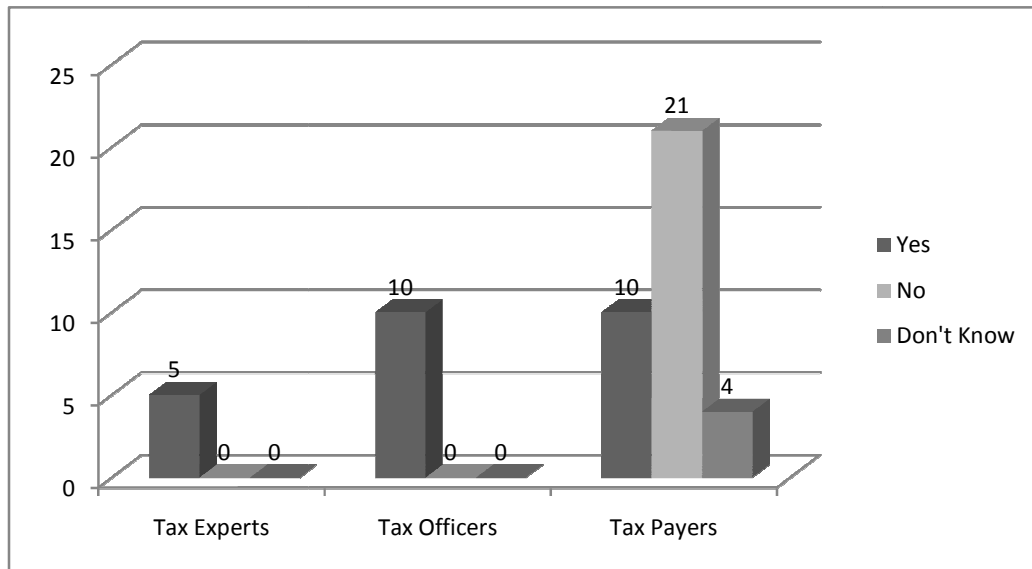
Table: 4.11
Contribution of house and land tax to the development of Municipalities.

Respondents	Tax Experts	Tax Officers	Tax Payers	Total	Percent
Yes	5	10	10	25	50
No	-	-	21	21	42
Don't know	-	-	4	4	8
Total	5	10	35	50	100

(Source: Field Survey, Questionnaire no. 2)

From the above table show that 50 percent of responses approved that house and land (property) tax contributed significantly to the development of Municipalities and 42 percent of respondents showed that house and land tax only does not significantly contributed for the development of Municipalities. However, 8 percent of the respondents are not aware of it.

Figure: 4.5
Contribution of house and land tax to the development of Municipalities.



4.3.3 House and Land Tax Paying to KMC in the fixed time period

To know the taxpayer of KMC pay house and tax in fixed time period to the KMC, a question was asked, “Do you pay house and land tax in the fixed

time period?” and the question is asked to only the taxpayers. The responses received from the respondents are tabulated as follow:

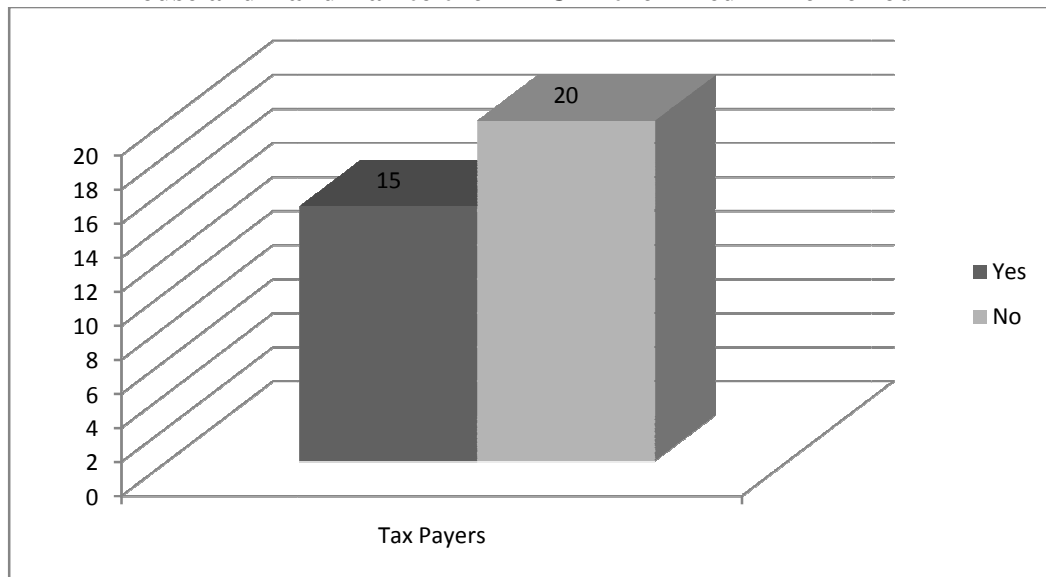
Table: 4.12
House and Land Tax paying to the KMC in the Fixed Time Period

Respondents	Yes		No		Total	
	Number	%	Number	%	Number	%
Tax Payers	15	43	20	57	35	100
Total	15	43	20	57	35	100

(Source : Field Survey, Questionnaire no. 3)

The question was asked to only the tax payers. From the above table only 43 percent of respondents paid house and land tax in the fixed time period to the KMC and remaining 57 percent of respondents did not pay house and land tax in the fixed time period. This show the tax paying habit of tax payer in KMC is slightly negative.

Figure: 4.6
House and Land Tax to the KMC in the Fixed Time Period



4.3.4 Information to Taxpayers about House and Land Tax

To know the respondents view taxpaying information about property tax by Metropolitan City, a question was asked, “Do you think tax payer have been informed regularly to pay house and land tax?” The responses are tabulated below:

Table: 4.13
Taxpayers have been Informed Regularly

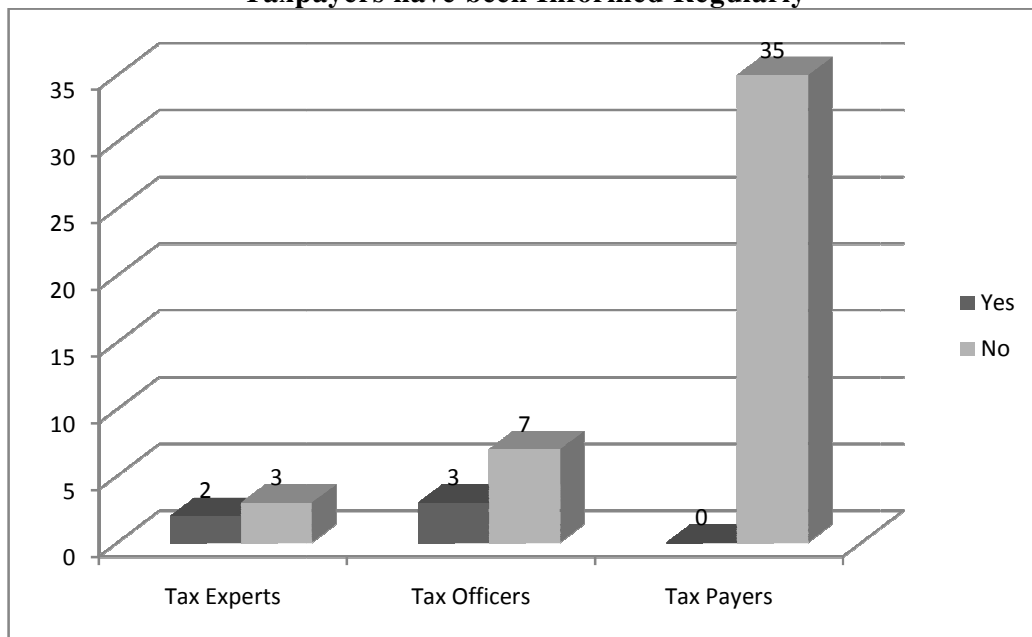
Respondents	Yes		No		Total Number
	Number	%	Number	%	
Tax Experts	2	40	3	60	5
Tax Officers	3	30	7	70	10
Tax Payers	-	-	35	100	35
Total	5	10	45	90	50

(Source : Field Survey, Questionnaire no. 4)

From the above table, it was clear that only 10 percent of respondents approved that taxpayers have been informed regularly to pay house and land tax. However, 90 percent of the respondents approved that there was no information for taxpayer to pay house and land tax regularly.

KMC’s administrators state that there was a provision to sending bill to pay house and land tax back in 2019 B.S. But it could not be implemented because of sufficient manpower. It shows the poor information about house and land tax for taxpayers.

Figure: 4.7
Taxpayers have been Informed Regularly



4.3.5 Best way to inform tax payers about property tax to pay in time

To know the respondents view about the best way to inform about property tax to the taxpayers which includes them to pay in right time, a question was asked along with 4 alternatives and responses were asked to selected best or most appropriate alternative. The responses were as follows:

Table: 4.14
Best way to inform tax payers about property tax to pay in time

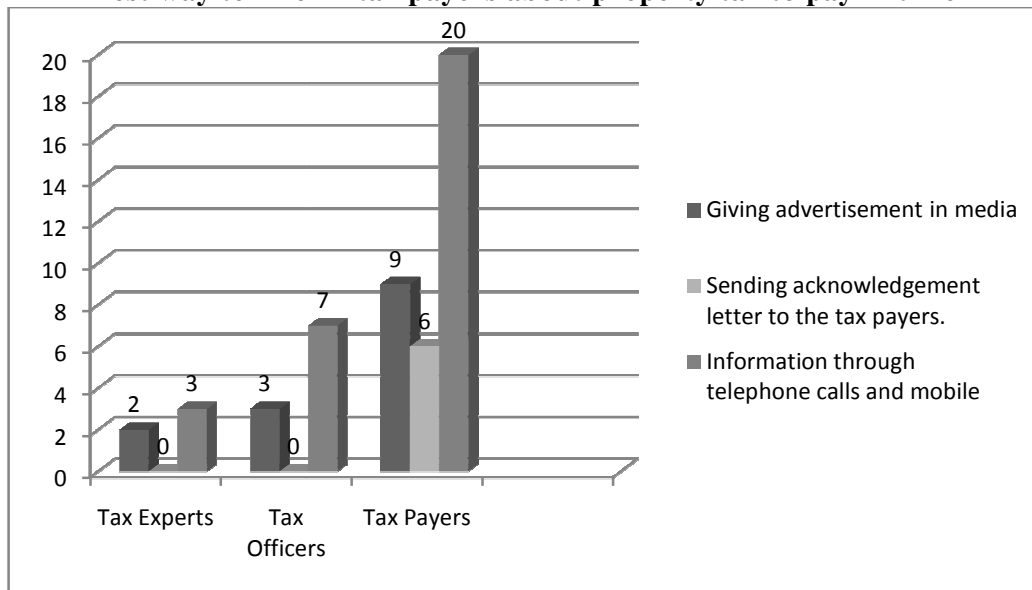
S. N.	Best ways	Group					
		Tax Experts		Tax Officers		Tax Payers	
		No.	%	No.	%	No.	%
1	Giving advertisement in media	2	40	3	30	9	20
2	Sending acknowledgement letter to the tax payers.	-	-	-	-	6	14
3	Information through telephone calls and mobile alerts.	3	60	7	70	20	57
4	Establishing public relation individually.	-	-	-	-	3	9
Total		5		10		35	

(Source : Field Survey, Questionnaire no. 5)

Above table show that tax Experts consists of tax experts responded 40 percent that the best way to inform tax payers about property tax in time is “Giving advertisement in Media” and rest of responded in same group i.e. 60 percent responded to use the method of information through telephone calls and mobile alerts. Likewise tax officers consists of Tax officer, 30 percent believed that giving advertisement in media is the best way and 70 percent approved that information through telephone calls and mobile alerts is the best method. Similarly, tax payers consists of taxpayer 35 percent select the giving advertisement in media is the best and 30 percent approved that informing through telephone call is the best 20 percent approved that sending

acknowledgement letter to the tax payer is right way and 14 percent said that sending acknowledgement letter to the tax payers. Similarly 57 percent said that information through telephone calls and mobile alerts. 9 percent said that establishing public relation individually is the best way. It is clear that most of the respondents responded giving information through telephone calls and mobile alerts is the best way to inform about house and land tax to the taxpayer for the payment of tax in time.

Figure: 4.8
Best way to inform tax payers about property tax to pay in time



4.3.6 Motivation for Taxpayers paying the House and Land Tax in time.

To know the opinion of respondents about the motivation factor for paying the house and land tax timely, a question was asked, “Do you think KMC should apply motivation factors to pay tax in time to the tax payers?” respondents responses are tabulated follows;

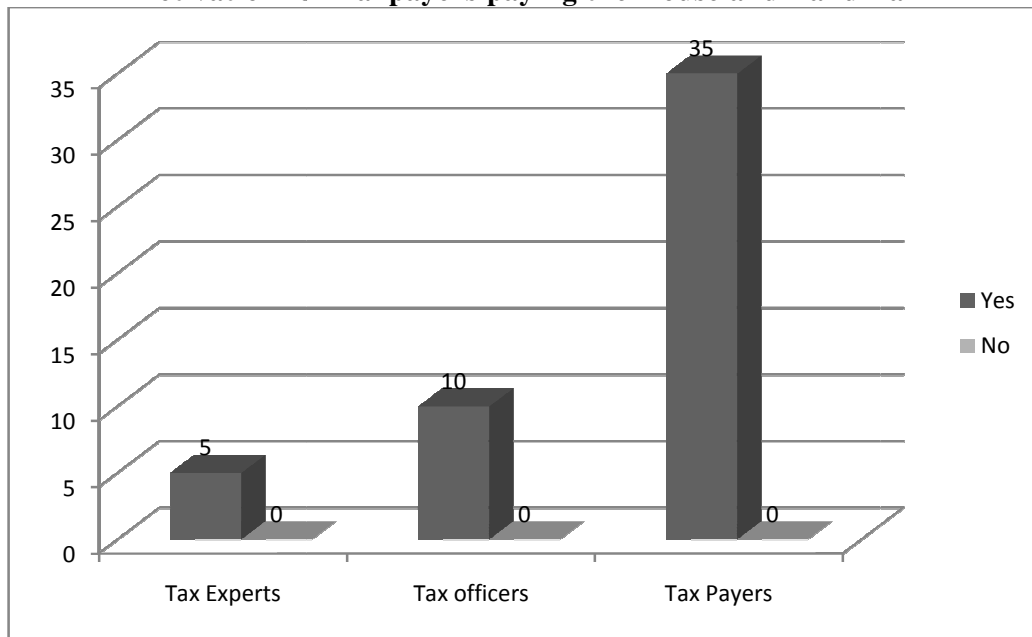
Table: 4.15
Motivation for Taxpayers Paying the House and Land Tax in Time

Respondents	Yes		No		Total
	No	%	No	%	Number
Tax Experts	5	100	-	-	5
Tax Officers	10	100	-	-	10
Tax Payers	35	100	-	-	35
Total	50				50

(Source : Field Survey, Questionnaire no. 6)

Above table depict that all the respondents approved that Kathmandu Metropolitan City should apply some motivations factors like discount, Fine, Penalties and Punishment should to pay house and land tax. It shows that the motivation factors are the most important for paying the house and land tax in time.

Figure: 4.9
Motivation for Taxpayers paying the House and Land Tax



4.3.7 Motivation Factors that should be given to the Tax Payers to Pay House and Land Tax in Time.

The question that what motivation factors should be given to the tax payers to pay house and land tax in time was asked to all the respondents of Group C. It means the question was asked to all the taxpayers only. Most of the respondents said that discount and fine are the major factors that should be given to the tax payers to pay house and land tax in time. It shows that the taxpayers are afraid of fine and they are willing to get discount.

4.3.8 Rebates given by KMC

To know the whether taxpayers were satisfied with rebates given by the KMC, a question was asked, “Are you satisfied with the rebates given by the KMC in the property tax (house and land tax)?”

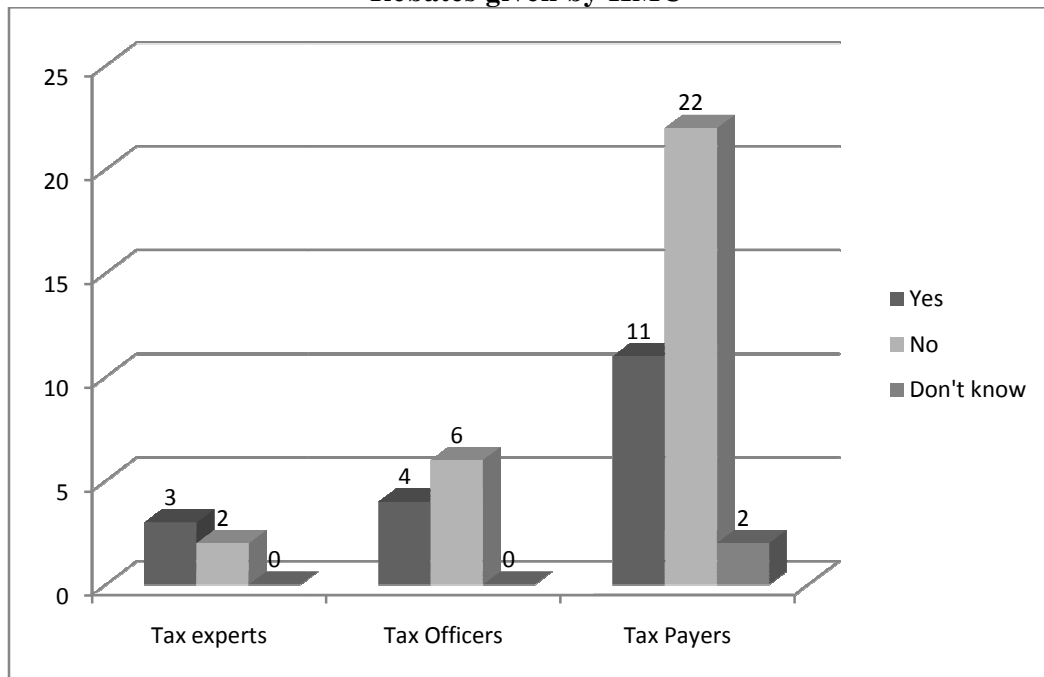
Table: 4.16
Rebates given by KMC

Respondents	Tax Experts	Tax Officers	Tax Payers	Total	Percent
Yes	3	4	11	18	36
No	2	6	22	30	60
Don't know	-	-	2	2	4
Total	5	10	35	50	100

(Source : Field Survey, Questionnaire no. 8)

From the above table only 36 percent of respondents were satisfied with the rebates, 60 percent of the respondents were not satisfied with rebates and 4 percent of the respondents were out of knowledge about rebates given by the KMC, It was because being lack of property tax policy knowledge and not paying property tax in timely.

Figure: 4.10
Rebates given by KMC



4.3.9 Paying Fine for Late Paying House and Land Tax.

In order to know opinion of respondents about the paying fine for late paying house and land tax, a question was asked, “Do you agree to pay fine for late paying house and land tax?” Respondent responses are tabulated below:

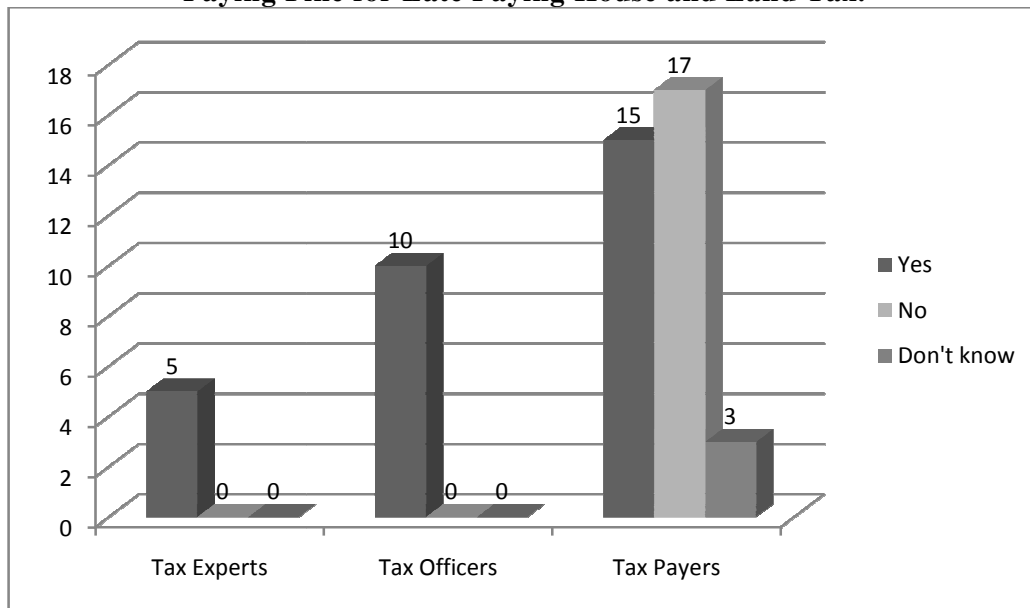
Table: 4.17
Paying Fine for Late Paying House and Land Tax.

Respondents	Tax Experts	Tax Officers	Tax Payers	Total	Percent
Yes	5	10	15	30	60
No	-	-	17	17	34
Don't know	-	-	3	3	6
Total	5	10	35	50	100

(Source : Field Survey, Questionnaire no. 9)

It is clearly shown that 60 percent of respondents agreed to pay fine for late paying house and land tax. Most of the respondents agreed to pay fine because to pay fine makes to mentality to pay house and land tax in time. If someone is late to pay tax, she/he should be punished by levying penalty. Likewise only 34 percentages of respondents approved that fine should not be taken for late paying house and land tax. And 5 percent showed ignorance about it.

Figure: 4.11
Paying Fine for Late Paying House and Land Tax.



4.3.10 Payment of Land Tax after Building House and Paying House Tax on That Land

Some people said that we should not pay land tax if we build house on that land and if we pay tax of that house. Because house is built on that land and we have already pay the house tax then why should we pay tax for that land. But

some people say that land and house are different things. So we should pay tax for both house and land taxes differently. So, for this a question was prepared that do you need to pay land tax after building house and paying house tax on that land. And the responses of different respondents are as follows:

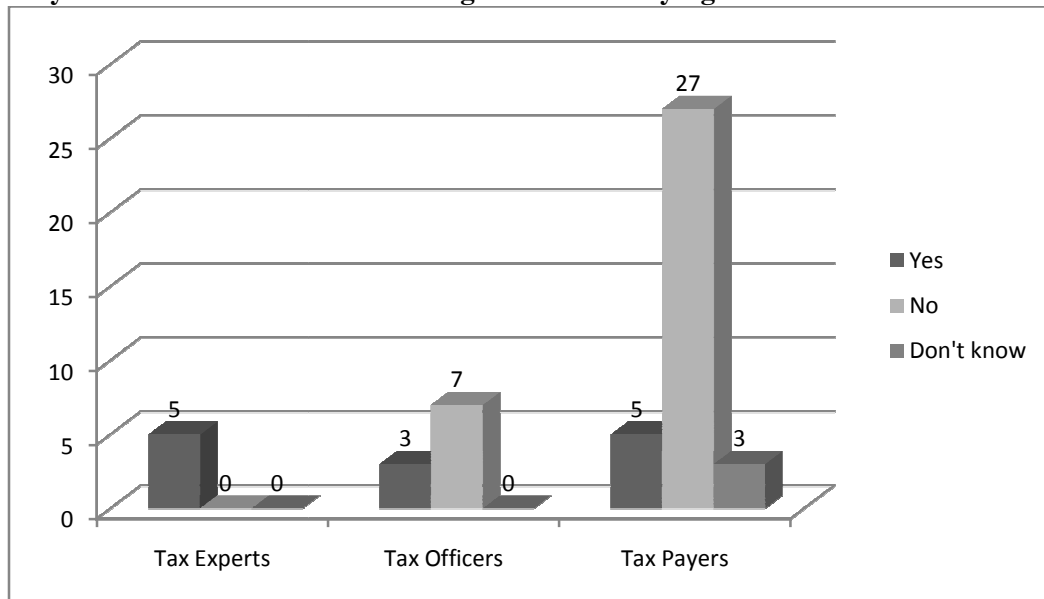
Table: 4.18
Payment of Land Tax after Building House and Paying House Tax on that Land

Respondents	Tax	Tax	Tax	Total	Percent
	Experts	Officers	Payers		
Yes	5	3	5	13	26
No	-	7	27	34	68
Don't know	-	-	3	3	6
Total	5	10	35	50	100

(Source: Field Survey, Questionnaire no. 10)

From the above table, it was found that most of the respondents are not agree to pay land tax after paying house tax built in that land. 68 percent of the respondents don't want to pay land tax after building house on that land and paying tax of that house. But 26 percent had suggested to pay both house and land tax though they pay house tax 6 percent couldn't be concluded about it.

Figure: 4.12
Payment of Land tax after Building House and Paying House Tax on that Land



4.3.11 Complication in Paying House and Land Tax

When tax payer comes to pay tax in KMC they may have problem and complication in paying tax. The language and terms used in tax law are complicated. And most of taxpayers are confused what documents should be presented at time of paying tax. Therefore, In order to know opinion of respondents about the complication in paying house and land tax, a question was asked, “Do you have complications in paying house and land tax?” Their responses as follows:

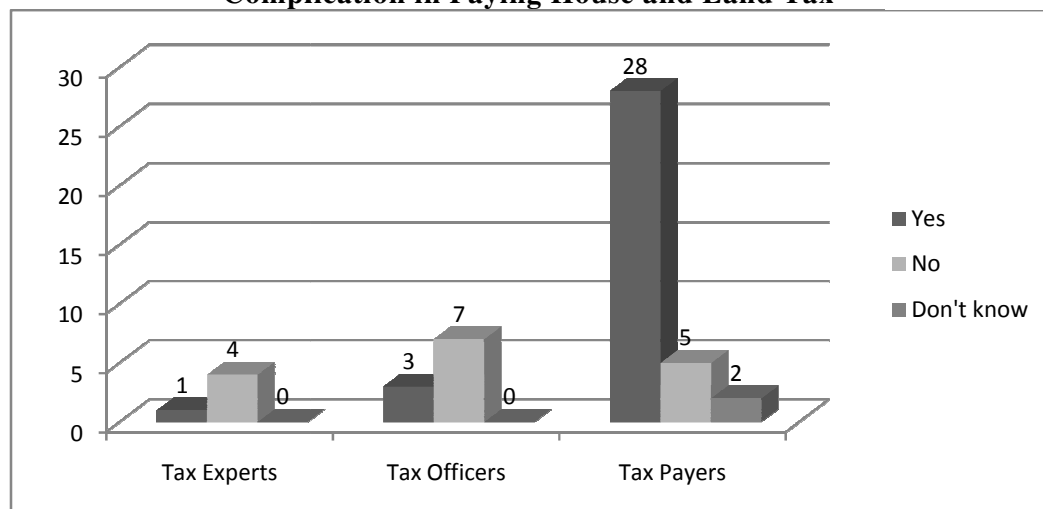
Table: 4.19
Complication in Paying House and Land Tax

Respondents	Tax Experts	Tax Officers	Tax Payers	Total	Percent
Yes	1	3	28	32	64
No	4	7	5	16	32
Don't know	-	-	2	2	4
Total	5	10	35	50	100

(Source: Field Survey, Questionnaire no. 11)

From the above table, 64 percent of respondents felt complication in paying tax. During the field survey most of the respondents complaining too much delayed in making assessment, administrative harassment, complicated laws and others. They were asking for the KMC should go at taxpayer door to collect tax effectively. Whereas only 32 percent which is consist of tax experts and employees responded there is not complication in pay property tax.

Figure: 4.13
Complication in Paying House and Land Tax



4.3.12 Appropriate Solution for the Loopholes in the method of assessment and valuation of House and Land Tax

The method of assessment and valuation of house and land tax has many loopholes like under valuation, evasion etc. To find out the appropriate solution to cope with it a question was asked and respondents are asked to select the best give alternative.

Table No. 4.20
Appropriate Solution for the Loopholes in the Method of Assessment and Valuation of House and Land Tax.

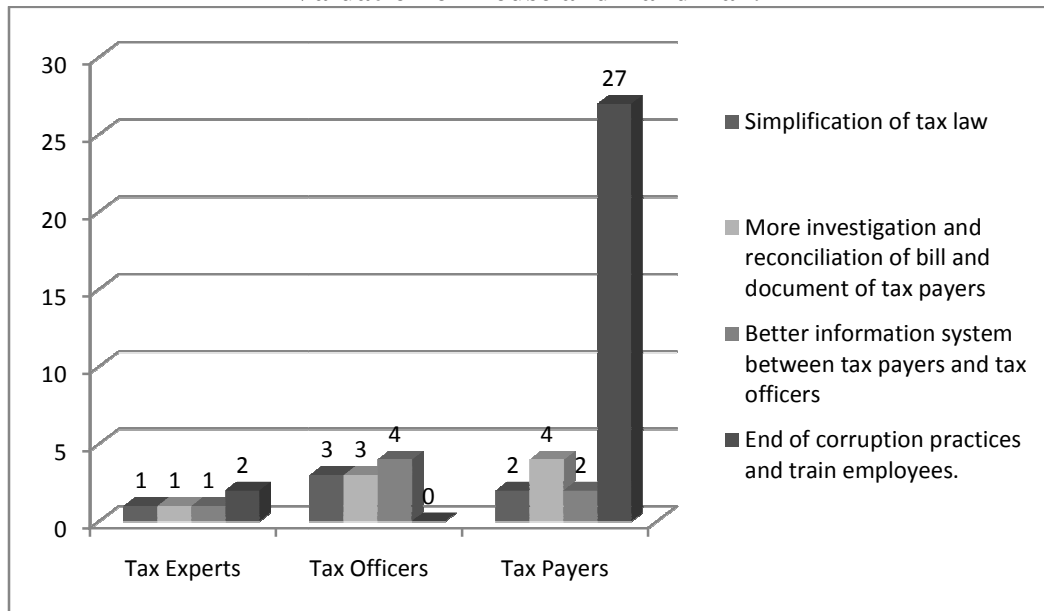
S. N	Best Ways	Group					
		Tax Experts		Tax Officers		Tax Payers	
		No	%	No	%	No	%
1	Simplification of tax law	1	20	3	30	2	6
2	More investigation and reconciliation of bill and document of tax payers	1	20	3	30	4	11
3	Better information system between tax payers and tax officers	1	20	4	40	2	6
4	End of corruption practices and train employees.	2	40	-	-	27	77
Total		5	100	10	100	35	100

(Source: Field Survey, Questionnaire no. 12)

Above table show that tax Experts consists of tax experts responded 40 percent stress on end of corruption and need of train employees and rest of responded in same Group i.e. 20 percent responded for making more investigation and reconciliation of bill and document of tax payers. While 20 percent state that simplification of tax may cope with this problem and other 20 percent responded for better information system between tax payers and tax office. Likewise tax officers consists of Tax officer, 40 percent believed that better information system between tax payers and tax officers is the best method. Similarly, 30 percent approved that more investigation and reconciliation of bill and document of tax payers is the best way and another 30 percent believed that

simplification of tax law is the best way. On the other hand, tax payers consists of taxpayer 77 percent gave preference on end of corruption and train human resources, 11 percent approved more investigation and reconciliation of bill and document of tax payers, 6 percent said that better information system between tax payers and tax officers another 6 percent also state that simplification of tax law is the best. It is clear that most of the respondents responded giving advertisement in media is the best way to inform about house and land tax to the taxpayers for the payment of tax in time.

Figure: 4.14
Appropriate Solution for the Loopholes in the Method of Assessment and Valuation of House and Land Tax.



4.3.13 Introducing Computerized Billing System in KMC

Most of tax payers feels that paying taxes is time consuming because counters where taxes are collected are quite crowded and in the absence of proper record keeping system of tax, KMC do not look and determined about the status of revenue so, a question was asked, “Do you think it is necessary to introduce proper accounting system like computerized billing system in KMC? Their responses as follows:

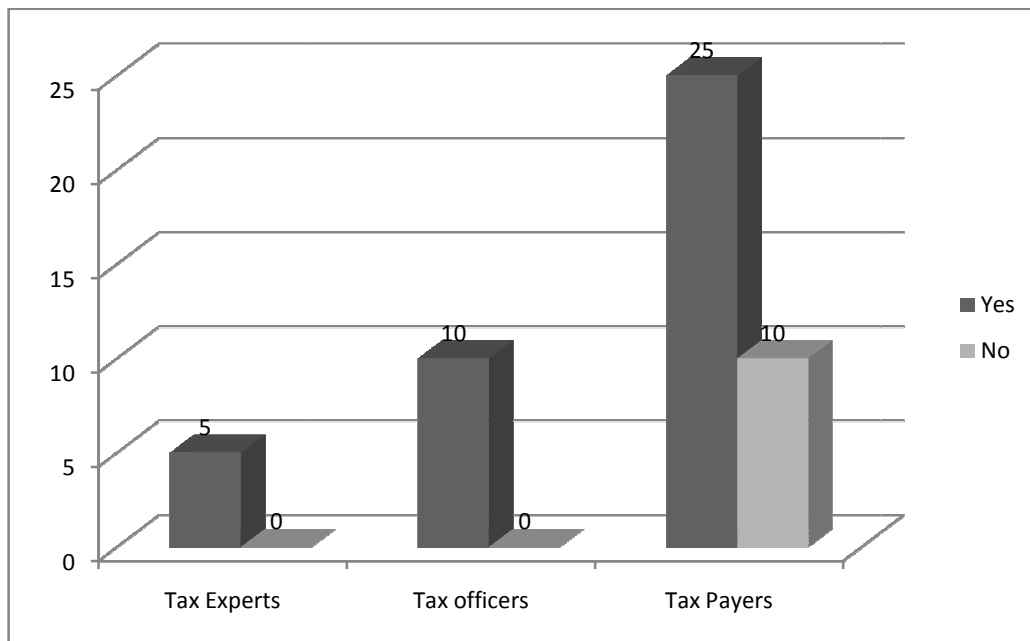
Table: 4.21
Introducing Computerized Billing System in KMC

Respondents	Yes		No		Total Number
	Number	%	Number	%	
Tax Experts	5	100	-	-	5
Tax Officers	10	100	-	-	10
Tax Payers	25	71	10	29	35
Total	40	80	10	20	50

(Source : Field Survey, Questionnaire no. 13)

Above table depict that 80 percent of respondents felt need of proper system of computerized billing system to work more systematically and only 20 percent of total respondent voted for non need of computerizing billing system in their view most of said that putting computer create more complication and old employees would be loose their job just because of their ignorant of IT knowledge and it will be time consuming to train the employees about computerized billing system.

Figure: 4.15
Introducing Computerized Billing System in KMC



4.3.14 Provision of Collecting Property Tax made

In order to know opinion of respondents about the provision of collecting property tax made under the local Self-Governance act 1999 was a good measure of collecting property tax. A question was asked, “In your opinion, Do Local Self - Governance Act 1999 has made the provision of collecting property tax is given to municipalities is a good measure of collecting property tax?”

Their responses as follows:

Table: 4.22
Provision of Collecting Property Tax Made

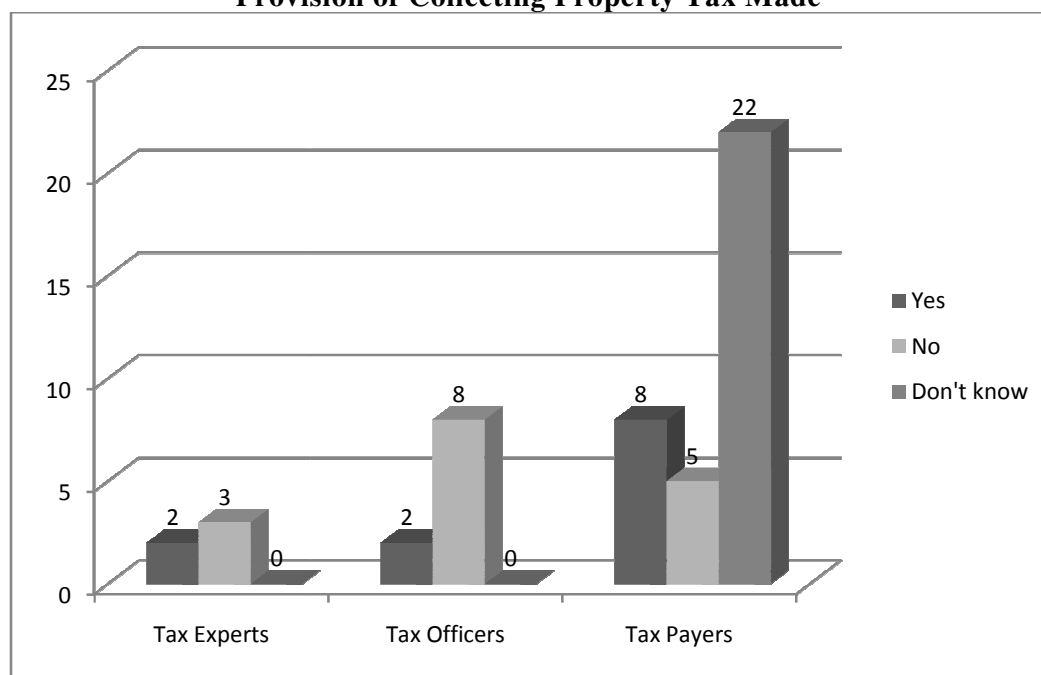
Respondents	Tax Experts	Tax Officers	Tax Payers	Total	Percent
Yes	2	2	8	12	24
No	3	8	5	16	32
Don't know	-	-	22	22	44
Total	5	10	35	50	100

(Source: Field Survey, Questionnaire no. 14)

From the above table, 24 percent of respondents felt that the provision of collecting property tax made under the Local Self-Governance Act is a good measure and 32 percent of respondent felt Local Self-Governance Act 1999 was not a good measure for collecting house and land tax. Whereas 44 percent mostly consists of taxpayers showed ignorant about the Act itself.

Further respondents suggested that there must be simplification in tax law, it should clearly define the difference in the roles between KMC and tax officer.

Figure: 4.16
Provision of Collecting Property Tax Made



4.3.15 Low Tax Rate for Broadness of Tax Payers.

For the broadness and well collection of house and land tax, the respondents were asked the question “Should Kathmandu Metropolitan City follow low tax rate with broadness of tax base?” The answers are as follows:

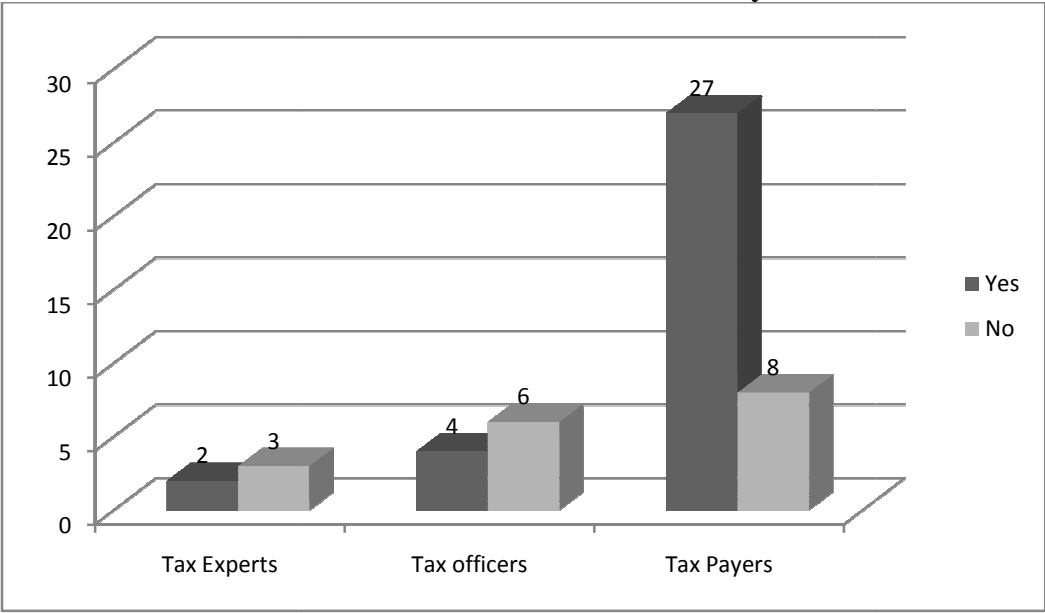
Table: 4.23
Low Tax Rate for Broadness of Tax Payers

Respondents	Tax Experts	Tax Officers	Tax Payers	Total	Percent
Yes	2	4	27	33	66
No	3	6	8	17	34
Total	5	10	35	50	100

(Source: Field Survey, Questionnaire no. 15)

From the above table, 66 percent of respondents had given the view that KMC should follow low tax rate for broadness of tax payers whereas 34 percent had given the view that KMC shouldn't follow low tax rate for broadness of tax payers.

Figure: 4.17
Low Tax Rate for Broadness of Tax Payers.



CHAPTER – V

MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents the overall major findings of the study and conclusions drawn from the analysis of the study. This also includes the recommendation to correct certain aspects, which will help to improve the collection of the house and land (property) tax and the position of the house and land tax in KMC.

5.1 Summary of Major Findings

The study has focused the history of house and land tax in Nepal; contribution, trend and composition of house and land tax of Kathmandu Metropolitan City. Kathmandu is the capital city of Nepal. All together there are 35 wards in KMC. Property tax is direct tax that is imposed individuals or owner's house and land. In Nepalese context, property tax is named as house and land tax. The main variant of local taxes is property tax, which means a tax imposed by local body on the value of property located within the jurisdiction of that local body. Local tax is the tax imposed by local governments. Local self-Governance Act, 2055, has empowered village development committee and municipality to levy house and land tax within their jurisdiction. House and land here means house and land occupied by the house with its compound.

In Nepal property tax was introduced by finance act, 1959 A.D. It was implemented under property tax Act in 1960 A.D. Due to ineffectiveness of collecting revenue. It was replaced by urban house and property tax later. Urban house and land tax was introduced in 1962 A.D. for the purpose of collecting revenue from urban house and land property. Initially, this tax was introduced in Kathmandu, Lalitpur, Bhaktapur, Biratnagar, Birgunj, Nepalgunj, Rajbiraj, Janakpur and Butwal. Latter in 1963/64 it was introduced to Bhadrapur and Dharan in 1964/65 and Bhairawa, Pokhara, Palpa and Hetauda in 1973/74 A.D. The interim government of 1990 again introduced property tax in 1990 A.D. by the finance act in beginning and by property tax act 1990. After the introduction of local self government act in 1999, property tax is given to local bodies.

While studying the total income from house and land tax and total internal sources revenue, the highest contribution of house and land tax on total internal sources income was in F/Y 2012/13 that is 25.92 percent and lowest was 10.69 percent in F/Y 2003/04 and The contribution was in fluctuating trend during the fourteen fiscal years. Similarly, on the budgeted and actual collection of house and land tax, the highest collection efficiency was in F/Y 2008/09 i.e. 128.04 percent and lowest was in F/Y 2003/04 i.e. 53.80 percent. Hence, in KMC, there is a variance between the budgeted and actual collection of house and land tax.

On the other hand from empirical analysis, 80% of the respondents approved the house and land tax is as a suitable means of raising domestic resources, 43% respondents are paying House and Land tax regularly. 10% of respondents approved that taxpayers have been informed regularly to pay house and land tax. Tax awareness program is necessary to public to increase consciousness of the taxpayers. All the respondents approved that Kathmandu Metropolitan City should apply some motivations factors like discount, Fine, Penalties and Punishment to pay house and land tax. 64% of respondents felt complication in paying tax. During the field survey most of the respondents complaining, complicated laws, too much delay in making assessment, administrative harassment and others.

While studying the trend of house and land tax, the past actual trend of house and land tax is maximum in F/Y 2015/16 and minimum in F/Y 2003/04. The past trend of house and land tax is slowly increasing in the first three years and decreased in F/Y 2005/06. Again it was slowly increasing and again decreased in F/Y 2009/10. Then it increased rapidly up to F/Y 2013/14 and again decreased in F/Y 2014/15. Then it increased in F/Y 2015/16. Similarly, budgeted and actual House and Land Tax has fluctuated. In F/Y 2006/07 and F/Y 2015/16, budgeted and actual were nearly equal. In F/Y 2008/09 and F/Y 2013/14, collected house and land tax is more than budgeted house and land tax.

5.2 Conclusion

The system of property tax is the best methods of collecting tax revenue, which help the economic development of the nation. Poor mobilization of internal resources as tax is the main causes of funds insufficiency so government should mobile tax revenue in the aspect. KMC has been collecting property tax since the enactment of

local self-governance act 1999 A.D. In Nepal, the history of house and land tax is not so long. It started only on 1962/63. House and Land tax in Nepal even with general and uniform rule falls for short of justifying itself as a good tax. Its contribution to government revenue has not regarded satisfactory in comparison to other taxes. The contribution of the house and land tax to the total internal tax revenue of KMC is increasing but the municipality did not have any improvement in collection procedures. Collecting efficiency of budgeted house and land tax was fluctuating over the every fiscal year. KMC could not success for making good plan to collect house and land tax. The contribution portion in total expenditure by house and land tax of KMC has been very low. The trend of house and land tax is slowly increasing. The majority of property holders are paying house and land tax in KMC office but the taxpayers are not paying their tax regularly.

House and land tax (property tax) is one of the vital taxes that KMC collects. It is not sufficient of the revenue in KMC. Tax evasion as a major problem of tax collection system of KMC. In KMC, there are complications of property tax as they are too much delay in making assessment, administrative harassment, complicating laws, and bad behavior of administrate. Corruption in tax authority, lack of appropriate information, inappropriate tax rate, defective tax laws and others are the major existing problem related to house and land tax in KMC.

There are lots of problems to pay H & L tax in time period. Most of the people don't know about the payment of tax. Another important problem in H & L tax collection is the lack of information given to the tax payers. Due to the less motivation factors, tax payers are not interested to pay tax in time. Administrative harassment is also a cause for not paying tax by the tax payers in time. Information to Taxpayers about House and Land Tax, Motivation factors, Rebates and Penalty, Low tax rate etc. may be the solutions of collecting H & L tax.

5.3 Recommendations

Property tax has accepted as an important source of government revenue of Nepal. The growing need of resource for the development of Nepalese economy can be meet through effective large volume of property tax. Through there are number of problems, the contribution of property tax is likely to be significant in the future.

Based on the above findings and conclusions the following recommendations have made.

- i. Entertainment tax, advertisement tax, tourist tax and principal amount, dividend and bonus are common local level taxes; therefore, municipality should collect these types tax.
- ii. There are many possibilities to increase internal sources of revenue; the municipality has not tried to identify other potential sources of revenue available within the municipality area. The municipality could identify the potential sources of revenue to boot up the income level of the municipality.
- iii. Municipality receives grants the central government in the form of development and administrative grants. KMC is also receiving such type of grants every year. However, this grant has not been utilizing more effectively. Therefore utilization of grant should be more effective and use in suitable sector.
- iv. KMC should organize seminar and meeting related to house and land tax for improvement of collection of the tax.
- v. The municipality was not succeeding to collect budgeted house and land tax in most of the fiscal year. Therefore, the municipality should prepare budget based on realistic and proper planning.
- vi. KMC should give detail information about current house and land tax to collect the property tax.
- vii. In the absence of proper record keeping system of tax, the government does not look and determine about the state of revenue so, it is necessary attention should be force on proper accounting system (i.e. computerized billing system). But in these days, computerized system has already been started, so the eligible persons should be appointed in different fields.
- viii. House and land tax rate, discount rate, prize and other motivating factor should be advertised by newspaper, TV, radio etc. to attract and motivate taxpayer.

- ix. Appeal and penalty system of house and land tax should use in practice not only in legal provision.
- x. The relation between municipality and taxpayers should be sound and positive. The municipality should promise that they would use the fund for the benefits of them.
- xi. Local property tax should be guide as per market based as well as the use basis by taxpayer.
- xii. Tax education should be start from the school level.
- xiii. Now the age is IT age. Every work has transferred into computer system. Recently the KMC has also followed the computerized billing system. But in these days also most of the ward in KMC are collecting tax in traditional way. They are not following computerized billing system. If the computerized billing system can strictly be followed, it will take less time and paying tax will be easier and more convenient for tax payers.
- xiv. Now a days, most of the people use mobile. So, new apps for mobile should be developed and should be used to inform house and land tax and to make easier to pay house and land tax.

By the points given, we can conclude that to have the efficient tax collection and effective tax administration, government should lunch various programs so that tax payer can feel that paying the tax is their duty they are paying the tax for the development of the country. They are obeying the duty of the good citizen. Until and unless, we can make feel the people themselves their responsibilities, government cannot collect the tax effectively. Therefore, the different program relating to the tax should be organized.

REFERENCES

- Adhikari, A. (2001). *A Study on House and Compound (Property) Tax (Specific Reference to Integrated Property Tax in Dharan Municipality)*. Kirtipur, Nepal: Central Department of Management, Tribhuvan University.
- Adhikari, C. M. (1999). *Taxation in Nepal Planning and Management*. Kathmandu, Nepal: Shreesti Prakashan.
- Adhikari, G. P. (2001). *Proposal and Thesis Writing*. Kathmandu, Nepal: Ratna Pustak Bhandar.
- Adhikari, P.R. (2012). *A Study on Contribution of House and Land (Property) Tax to Total Revenue of Vyas Municipality*. Kirtipur, Nepal: Faculty of Management, Tribhuvan University.
- Bhandari, K. (1978). *Property Tax in Nepal*. Kirtipur, Nepal: Central Department of Management, Tribhuvan University.
- Bhatia, H.L. (1994). *Public Finance*. New Delhi, India: Vikas Publishing House Pvt. Ltd.
- Bhattari, Ishwor & Koirala, G. P. (2004). *Tax Law and Tax Planning*. Kathmandu, Nepal: Dhaulagiri Books and Stationary.
- CBS, (2016). *Nepal in Figure*. Kathmandu, Nepal: Central Bureau of Statistics.
- Chapagain, S. (1995), *Municipal Financing in Nepal, A Case Study of Lalitpur Municipality*. Kirtipur, Nepal: Central Department of Economics, Tribhuvan University.
- Dahal, J.R. (2008). *House and Land Tax of Dharan Municipality (Specific Reference to Integrated Property Tax in Dharanmunicipaliity)*. Kirtipur, Nepal: Faculty of Management, Tribhuvan University.
- Devkota, B. (1980). *Nepalma Sahari Ghar Jagga Kar Eak Bisleshan*. Kirtipur, Nepal: CEDA, Tribhuvan University.

- Dhakal, K. D. (2001). *Income Tax and House and Compound Tax Law and Practice*. Kathmandu, Nepal: Kamal Prakashan.
- Dhungana, B., Kayastha, R.L. and Rai, S. (1985). *Evaluation of urban property*. Kirtipur, Nepal: CEDA, Tribhuvan University.
- Dhungana, B. & Pradhan, B. (1973). *Evaluation of Urban Property*. Kirtipur, Nepal: CEDA, Tribhuvan University.
- Due & Friendlander, L. (1994). *Government Financing*. New Delhi, India: AITBS Publishing and Distributions Company.
- Ghimire, B. (1993). *Principle and Provision of Direct Tax (vol. 2)*. Kathmandu, Nepal: Shila Printers.
- Ghimire, B. (2006). *Principle and Provision of Direct Tax (vol. 2)*. Kathmandu, Nepal: Shila printers.
- GoN. (2065 BS onwards). *Economic Survey*. Kathmandu, Nepal: Government of Nepal.
- Horold, M. G. (1955). *Financing Government*. New York, USA: Henry Holt and Company.
- Jha, H. B. (2000). *Tax System in Nepal*. Rajaswa, India: JB Publication and Distributors.
- Kapri, R. (2011). *A Contribution of House and Compound Tax to an Annual Budget (with special reference to Bhaktapur municipality)*. Kirtipur, Nepal: Faculty of Management, Tribhuvan University.
- KMC (2065 BS onwards). *Annual Reports, Kathmandu Metropolitan City*. Kathmandu, Nepal: KMC.
- Kothari, C.R. (1996). *Research Methodology Methods and Techniques*. New Delhi, India: Wishar Prakashan.
- Kothari, C.R. (1998). *Research Methodology: Methods and Techniques*. New Delhi, India: Wishwa Prakashan.

- Malik, V. (2004). *Modern Income Tax System of Nepal*. Kathmandu, Nepal: Shila Printers.
- Malme, J.H. and Youngman, J. M. (2001). *Development of Property Taxation in Economies*. Europe: World Bank Institution (WBI)
- MoLD, (2056 BS). *Local Self-Governance Act, 2055*. Kathmandu, Nepal: Ministry of Local Development, Nepal Government.
- MoLD, (2056 BS). *Local Self-Governance Regulation, 2056*. Kathmandu, Nepal: Ministry of Local Development, Nepal Government.
- Napit, J. (2009). *Issues on House and Land Tax Practice in Nepal*. Kirtipur, Nepal: Department of Management, Tribhuvan University.
- Neupane, B. (2006). *Municipality Finance in Nepal (A Case Study of Tulsipur Municipality)*. Kirtipur, Nepal: Central Department of Economics, Tribhuvan University.
- Oxford University Press, (1992). *Oxford Advance Learner's Dictionary*. New Delhi, India: Oxford University Press.
- Rajbanshi, A.K. (2009). *A Study on House and Land (Property) Tax (With Reference to Madhyapur Thimi Municipality)*. Kirtipur, Nepal: Faculty of Management, Tribhuvan University.
- Shrestha, P.M. (2007). *A Study on House and Land (Property) Tax in Latipur Sub-Metropolitan City*. Kirtipur, Nepal: Faculty of Management, Tribhuvan University.
- Shrestha, R. (2010). *Contribution of House and Land (Property) Tax to Total Revenue of Lalitapur Sub-Metropolitan City*. Kirtipur, Nepal: Faculty of Economics, Tribhuvan University.
- Silwal, S. (2010). *Municipality Finance in Nepal (A case Study of Baglung Municipality)*. Kathmandu, Nepal: Central Department of Economics, Tribhuvan University.

Subedi, G. (2012). *Local Self Government in Nepal (A Case Study of Pokhara Sub metropolitan City)*. Pokhara, Nepal: Department of Economics, P.N. Campus.

Sundaran, V. S. (1970). *Law of Income Tax in India (10th ed)*. Madras, India: Madras Law Journal office.

Taro, A. (1990). *Essay on 'Public Finance in Japan*. Japan.

Thapa, G. B. (2002). *Tax System and its Reform (vol.4)* Kathmandu, Nepal: Pairavi Pakashan.

Timalsina, P. K. (2007). *Taxation in Nepal (Special Reference to Land Revenue and Land Registration)*. Kathmandu, Nepal: Department of N.C. Campus.

Timalsina, S. P. (2006). *Taxation in Nepal (Special Reference to Land Revenue)*. Kathmandu, Nepal: Department of N.C. Campus.

Timsina, R.N. (1996). *Municipal Finance in Nepal (A Case Study of Biratnagar Municipality)*. Kirtipur, Nepal: Central Department of Economics, Tribhuvan University.

WEBSITES :

www.google.com

www.ird.gov.np

www.kathmandu.gov.np

www.nepal123450.blogspot.com/2016/04/municipalities-list-of-nepal.html

APPENDIX - I

Dear Sir / Madam,

I would like to request you kindly fill up the following questionnaire prepared for collection of your view as valuable resources for my research work.

This research is conducted for partial fulfillment of requirement of Degree of Masters of Arts in Economics. I am conducting a research work entitled “*A Study on House and Land Tax of Kathmandu Metropolitan City*”

I would be very much appreciating if you kindly spare few of your busy and valuable time for my research work. Your views are purely used in my academic purpose only and would not be made public.

Thanking you for the anticipation.

Sincerely yours

Surya Maharjan

(Researcher)

Central Department of Economics, T.U.

13. Do you think it is necessary to introduce proper accounting system like computerized billing system in Kathmandu Metropolitan City?

a) Yes

b) No

14. In your view, Do local self Governance Act 1999 has made the provision of collecting property tax is given to municipalities is a good measure of collecting property tax?

a) Yes

b) No

15. In your view, Should Kathmandu Metropolitan City follow low tax rate for broadness of tax payers?

a) Yes

b) No

Thank you for your kind co-operation