

CHAPTER: I

INTRODUCTION

1.1 Background of the Study

Nepal is small and landlocked country lying between China and India. It has its own problems and prospects. Although being rich in natural heritage and biodiversity, they are in under utilization, primitive and orthodox society with conservative norms, values and institution exists therein.

Nepal's economy is predominantly based on agriculture. Out of total production of nearly 73.90% is based upon agriculture which contributes about 26.10% to the GDP. Agriculture is the major supplier of raw materials to the export oriented industry. Main obstacles to economic development of Nepal are vicious circle. It explains the economic backwardness. The basic vicious circle stems from the fact that Nepal's total productivity is low due to deficiency of capital, market imperfections and economic backwardness and underdevelopment.

Today the government has to spend a lot of money to fulfill their responsibility towards people. This responsibility may be development, health, education etc. The government expenditure is increasing because of demand of time, increase in price level and increase in social program. To meet the increased public expenditure, the government has to manage its fund from internal as well as external source of fund. Developing countries have an experience that the external source creates negative result in development of country. Nobody becomes ready to provide grants and loan without conditions, on the other hand, it is better to mobilize internal sources rather than external sources.

Due to the limitation of direct tax and its low performance in revenue collection, indirect tax has been given performance to government. So to enhance revenue mobilization custom duty was introduced in Nepal. Income tax and VAT administration were made more transparent and supportive; attaching all entrepreneurs and the business communities to come under the network of custom duty. Since the custom duty is one of the components of indirect tax developed in past, it is probably the best tax system that had been at the top of tax system

The main objective of the government of any developing country is to improve living standard of people through the development process. In order to achieve this objective, every government launches different economic, social cultural and other development activities. For this, government needs huge amount of financial resources.

For self sustain, government must be able to generate sufficient revenue that is the most important source of finance. Though the proper administrative strategy, the national objective can be achieved.

For the self reliant economic system and sound infrastructure, government should generate sufficient public revenue is the income of the government, to meet the public expenditure, government collects fund through internal and external sources.

Customs duty is an indirect tax which has high significant contribution to government revenue. Nepal has a limited tax sources and there are limited industries and private firms which contribute to the government very little. But the customs duty has high contribution to the government revenue. Nepal has adopted Custom Act in 2019 B.S. which facilitates trade and transit problem.

Import duty is the tax levied by the government on the goods imported from foreign country. A tax that a country imposes on its imports is called import duty. A duty exists to make import more expensive and to thereby encourage people to buy goods produced in their own country. Proponents of their use that duties discourage outsourcing of jobs to other countries and make the country more self-sufficient, but most of economists agree that they are economically inefficient and some contend that they may ultimately harm the people they are intended to help.

Export duty is the tax levied by the government on the goods exported to foreign country. Export duties consist of general or specific taxes on goods or services that become payable when the goods leave the economic territory or when the services are delivered to non-resident; profit of export monopolies and taxes resulting from multiple exchange rate are excluded.

1.2 Statement of the Problem

After 2048 B.S., Nepal has been followed liberal and open market economy social and economical development is not sufficiently accessed at target point as it has a small economy with limited resources and political instability. That entire unfororable feature is drawback for the country. There is gap between planning and execution. Though policies and strategies have been largely ineffective, it is known that increasing funds from internal source is not an easy task particularly, when business economy is itself going backward, there is another problem that is inadequacy of internal sources in itself . To increase the internal source of finance, a sufficiency resource is needed in the hand of government. There are various ways of raising internal sources like taxation.

Even the government is collecting revenue from custom duty. It is not well planned. Government is not being able to charged duty in scientific ways. There is not good security in there boarder which helps business man evade customs duty.

There is research gap in the field of customs duty. There is not any evaluation of actual performance and standard fixed by the government regarding rate harmonized product.

Nepal is situated between China and India which have high economic growth and have a sea-port but Nepal is landlocked and has only one inland container deport that is Birjung inland container deport . Nepal has a limited market and hasn't produced high price-able products to export in foreign countries. Nepal is highly dependent on foreign products; in such an economic condition of the nation is not a good sing. Nepal has more than s80 percent trade with India, So Nepalese market is dependent on Indian markets. In such a situation, the export and import duty of government and its significance was well was to be found.

Nepal has been facing transitional phase where constitutional assembly has not made constitution in time. If affects the whole economy as well as political system Nepal has unstable government and its it not concerned with all problems of economics as well as other problems. The leaders always strive for attaining the chair and maintaining the government. In such a situation the administration of custom duty has also face the problems brought by instability. The political sister organization of large political parties demand donation with private as well as other organization so

many exportable industries are closed. It shows that the contribution of custom duty depends upon import duty.

As Nepal is landlocked country bounded by India and republican china with free boarder, government is not being able to charge duty on each and every product imported from these countries and exported to them. Some of the products are duty free because of negotiation with them. This research work has tried to answer the following research questions to fulfill the objectives of the stud

1. Whether the customs duty is contributing significantly in government revenue or not?
2. What is the position of customs duty from India, Tibet and Third world?
3. How much duty is being collected by government in the head of selected item with special reference to clothes carpet, synthetic and jute?

1.3 Objectives of the Study

As said elsewhere, the mechanism of this study is to bring forward inherent lineage between import duty and export duty and the contribution of customs duty to revenue of government of Nepal, as well as to establish a relationship between the trend of customs duty charged on selected item with special of Clothes carpet, Synthetic Carpet and Jute and government revenue in relation to its growth over time. Keeping the above fact in view and also the intervening variable of the study, the objectives broadly specified are given as follows:

1. To analyze the growth potentiality of import and export duty of selected item especially with clothes carpet, readymade and jute
2. To explore the contribution of customs duty of selected item with special reference to Clothes carpet, Synthetic Carpet and Jute on government revenue.
3. To find out the trend of customs duty charged in selected item with special reference to Clothes carpet, Synthetic Carpet and Jute.
4. To examine the effectiveness and trend of custom revenue collection from custom point.
5. To find out the contribution of customs duty to government revenue of Nepal.

1.4 Significance of the Study

Nepal being developing country has the necessity to make development of each and every sector. Customs duty is the major part of collection of revenue of Government of Nepal, which may be trustful to make development activities at different sectors. There is a need of mobilizing adequate resources for meeting the financial requirement for development purpose of government. Custom duty is the major potential source for mobilizing a large amount of financial resources in Nepal.

Customs duty plays significant role in the overall economic development in the developed as well as developing countries. It occupies a significant place in overall tax structure. The role of customs duty is gradually increasing in the world because of globalization and development of multinational companies.

Nepal is one of the lowest tax economics in the world as its tax GDP and tax/GNP ratios are the lowest among SAARC countries and among the rest of the countries as well. The portion of indirect tax is greater than direct tax there is a significant contribution of customs duty to the revenue at government. This study tries to minimize the research gap.

Custom duty is an indirect tax which has high contribution for government revenue Nepal has established 30 administrative customs offices. Out of them, 9 are situated in north boarder area, 20 are situated in south boarder area and one of Tribhuwan International airport which is situated in TIA Kathmandu. In this scenario Nepalese trade depends on India and little bit business with china. Customs duty is main sources of government revenue of Nepal. It has positive sing but the government is not highly concentrated on leakage and crime.

Besides the those who are affected by customs duty for the production and consumption of goods and services, this research is very useful for those persons like students, researcher, scholars, professors, Journalist, legislators, planners and the those who are interested in customs duty of Nepal.

The major significance of this study are as follows:

- a) Helpful to know the most potential sources of customs duty.

- b) Aids in finding contribution of customs duty in revenue of government of Nepal.
- c) This study provides information about different tax systems adapting by Nepalese government.

1.5 Limitation of the Study

Each and every study has its own limitation and boundaries. This study also has various limitations. Some of which are given below:

- a) This study has covered only the period of 6 years (FY 2006/07 to FY 2011/012)
- b) Due to the time and resources limit, data and information which researchers collected are might not be sufficient for the study.

1.6 Plan of the Study

This study is divided into five major chapters, which are as follows:

Chapter - I:

This is introduction chapter. This chapter includes background, statement of problem, objective of the study, significant of the study and lamination of the study.

Chapter - II

This is literature review chapter. This chapter includes conceptual framework at tax and review of related available studies

Chapter - III

This is research methodology chapter. This chapter includes research design, population and sample source of data, data collection procedure etc.

Chapter - IV

In this chapter data are presented, analyzed and interpreted by using statistical tools, mathematical tools and other accounting and financing tool etc.

Chapter - V

The final or last chapter contains the summary of the whole study. The conclusions of the study have been presented and at last suitable points are suggested in the form of recommendation. Bibliography and appendixes will incorporate in the end of the study.

CHAPTER - II

REVIEW OF LITERATURE

2.1 Theoretical Framework

2.1.1 Concept of Tax

Taxation is the system of levying taxes. The system is the set of principles. The principle is a scheme of ideas or body of rules by which a theory is organized. Thus, the system of levies was developed after the origin of tax. Different persons have defined taxation in different ways. In the words of Seligman, Taxation is the compulsory contribution from a person to the government to defray expenses incurred in the common interest of all without reference to special benefit conferred.

According to this definition given above, it can be said that firstly a tax is a compulsory levy and those who are taxed have to pay it without getting corresponding benefit of services or goods from the government. The tax payer does not have any right to receive direct benefit from the tax paid. Due to this compulsory nature, people have expressed different views in satirical ways about the taxation. Some say "Nothing is certain in this world but death and taxes," some say "death and taxes are both certain but death is not annual, "While others say, " Death means stopping to pay tax." Death means stopping to pay tax". Here it should be noted that all compulsory payments without having direct benefit to the payer but it is not tax because its objective is not to collect revenue but to curb certain types of offence secondly, taxpayer cannot receive any quid pro quo for the payment of tax. The taxpayer does not receive equivalent benefit from the government. A tax is not a price paid by one, for which he can claim goods and services. The charge of price for goods and services by public authority is not a tax.

Thirdly, the tax is paid for the government for running it. Fourthly in case of tax, the amount is spent for common interest of the people. The tax is collected from haves and basically, spends for the interest of haves not in the society. Fifthly, a natural or an artificial person pays the tax. (Kandel, 2011).

In conclusion it can be said that a tax is a liability to pay an amount to the nation. The base of the payment is that the tax payer has income of a minimum amount from certain specified source on that they own certain economic activities, which have been chosen for taxation. Taxation has been an essential part of the government from the being of the state system. However, the main objective of taxation has been different for different epochs. In ancient times, the major objectives of taxation were strength on the muscle of the state by providing resources. Till the time of Adam Smith, the chief motive of collecting the revenue was to provide resources to the government for security to an individual and society against violence, invasion and injustice and maintaining public institutional. (Kandel, 2003)

From the above, we conclude that the tax had the objectives of raising revenue to have resource mobilization, equal distribution of wealth and income in the society, encouragement in production of certain products, encouragement in employment, saving and investment, removal of regional balance and entrancement of government policy.

2.1.2 Meaning of Indirect Tax

Charge levied by the state on consumption, expenditure, privilege or right but not income or property. Customs duties levied on imports, excise duties on production sales tax or value added tax (VAT) at some stage in production distribution process are examples of indirect taxes because they are not levied directly on the income of the consumer or earner. Since they are less obvious than income tax (because they don't show up on the wage slip) politicians are tempted to increase them to generate more state revenue also called consumption taxes, they are regressive measures because they are not based on the ability to pay principle.

A tax, such as a value added tax that is levied on goods or services rather than individuals and is ultimately paid by consumers in the form of higher price is called indirect tax. Indirect tax is a tax levied on goods or services rather than on persons or organizations by the government to increase revenue.

A direct tax is one which is demanded from the very persons who it is intended or desired should pay it. Indirect taxes are those which are demanded from

one person in the expectation and intention that he shall indemnify himself at the expense of another.

The producer or importer of a commodity is called upon to pay tax on it, not with the intention to levy a contribution upon him, but to tax through him the consumers of the commodity, from whom it is supposed that he will recover the amount by means of an advance in price.

In *Manitoba V Canada*, the Privy Council added:

"An indirect tax is that which is demanded from one person in the expectation with the intention that he shall indemnify himself at the expense of another.

2.1.3 Meaning of Customs Duty

Customs duty is a government tax on imports or exports; "They signed a treaty to lower duties on trade between their countries."

Customs in 21st century is the slogan of world customs organization which pushes each member country to intervene in different sectors of customs reforms in order to materialize the above ambitious slogan. Among others, trade facilitation and preventing society from odds are some of the major responsibilities of customs administration. Nepalese customs administration is working to facilitate authorized trade and preventing revenue and society in the same line by employing electronic customs procedure. Nine major customs offices which cover more than 90% of the Nepalese total foreign trade are operating electronic procedure with ASYCUDA ++ software since last fifteen years. In this junction, it is much imperative to be familiar and adopt the best practices on data harmonization which is sound to better implementation in a single window environment. This enable us to work with minimum set of standard data element which is an international standard and opens the door as a strong tool to implement single window establishing a better cooperation between government trades. In the meantime, it is noteworthy here to remember that WCO has recommended the Data Model version 3.0 June 2009 and Nepal's customs have received the letter from secretary general, WCO requesting to adopt the model.

Hence, we should prepare strategically ourselves, being not only as a member country but also for the mutual benefits of government and traders.

A single window concept is not a totally a new concept in our country too even though, it is less acted than what is talked more in connection to the services delivery of public sector. Many government authorities have expressed this term in a different name but with the similar objectives in order to increase transparency, efficiency and cost effectiveness. Nepal has enough room to introduce and implement this facility for the improvements of its foreign trades (Regmi, 2006)

The world customs organization is only an international inter governmental organization that deals with customs procedures governing trade between countries, has set different international standard of commodity classification for compiling international trade statistic on all merchandise entering international trade and to promote international comparability of international trade statistics. The adoption of an international standards leads to simplification and harmonization and hence adds to the effectiveness of customs operations as they provide a simple and predictable trading environment and promote easier and better compliance from traders.

Customs duty is a government tax on imports or exports, "they signed a treaty to lower duties on trade between their countries. "

Tax levied on imports and exports by the customs authorities of a country to raise state revenue and to protect domestic industries from more efficient or predatory competitors from abroad. Also called tariff, duty is based generally on the value of goods or upon the weight, dimensions, or some other criteria of the item.

Tax that a country imposes on its imports and occasionally, exports is customs duty. A duty exists to make an import more expensive and to thereby encourage people to buy goods produced in their own country. Proponents of their use argue that duties discourage outsourcing of jobs to other countries and make the country more self-sufficient but most economists agree that they are economically inefficient and some contend that they may ultimately harm the people they are intended to help. A duty is also called a tariff. A tax or duty to be paid on a particular class of imports or exports is called custom duty.

Custom duty is a tariff or tax on the import or export of goods. Traditionally in England, it was part of the customary revenue of the king, and therefore did not need parliamentary consent to be levied, unlike excise duty, land tax or other impositions.

Government of Nepal made a customs act in 2019 B.S. which facilitate and regulate international trade and charges customs duty. This act was amended in 2054 B.S. which adopted the transaction according to WTO/GATT valuation Nepal has about 30 customs offices out of them 9 offices were established in northern border areas which have other 6 sub-customs offices 20 were established in southern border area which has 136 sub-customs offices. One customs office is a Tribhuvan international customs office which has one sub-costumes office i.e. foreign post office. There are three inland container depot Birjung, Biratnagar and Bhairawa which were established with the assistance of world Bank /IDA. Birjung is only one ICD linked with railway of India.

United Nation first developed the SITC system to facilitate international comparison of commodity trade data. SITC Rev 2 was published in 1975 followed SITC Rev 3 in 1985 with a view to facilitate trade flow and analysis of trade statistics in a much more coordinate manner, the customs cooperation council (since renamed as WCO) developed the harmonized commodity description and coding system or simply harmonized system in 1986. The first version of the harmonized system was introduced in 1988 (Hs 88). The code of HS 88 corresponds precisely with code of SITC rev 3. Main revisions of the harmonized system were introduced in 1996 (HS 96) and 2002 (HS 202) The most recent revision was HS 2007. Nepal has adopted harmonized system since 1991.

The harmonized system is an international standardized system of names and numbers for classifying trade products developed and names and numbers for classifying traded products developed and maintained by the world customs organization. It comprises about 5000 commodity goods. The system is used by more than 200 countries and economics as a basis for their customs tariffs and for the collection of international trade statistics.

The harmonized system contributes to the harmonization of customs and trade procedures, and the non documentary trade data interchange in connection with such procedures. Such reducing the costs related to international trade. It is also extensively

used by governments, international organizations and the private sector for many other purposes such as international taxes, trade policies, trade negotiations, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, complication of national accounts, and economic language and code for goods and an indispensable tool for international trade.

In Nepal, the Director General and Committee will prescribe heading or sub-heading based on the authentic text of the harmonized system of the world customs organization. If there is a doubt as to in which heading or sub heading of the harmonized system do any goods fall, the customs officer will classify such goods in the heading or sub heading as prescribed by the director general and the committee. For the purpose of prescribing the heading or sub heading of any goods, advice of the concerned export or national or international body made is sought. It, prior to the exportation or importation of any goods, any exporter or importer submit an application to the prescribed committee also comprising an expert in the field of concerned for the specification of the heading or sub heading of commodity classification of such goods, the committee also examining a sample of such goods, the committee may, also examining a sample of such goods, prescribe the heading or subheading of such goods

From the above definition customs duty can be defined as;

1. Duty on imports or exports,
2. The government department responsible for the collection of these duties.
3. The part of a port, airport, frontier station, etc; where baggage and freight are examined for dutiable goods and contraband,
4. The procedure for examining baggage and freight, paying duty etc.
5. (As modifier): customs officer

2.1.4 Introduction of Import Duty

Import duty is the tax levied by the government on the goods imported from foreign country. A tax that a country imposes on its imports is called import duty. A duty exists to make an import more expensive and to thereby encourage people to buy

goods produced in their own country. Proponents of their use argue that duties discourage outsourcing of jobs to other countries and make the country more self-sufficient, but most economists agree they are economically inefficient and some contend that they may ultimately harm the people they are intended to help.

A duty is also called a tariff. A tax levied on a good imported into a country. In most instances, tariffs are intended to make imported goods more expensive and thus less competitive with domestic products. It is also charged by the government to increase the total revenue.

A tax that a country imposes on its imports is called import duty. A duty exists to make an import more expensive and to thereby encourage people to buy goods produced in their own country proponents of their use argue that duties discourage outsourcing at jobs to other countries and make the country more self-sufficient, but most economists agree that they are economically inefficient and some contend that they may ultimately harm the people they are intended to help.

2.1.5 Introduction of Export Duty

Export duty is the tax levied by the government on the goods exported to foreign country. Export duties consist of general or specific taxes on goods or services that become payable when the goods leave the economic territory or when the service are delivered to non-residents; profits of export monopolies and taxes resulting from multiple exchange rates are excluded.

2.1.6 Introduction to Government Revenue

The income of a government from all sources appropriated from the payment of the public expenses is called government revenue. It is the yield from property on investment; income. In other words all the income produced by a particular source by governmental department set up to collect public funds. Government revenue is the income accruing from taxation to a government during a specified period of time, usually a year. The government departments are responsible for the collection of government revenue. Money which comes to a person etc from any source or sources

(e.g. property, shares) especially the money which comes to a government from taxes etc is government revenue .

2.1.7 Customs Duty Facility and Exemption

Customs Acts 2064 and customs rules 2064 have laid down the following provisions relating to customs duty facility, (Bhattarai & Koirala, 2068)

1. Diplomatic facility or duty facility will, on recommendation of the ministry of foreign Affairs Government of Nepal, be accorded, as prescribed, to those bodies, officials or persons who are entitled to enjoy such diplomatic facility or duty facility under any bilateral or multilateral treaty agreement to which Nepal is a party.
2. The Government of Nepal may, from time to time and by notification in the Nepal Gazette accord the diplomatic facility or duty facility to such goods to be imported by such persons or bodies as specified in that notification.
3. The Government of Nepal may accord partial on full customs duty exemption to the goods to be imported in the name of any project to be operated under foreign loan or grant assistance or in the name of the contractor of such project.
5. The government of Nepal may accord partial or full customs duty exemption to the fuel to be consumed during international flight, engine of aircraft, spare parts, machine, equipment thereof, food, liquors, beer and light drinks consumed in flight by an international air services company.
6. The provisions for according the duty facility to any goods to be sent again to a foreign country from the foreign country via Nepal will be as prescribed.
7. The provisions for according the duty facility to any goods to be brought again to a foreign country from the via Nepal will be as prescribed.

2.1.8 Exemption and other facilities

Government of Nepal has power to accord customs duty exemption and other facility to goods to be exported and imported by industry situated in special economic zone, (Bhattraï & Koirala, 2068)

1. The Government of Nepal will accord customs duty exemption and other facility against bank grantee to the following goods to be exported and imported by any industry situated in the special economic zone.
 - a) Such raw materials, subsidiary raw finished goods to be exported , packing materials and other materials to be used in manufacturing.
 - b) Plants, machineries, machines, equipment tools and spare parts as required for the industry, and up to three motor vehicles based on the size and nature of industry. The 'special economic zone' means a zone specified as special economic zone by the government of Nepal through notification in the Nepal Gazette.
2. If any importer sells, as prescribed, any goods which that importer has imported to any industry situated in the special economic zone and that importer has paid the customs duty for importing such goods, the customs office will refund, as prescribed, such customs duty to that importer.
3. If any industry situated outside the special economic zone sells any finished goods manufactured by that industry to any industry situated within the special economic zone, such customs duty and other facility as is accorded in the event of export will be accorded as if that sale were an export.
4. If any industry situated within the special zone so sells any goods manufactured from raw materials imported under the customs duty exemption that such goods are consumed in Nepal.
5. The government of Nepal may, be notification in the Nepal Gazette, issue an order specifying the procedures on the transfer by an industry situate within the special economic zone of ownership of goods imported under duty exemption to any person within or outside the special economic zone. It will be the duty of the concerned industry to abide by such order.

2.2 Review of Books and Related Articles

Bhattraai and Koirala (2068), have entitled "Taxation in Nepal" in MBS second years. In that book, they focus customs in an authority or agency in a country responsible for collecting and safeguarding customs duties and for controlling the flow of goods including animals, personal effects and hazards items in and out of a country. Depending on local legislation and regulation, the import or export of same goods may be restricted or forbidden and the customs agency enforces these rules. The customs may be different from the immigration authority, which monitors persons who leave or enter the country, checking for appropriate documentation, apprehending people wanted by international arrest warrants, and impeding the entry of others deemed dangerous to the country. In most countries, customs are attained through government agreements and international laws.

A customs duty is a tariff or tax on the import as well as export of goods. It is a border tax. Nepalese customs administration collects customs duty; value added tax excise and other taxes at the border points. Customs administration is in the forefront in terms of internal revenue mobilization. This does not mean that the customs role needs to be confined to internal revenue mobilization. It is equally important to enhance trade facilitation by adopting international convention, recommendation and best practices without compromising with the national security. The Government of Nepal has enacted customs act 2064 with an aim to amend and consolidate the prevailing customs laws in order to make safe and facilitate international trade by making customs administration systematic, transparent and accountable.

Pokharel(2010), has explained and summarized the "Implementation of the concept in the customs Administration of Nepal." He presented that customs office is a representative of centre government in borderline. It not only collect the revenue also protects health of people by not allowing to import of health hazard goods and stopping the mulling at arms, ammunition and drugs. Nepalese customs cooperates with the world custom organization (WCO) which has introduced customs reforms and modernization working plan since 2003. The first phase of this plan was started in 2006/2007 and completed in 2008/2009. In 2009/2010, third phase of customs modernization plan is going on. This plan wants to make the customs department and

customs offices effective and efficient to improve the international standard customs norms.

The main objective of the customs reforms and modernization working plan are as follows:

-) Increase efficiency of the people working in the customs filed.
-) Make customs administration transparent and clean.
-) Increase participation of stakeholder in trade facilitation.
-) Effectiveness in the control of illegal import and export of goods.
-) Reform in organization structure of the customs administration.
-) Development of physical infrastructure of customs offices.
-) Simplification and efficiency in customs clearance process to help trade facilitation .

Tripathi (2011), explained and summarized the "Customs Automation with ASYCUDA world". he presented the major advantage of ASYCUDA. ASYCUDA is a computerized system designed by the UNCTAD to administer a country's customs. It is the largest technical cooperative programmed of the UNCTAD covering over 80 countries and 4 regional projects.

The customs depart has introduced the ASYCUDA World System. The overall aim is to improve the economy of the country through the provision of an efficient service to the trading community, and to provide a high quality statistical and trade monitoring mechanism. The advantage of the ASYCUDA World is presented as follows:

1. It aims at speeding up customs clearance through the introduction of computerization and simplification of procedures and thus minimizing administrative costs to be business community.
2. It also aims at increasing customs revenue by ensuring that all goods are declared, that duty / tax calculations are correct and that duty/ exemptions, preference regimes, etc are correctly applied and managed.

3. The upgrading of the existing data processing system into the customs clearance process will bring about faster clearance of cargo, improve revenue control, and provide up-to-date, accurate information on trade.
4. The system incorporates international best practices and standards as defined by the United Nations Economic Commission for Europe and World Customs Organization, and is designed in such a way so as to allow the further configuration to suit the national characteristics of individual customs regions and customs legislation.

Parajuli (2011), explained and summarized the 'Nepal's Commitments to WTO on Tariff Reduction and current status.' He presented that Nepal as a least developed country enjoys several special and differential treatments in terms of implementing WTO commitments and obligations. Especially in tariff reduction, Nepal has already set the higher bound rate for most of the products as compared with the rate. Nepal has been levying on imports of agricultural products; the bounded rate is set significantly higher than applied rate so there is a big room for Nepal to increase the applied rate as necessary. Compared to the agricultural products, bound rate for other products is lower and some of the applied rates are above the bound rates for other products although there is still 2 years to reduce them up to the level of bound rate.

Koirala, (2011) had written an article "Role of customs administration to protect Environment." He presented the customs administration has control the disadvantage product for people. Customs administration should communicate about the protection of environment and should care about wild conservation and other illegal trade. Customs administration should control the precursors which are not register in home ministry.

He concludes that Nepal is serious about to protection of environment and security in boarder area. Customs administration should care for illegal trade and conscious about the health of the people. Nepal should apply the multilateral Environment Agreements (MEA'S) which helps to control and minimize the trade and transit of environmental consciousness products..

Sharma, (2011) had written an article concept of Master Document". He presented that the customs modernization has started in all the countries, Nepal is no exception. The objective of customs modernization is to transform customs into

modern administration consistent with tax administration. It is believed to improve the relation of administrative arrangement customers and stakeholder's relationships.

Customs administration are self assessment, appropriate facilitations, client compliance management and risk management with the help of special tailored audit techniques, accreditation of agents and licensed operators, import/ export transit process streamlining, behavior based treatment to customers are likely to bring about it. Customs should ensure that its service keeping pace with countries development in international trade for technological, legal and economic nature keeping in mind for good governance and integrity to facilitate the crucial role played by customs in the global trade.

He concluded that master document concept brings about amendment to meet the requirement of different agencies to implement and simply the documents needed to make for comfortable. Master documents is a unique one and will be accepted by importing countries as well it will help government of Nepal and the private sector simplify documents to help the regularities body for manage risk appropriately.

Bhandari (2011) had written an article "Necessity of Harmonized system and its Effect in facilitating international trade." He presented that the development of advanced technology just in time to supply chain system multilateral and bilateral trade become major instrument of development of nation. There are millions types of products and accessories of such products which have produced and moves around the world. Through, so many complexities have come before the customs administration and business sector, and many problems would be faced by the exporter and importer in the movement of goods. So that without harmonized system, it is difficult to facilitate the international trade. The harmonized system is only one important tool to classify and arranging into the various headings and sub-headings according to their characteristics and functions. IN this regards, it is necessary to establish, classifying and coding the products as an international standards systems. If there is proper coding of each goods then it will help to facilitate international trade through the customs procedures. Since fast customs clearance is one of the most important measures for trade facilitation.

Regmi (2011), had written an articles, "Nepal's Foreign Trade Statistics system: An over view". He presented that the current strength of Nepalese customs for

the purpose of producing quality based on trade statistics with insured predictability of dissemination is really weak. Customs headquarter has a provision of a statistics cell under the information technology and statistics section headed by director of IT background. With the addition of one more officer statistician's position, there are two officer levels of statistics one computer officer and one computer engineer has been approved theoretically in the section. But due to less attractiveness, computer engineers are seldom found working in real life and has been felt least relevant, with no position of statistical assistant in the section has jeopardized to drive its statistical activities in a smooth way.

Currently the three national agencies are spending their national resources for the production of almost all the trade. Allocation of appropriate human resources together with technical support is a prerequisite to handle the above task. Institutional capacity building and agency's area of interest and its acceptance of formed ownerships are equally important. A national level technical committee comprising from each of the three agencies can be established to drive such system effectively and smoothly. It is high time to take appropriate actions in order to avoid such confusion in trade statistics by the help of national statistical council, the highest national statistical authority for customs duty is customs department in Nepal, having strong national network across the country department of customs can be such a leading national agency.

Dahal (2052) had written report entitled "Review of Tax system" has addressed the narrow tax base, low tax elasticity, higher burden of indirect tax compared to direct tax lack of voluntary compliance, wide spread tax evasion, leakage's etc, as a main constraint of Nepalese tax system. Including income from agricultural sector income from domestic industries social sector and electricity sector which contributes 52% of total GDP is exempted from income tax. This report has suggested that about 40% extra resource mobilization is possible if proposed tax policy and program are in place

Khanal (2006) explained and summarized the role of "Customs in combating counterfeiting and piracy". He presented that the customs can have some control across the custom check points. He focuses the following measures can strengthen our capacity to control cross border counterfeiting and piracy.

The customs officials and force involved in checking out goods at the customs check point need training and orientation on the nature and simplifications of counterfeiting and piracy along with relevant provisions for controlling them.

1. Customs can work jointly with the business community in promoting fair trade.
2. International organization such as SAARC and BIMSTEC help to sharing the information can make use at.
3. Customs organization needs substantial up gradation along with provision of technical training for the staff.
4. Customs officials needs to properly verify the documentation.

He concludes that customs organization can only be effective if ordinary public supports of the crusade against un fair trade practices . If people deny purchasing counterfeited or pirated products and look for the original ones with proper licenses, company warranties etc then illicit trade cannot flourish. Stayahraga, that Mahatma Gandhi preached, is a very powerful instrument of checking many social evils This requires wider public awareness and for which customs organizations should work in collection with other government organizations and consumer interest groups.

Bista (2006), had summarized "The need of improvement and modernization of customs administration " His simplified foreign trade of Nepal by considering different factors likes,

1. Making renewal process simple and faster.
2. Making customs duty rate reliable for similar nature product.
3. Renewal of customs law to make if as the need of time
4. Developing the participatory approach in customs administration.
5. Controlling illegal trade.
6. Improving the work efficiency
7. Developing infrastructure
8. Organizational improvement

Singh (2010), explained and summarized the "customs and Business: Improving performance through partnership in customs". He presented the role of implement on of Government policy and horizontal domination. It is a key player when it comes to the protection of borders and society to fight against commercial trend. Traditionally customs tasks can be presented in three clusters the protection and collection at revenue the implementation at commercial policy measures, and the protection of people and society.

Customs administrations through the world is currently experiencing dramatic technological, economic and legal change which require new approaches to be taken within the customs administrations traditional functions of customs administrations are highly challenged by a rapid liberalization and globalization of trade. Customs administration therefore needs to prepare for the new task which they have to fulfill as a partner.

He concludes that the challenges of new global environment are such that solutions can only be developed by engaging with all payers who have an interest in effective and efficient customs procedures.

Customs administrations stand as tried the international trade supply chain and there is now a realization that they are critical strategic institutions in assuring safe and secure borders. The effect of the customs administrations situated as they are at land, sea and air crossings, with their unique knowledge and understanding of international trade and the dialogue and partnership they enjoy with private sector which are increasingly seen as the natural government agency to protect external national frontiers and borders.

A broad range of contraventions confronting the customs officials of today, such attendees include the trafficking of, illicit drugs, endangered species nuclear and hazardous good sand also goods that are being imported transited or exported, whilst contravening Intellectual property Rights (IPR) legislation.

He concludes that customs are bound by twin roles as both trade facilitator and guardian of the community. We have to find the proper balance between these parameters, and in the new globalized economy, we have to find new ways to discharge our duties. Electronic commerce, efficient procedure, cyber crimes fraud, and transnational crimes are the challenges of customs office but a few of the

challenges that impact on daily work. The function of customs is to follow the government policy, manage and control customs office to collect duty effective and efficient manner. Customs administrations can no longer remain isolated and entitles away from the societal context. We need to build bridges with other agencies and business partners.

Pandey, (2010) had written an article on "Green Customs a New Dimension in Custom Administration". He presented customs administrations in these days have to oversee for many facets o national life. Unlike in the past days, its role are not confined to collection of revenue and trade promotion but extended to security, human health, and even environment protection.

Nepalese customs administration is committed towards fulfilling pledge of its government towards detecting and controlling illegal cross broader movements of hazardous wastes and toxic chemicals, Pops and products underlined by CITES. The gazette notification date 2066/7/16 (November 2, 2009) has incorporated the detail list of import banned chemicals, narcotic drugs, and psychotropic substance, explosive and products covered by CITES. The authorities of Nepal and India held discussions on issues of green customs and environmental crimes during the green customs work-shop held Sarawasti in India during November - 30 December 2, 2009. Many of the GCL partners have also participated in the work-shop. The work-shop is very helpful to acquire knowledge and information about environmental issues and to enhance skill to enforce national environmental policies for the government from customs perspective. The work-shop has come up with some important conclusions and recommendations. Since Nepal is a party of the MEAs the recommendations and conclusion of the workshop are expected to be very useful to Nepalese customs administration, too. The followings are the important conclusion and recommendations of the workshop.

1. WCO environment provide communicational tool for environment border protection, is a useful platform for experience sharing and information exchange; therefore, participating agencies are encouraged to get access to environment for future communication.
2. Customs Enforcement Network should be more widely used by customs officers to ensure "one seizure, one report" policy. UNEP should coordinate

with WCO CEN (Central Enforcement Network) management selected item with special of Clothes carpet, Readymade and Jute to facilitate the input of environmental crime. RILO will explore possibility to provide technical assistance and training to border customs officers on customer enforcement network.

3. IT was suggested to explore possibilities to introduce WEN (Women's Environmental Network) for south Asia in future dialogues between India and Nepal. Considering the route for illegal trade between ASEAN countries and south Asia, Nepal and India customs may link with efforts in the ASEAN region on wild life trade and other aspects of environmental crime.
4. It is suggested that Nepal and India inform European Commission and VROM (Organization) of seized hazardous wastes exported from EU countries. UNEP will provide list of focal points in IMPEL-TFS (International Organization) and VROM and facilitate the flow of information between EU and Nepal and India.
5. Green Customs Imitative Partners should assists Nepal and India in addressing bottleneck in implementation of MEAs, such as short of testing facilities for gases and chemical and lack of technology and found in storage and disposal of chemicals.
6. UNEP will provide information on the world's main traders and manufactures of ODS to Nepal and India in order to meet the need for ODS control and monitoring.
7. Border dialogues between Nepal and India should be included in HCFC Phase-out Management Plan (HPMP) of India and Nepal.

Regmi, (2010) had written an article entitled "WCO Data Model and Single WINDOW-Nepal's Perspective". He entitled customs in 21st century is the slogan of world customs organization which pushes each member country in intervene in different sectors of customs reforms in order to materialize the above ambitious slogan. Among others, trade facilitation and preventing society from odds are some of the major responsibilities of customs administration. Nepal Customs Administration is working as to facilitate authorized trade and preventing revenue for society in the

same line by employing electronic customs procedure. Nine major customs offices which cover more than 90% of the Nepal's total foreign trade are operating electronic procedure with ASYCUDA ++ software since last couple of years. In this junction, it is much imperative to be familiar and adopt the best practices on data harmonization which is sound to better implementation in a single window environment. This enables us to work with minimum set of standard data element which is an international standard and opens the door as a strong tool to implement single window to establishing a better cooperation between government and trades. In the meantime, it is noteworthy here to remember that CWO has recommended the data model Version 3.0 on June 2009 and Nepal's customs have received the better from Secretary General, WCO requesting to adopt the model. Hence, we should prepare strategically ourselves, being not only as a member country but also for the mutual benefits of government and traders.

A single window concept is not a totally a new concept in our country too even though it is less acted than what is talked more in connection to the service delivery of public sectors. Many government authorities have expressed this term in a different name but with the similar objectives in order to increase transparency, efficiency and cost effectiveness. Nepal has enough room to introduce and implement this facility for the improvements of its foreign trades.

Paudel (2010) had written an article on "Do Informal Economic Activities Matter for Loss of Customs Revenue in Nepal?" He focuses those Nepalese policy makers about the size of informal trade in Nepal. Due to the open order in India, the informal trading is always a crucial issue of concern for Nepalese politicians and bureaucrats. They talk much about the measure to adopt for reducing informal trade and thereby reducing revenue loss for customs. Once a month there is always high level meeting to fix the office for the collection of revenue and help to the Secretary of Ministry of Armed Police Force, Customs Department, Department of Revenue Investigation, and Inland Revenue Department. The central monitoring committee and direct level monitoring committee to control the revenue leakage are also in actions but the issue of information trade is still in the same place. To reduce the volume of informal trade, we need to adopt some measures such as :

-) Proper coordination among different agencies of Government of Nepal like Nepalese Customs, Nepal Police, Armed Police, and Local Administration.
-) Effective information channel.
-) Some type of regulating mechanism for people entering to and from India.
-) Review of the location of customs points.
-) Simplification of customs procedures.
-) Effective coordination between Nepalese and Indian customs offices.
-) Effective post clearance audit.

He concluded that the estimation shows that informal economic activities have significant impact on loss of customs revenue. Therefore, informal economic activities definitely matter for loss of customs revenue in Nepal. Absolutely controlling informal trade in case of Nepal-India trade is almost impossible enforcement by all the concerned government agencies help to reduce the volume of informal trade and there by customs revenue loss in Nepal.

The thesis entitled "The valuation system of the Customs Duty in Nepal" by Chandra Lal Shrestha submitted for the degree of doctor of philosophy in Economics makes a valuable contribution in the library of Nepalese taxation system. The main objective of the study is to know how customs and its valuation system of the goods in foreign trade are working as engine of growth for achieving the country's developmental goals. It also makes a review of the overall revenue sources of Nepal and traces out and analysis the problematic issues in custom valuation system in Nepal last but not the least, it assesses the GATT valuation system and its applicability in Nepal.

The study has been divided into seven chapters. The first chapter gives a brief introductory discussion of Nepalese economy and development efforts made till now. The views and ideas of many scholars and writers regarding foreign trade, taxation and custom valuation systems are explored in the second chapters. The third chapter highlights the tax and revenue system since Lichhavi period so that it helps compare the system at present with that in earlier days. The fourth chapter provides an overview of the area that has implications on customs duties and valuation system.

The subject matters like international valuation system, custom proceeding transit facilitation, harmonized system of the goods classification and tariff structures are included. The merits, demerits and short comings of the custom valuation system are included in the fifth chapter. The sixth chapter is basically an appraisal chapter. It deals with the factors that have direct or indirect implications in custom revenue and valuation system. The last chapter highlights the findings of the study in a summarized way.

In case of our economy, revenue losses are high due to the inefficiency of custom machinery on one hand and lack of proper valuation system on the other. Because of the lack of standard valuation system there are various problems to be faced by traders, government and customs personnel. When there is no proper valuation system, it discourages exports and encourages illegal practices on imports such as under invoicing, over invoicing, false statement of items, smuggling etc which reduces government revenue. The custom officers are using several methods at valuation which creates confusion both among the officers and businessmen and thus making situation vary complex. To improve overall revenue system from customs duty, the following are some of the important recommendations made by the study.

1. The custom proceeding and other formalities should be made simpler and easier.
2. The government should encourage importer to import from India under DRP system.
3. Harmonized system should be adopted for goods classification fully which make valuation work quite easy and simple.
4. Only advalorem tariff system should be used.
5. The customs administration should be efficient and effective. For this, the customs personnel should be provided with proper training for customs valuation and control mechanism.
6. To make valuation system more effective,
 -) The custom offices should be updated with the prices of the goods of foreign trade after every six months.
 -) Standard valuation techniques should be followed.

-) There must be uniformity in the valuation systems at different customs points.
-) Each and every busy custom point must have a well equipped laboratory facility to test the quality of the goods for valuation.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

This study was undertaken to evaluate the contribution to various tax heads. Its registration, collection, refund are incorporated in this study

Research Methodology refers to the various sequential steps to be adopted by a researcher in a studying a problem, with certain objective in view. It describes the methods and process applied in the entire aspects of the study.

3.2 Research Design

Research design is the plan, structure and strategy of investigation conceived so as the obtain answer to research question and to control variance. Thus it is not possible for the researcher to conduct a research work without research design. Most of the data and information of the study were concerned with past phenomena of the performance either they are numerical or opinions. For studying the stated objectives, exploratory and diagnosis research design has been applied. After the collection of past data and experiences, this study analyzed and described its own procedure. Thus this study also followed an analytical as well as descriptive research design.

3.3 Data and Information Gathering Technique

Data is the foundation of all the research. Research is a systematic study of the certain specific problem. That is way; the study requires adequate relevant qualitative and quantitative information. Data collection is the most essential aspect of any research because the whole result of research depends on the adequacy and relevancy o the data/ information, however, this study is based upon the primary and secondary data.

I Primary Data:

-) Questionnaire were extensively used for this purpose
-) An interview and questionnaire schedule is prepared to collect the views of tax experts, tax administration; businessman, consumer etc. opinion and information are collected from discussion and interaction with related person, policy makers and other intellectual persons.
-) A set of questionnaire related to the objectives of the study had been prepared for 30 respondents. This information are collected through interview and personal meeting with the respondent.

II Secondary Data

Further data needed for the study is collected from the secondary sources. These sources consists the followings.

- a. Published and unpublished reports articles and dissertations on the concerned subject.
- b. Publications and economic survey of various Fiscal Years of Ministry of Finance (MOF) Government of Nepal.
- c. Publications and annual reports of custom department (CD)
- d. Various books written by tax officers and scholars.
- e. Related articles and journals.

3.4 Method of Data and Information Analysis

The data were collected in raw and crude from various sources are arranged, analyzed and presented in proper tables, formats and graphs such table sand formats are interpreted and explained wherever necessary. To analyze the collected data, basically two types of tools are used

Statistical Tools

1. Mean

$$\text{Mean} = \frac{\sum f_i x_i}{n}$$

2. Standard Deviation and coefficient of variance

$$\sigma = \sqrt{\frac{1}{n} \sum f_i x_i^2 - \bar{x}^2}$$

Where, \bar{x} is the arithmetic mean of the distribution and $\sum f_i x_i$

3. Correlation

$$r_{xy} = \frac{\sum f_i x_i y_i}{\sqrt{\sum f_i x_i^2 \sum f_i y_i^2}}$$

4. Regression

Regression is the determination of statistical relationship between two or more variables. It can be used to determine sales for cast on the basis of some dependent variables. Its relationship can be shown by the relationship,

$$Y_c = a + bx$$

$$r = \frac{\sum f_i x_i y_i}{\sqrt{\sum f_i x_i^2 \sum f_i y_i^2}}$$

$$\text{P.E.} = 0.6745 \times \frac{\sum f_i x_i^2 r^2}{\sqrt{N}}$$

5. Trend analysis

Trend analysis is the statistical tools of forecasting the future sales on the basis of past trend. It can be expressed as follows,

$$Y = a + bx$$

Where,

$$a = \frac{\sum Y}{n} \quad \text{and} \quad b = \frac{\sum xy}{\sum x^2}$$

6. Time series analysis

Time series analysis shows the relation between two variables time and sales, where time is independent variable and sales is dependent variable, which helps to find out sales of future periods on the basis of past trend. It can be given by following relation,

$$Y = a + bx$$

Where,

Y = sales for the period

X = year

$$b = r = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

7. Percentage, graphs and diagram etc.

Financial & Budgetary Tools:

1. Ratio analysis
2. C - V - P Analysis
3. Variance analysis
4. Flexible budget etc.

3.5 Period Covered

This study covers a time period of 6 years from FY 2006/07 to FY 2011/012 to analyze customs duty and its contribution on the basis of years i.e. 2062/063

3.6 Research Variables

The basic research variables of this study are mainly related with the customs duty collected by Government of Nepal with import from India, Tibet and Third world and by export to India, Tibet and Third world in the different financial years.

3.7 Research Procedure Followed:

- i. The various books, magazines and journals are collected and explored.
- ii. Useful secondary data are used.
- iii. Data are described and explained in the light of theoretical basis.
- iv. The collected data are presented and arranged in tabulation forms and analyzed by applying the various statistical and financial tools.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

Customs duty is a tariff or tax on the import or export of goods. A tax that a country imposes on its import and occasionally exports is customs duty. Customs duty is an indirect tax which levied on import and export of product or goods. Customs duty is a government tax on import or export. A customs duty is a tariff a tax on the import as well as export of goods. It is a boarder tax. The customs duties of selected item which reference to clothes carpet, synthetic carpet and Jute (in fiscal years 2006/07 to fiscal year 2011/2012) are presented for contribution to the government revenue.

4.2 Revenue Structure of Nepal

Every government is responsible to perform numerous functions for the betterment of the people in the country. A government needs huge volume of income to fulfill various types of expenditure. For this purpose government collects revenue from different sources. Thus, the income of the government through all sources like taxes, borrowings, fees, donations etc. is called public revenue. In general, government's income sources are classified mainly into two categories, namely, tax revenue and non-tax revenue. These both sources are subject to non-repayment and their sum constitutes the government revenue. Besides these sources, government has other sources that are subject to repayment such as loans, grants; however, grants are not compulsorily repaid. These sources are desirable only to meet the fiscal deficits.

Indirect tax, a popular approach concerning taxation implies in the world, is a very powerful missile of fiscal policy adopted in the especially for the optimum level of resource mobilizing wit the principle more gain from the tax payers no pain to the taxpayers. Theoretically, it is a tax that falls firstly and directly on the taxpayers but the other person must bear it due to the shirting of tax burden. So, the real income is indirectly affected. In short, indirect tax is imposed on one person but is paid either

partly or wholly-by another person. So, the impact and the incidence at tax are on different persons.

Nepal depends on the indirect tax rather than the direct tax because there is not any good alternative especially for the optimum level of revenue mobilization on hand and on the other hand, wide spread poverty, heavy dependency on agriculture, snail's pace industrialization, low level income and wealth and very weak administration. Since 1951, indirect tax had grown rapidly and speedily. As indirect tax was effective and properly, its tax mobilization was quickly boosting. So most of the developing countries mobilize it effectively and properly of the domestic resources.

The major component, of indirect tax in Nepalese tax structure constitutes customs duty, excise duty, sales tax/ VAT and contact tax, Customs duties are composed of mainly import duties and export duties.

A customs duty is a tariff or tax on the import as well as export of goods. It is a border tax. Nepalese customs administration collects customs duty; value added tax, Excise and other taxes at the border point. Customs Administration is in the forefront in terms of internal revenue mobilization. This does not mean that the customs role needs to be confined to internal revenue mobilization. It is equally important to enhance trade facilitation by adopting international convention, recommendation and best practices without compromising with the national security. The Government of Nepal has enacted customs Act 2064 with an aim to amend and consolidate the prevailing customs laws in order to make safe and facilitate international trade by making customs administration systematic transparent and accountable, (Bhattraï & Koirala, 2068)

Government at Nepal has presented budget in the fiscal years 2008 typically that of traditional economy with 75 percent of government receipts from non tax sources and land tax only. But later in the late 2008 BS the share of non tax revenue decline drastically, because of the increasing contribution of indirect tax on foreign trade. Nepal has increasing tax revenue in increasing rate and its contribution is high in national economy. The customs duty of selected items is presented as follows.

4.3 Contribution of Import Duty from India of Selected Items

Import duty is tax levied by the government on the goods imported from foreign countries. India is a neighbor country which covered the east, west and south duty of selected items with specified reference to clothes carpet, synthetic carpet and jute from India is presented in table 4.1.

Table 4.1

Contribution of Import duty from India of selected Item

(Fy 2006/07to FY 2011/012)

(Amounts in Rs. Thousand)

Year	Cloth carpet	Synthetic carpet	Jute	Total	% of cloth carpet	% of synthetic carpet	% of Jute
2006/07	648	-	1320	1968	13.46	-	14.85
2007/08	-	341	1600	1941	-	1.81	17.97
2008/09	445	248	1164	1857	9.24	1.32	13.08
2009/010	935	326	1697	2958	19.42	3.33	19.07
2010/011	1459	9823	1346	12628	30.31	52.24	15.12
2011/012	1327	7763	1774	10864	27.57	41.29	19.93
Total	4814	18801	8901	32516	100	100	100

Source: Government of Nepal Customs Department Kathmandu (Annual report)

The data on table 4.1 shows that the comparison of import duty from India of selected items of cloth carpet, synthetic carpet and Jute. From the above table import duty of cloth carpet of 2010/011 is high which 30.37 percent and the cloth carpet has not any import duty on 2007/08. Synthetic carpet has high contribution in 2010/011 which has 52.24 percent. Jute has high import duty in FY 2011/012 which has 19.93 percent.

4.4 Contribution of Import Duty from Third World of Selected Items.

Import duty is tax levied by the government on the goods imported from foreign countries. Third world is neighbour countries which are other than the India and China. The import duty of selected items with special reference to clothes carpet, synthetic carpet and jute from third world is presented in table 4.2

Table 4.2
Contribution of Import duty from Third world of selected Items
(FY 2007/08 to 2011/012)

Amount in Rs. Thousand

Year	Cloth carpet	Synthetic carpet	Jute	Total	% of cloth carpet	% of synthetic carpet	% of Jute
2006/07	-	30017	-	30017	-	38.50	-
2007/08	-	25536	15	2551	-	32.75	0.61
2008/09	30241	2271	24	32536	15	2.91	0.98
2009/010	31074	2837	895	34806	15.41	3.64	36.43
2010/011	50683	9622	225	60530	25.13	13.34	9.15
2011/012	89666	7692	1298	98656	44.46	9.86	52.83
Total	201664	77975	2457	282096	100	100	1000

Source: Government of Nepal Customs Department Kathmandu. (Annual report of custom duty)

The data on table 4.2 shows that the import duty from third world of cloth carpet in FY 2011/012 is high that 44.46 percent and synthetic carpet has high in FY 2006/07 i.e 38.50 percent and jute has high import duty of third world i.e. 52.83 percent in FY 2011/012

4.5 Contribution of Import Duty from Tibet of Selected Items

Import duty is tax levied by the government on the goods imported from foreign countries. Tibet is a neighbour country which covered north boarder of Nepal. The import duty of selected items with special reference to clothes carpet, Synthetic carpet and Jute from Tibet is presented in table 4.3

Table 4.3
Contribution of Import Duty from Tibet of Selected Items.
(FY 2062/063 to FY 2067/068)

Amount in Rs Thousand

Year	Cloth carpet	Synthetic carpet	Jute	Total	% of cloth carpet	% of synthetic carpet	% of Jute
2006/07	225	-	-	225	0.11	-	-
2007/08	405	-	133	538	0.21	-	54.73
2008/09	31074	3862	14	34950	15.61	25.5	5.76
2009/010	50683	-	1	50684	25.46	-	0.41
2010/011	56702	4993	24	61719	28.48	33.03	9.88
2011/012	59983	6260	71	66314	30.13	41.42	29.23
Total	199072	15115	243	214430	100	100	100

Source: Government of Nepal Customs Department Kathmandu (Annual Report of Custom Duty)

The data on table 4.5 shows that the important duty of Tibet of clothes carpet in FY 2011/012 is high i.e. 30.13 percent and synthetic carpet high in FY 2011/012 i.e. 41.42 percent and Jute is high i.e. 54.73 percent in FY 2007/08

4.6 Comparison of Selected Items in Import Duty from India, TW and Tibet.

Nepal is a land locked and better state which have limited exportable product and have high importable products so the total sum of import duty of selected items from India, Third world and Tibet are presented in table 4.4

Table 4.4

Comparison of selected Items in Import Duty from India, TW and Tibet

(FY 2006/07 to FY 2011/012)

Amount in Rs Thousand

Name of Items	India	TW	Tibet	Total
Clothes carpet	4814	201664	199072	405550
Synthetic carpet	18801	77975	15115	111891
Jute	8901	2457	243	11601
Total	32516	282096	214430	529042

Source: Government of Nepal Customs Department Kathmandu. (Annual Report of Custom Duty)

Figure : 4.1

Multiple Bar Diagram showing Total Import Duty of Selected Items from India, TW and Tibet

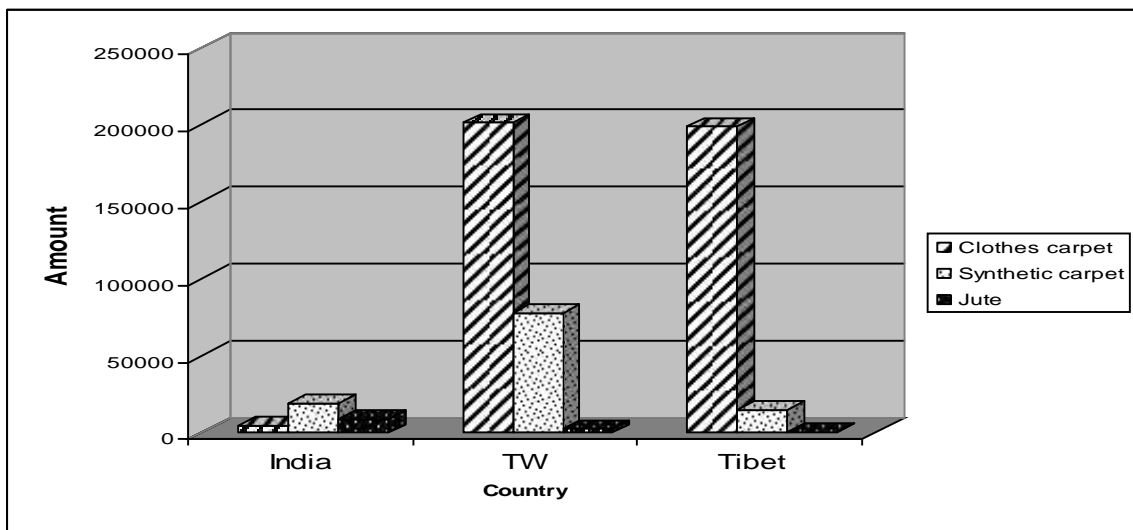


Table 4.4 and figure 4.1 shows the relation and comparison of import duty from India, TW and Tibet of clothes carpet, Synthetic carpet and Jute in total import duty from clothes carpet is high in third world ie Rs. 201664 thousand and clothes carpet is high in Tibet ie 199072 thousand and synthetic carpet is high in T.W i.e. Rs. 77975 thousand but jute of the import duty from different areas are low compared to others.

4.7 Contribution of Tax Revenue and Import Duty in Total Revenue for Different Item from India.

Tax is a compulsory scarify for the government paid by the people. Nepalese tax revenue is mainly depend out on the indirect taxes such as tax on international trade and VAT on goods and services. The tax levied on importable product is called import duty. It has a limited source of tax revenue: the important source of tax revenue is custom duty. The contribution of import duty of selected items from India, is presented in table 4.5

Table 4.5
Contribution of Tax Revenue and Import Duty in Total Revenue for Different Item from India (FY 2006/07 to FY 2011/012)

Amounts in Rs. Millions

Year	GDP	Total Revenue	Revenue % of GDP	Total tax Revenue	Tax Revenue as % of total Revenue	Import duty of India	% of Import duty of Tax Rev.	% of Import Duty
2006/07	51448.6	7228.19	14.05	5743.04	79.45	1.968	0.0343	21.9
2007/08	53203.8	8771.21	16.49	7112.67	81.09	1.941	0.0273	21.6
2008/09	56451.7	10762.25	19.06	8515.55	79.12	1.857	0.0218	20.75
2009/010	59010.7	14347.45	24.31	11705.19	81.58	2.958	0.0253	33.05
2010/011	61852.9	17994.58	29.09	15629.49	86.86	12.628	0.0808	141.51
2011/012	64255.3	1991.87	31.10	17277.76	86.47	10.864	0.0629	121.4
Total	346223	61095.55		65983.7		32.216		

Source: Economic Survey 2068/069

The data on table 4.5 shows that the contribution of tax revenue in the total revenue is almost 85 percent of total revenue and never declined below 79 percent. Thus, the role of tax revenue in domestic resource is highly significance. The contribution of import duty from India was very low as per compare to total revenue so its contribution is insignificance.

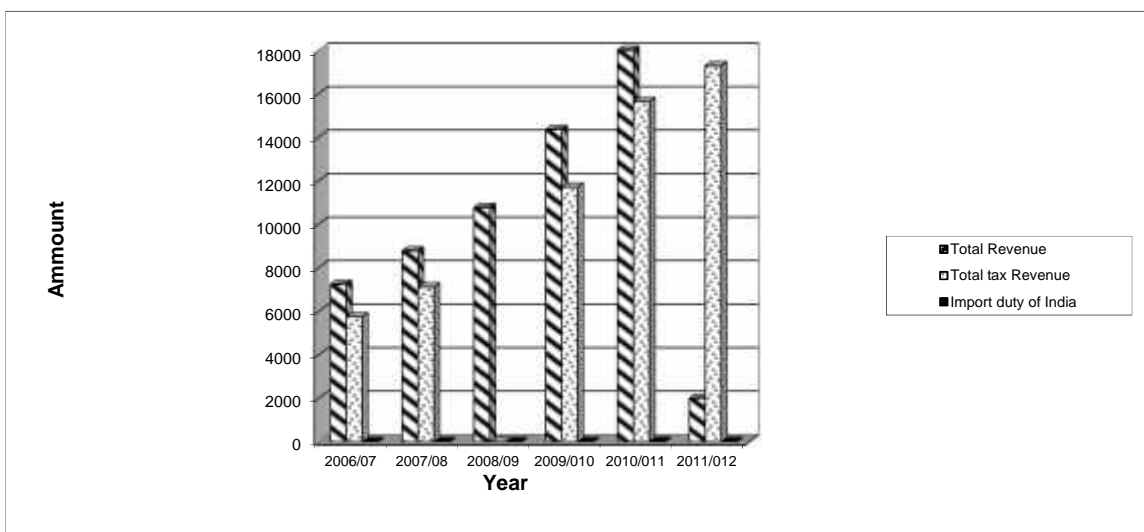
The import duties from India are in the FY 2006/07, Rs. 1.968 and FY 2011/12 Rs. 10.864. The import duty from India was increasing rate and Its

percentage was below 1 percent. It shows that the contribution of import duty of selected items from India has insignificant contribution to government revenue.

The total revenue of Nepal is being increased year by year and its contribution to GDP. The total revenue is about 14-30 percent contribution to GDP. Tax revenue is high as compared to total revenue i.e. near about 85 percent. The import duty of selected items with reference to clothes carpet synthetic carpet and Jute from India is lower contribution as compared to total revenue and tax revenue.

Figure: 4.2

Bar Diagram Showing Total Revenue, Tax Revenue and Import Duty tom India



In figure 4.2 the multiple bar-diagrams shows that the share of tax revenue is very high in comparison to import duty from India. The amount of total revenue has grown in increasing trend from FY 2006/07 and the tax revenue has followed the path as well. The import duty from India is very low i.e. below 1 percent contribution for tax revenue.

Figure 4.3 Pie-chart Showing Import Duties from India

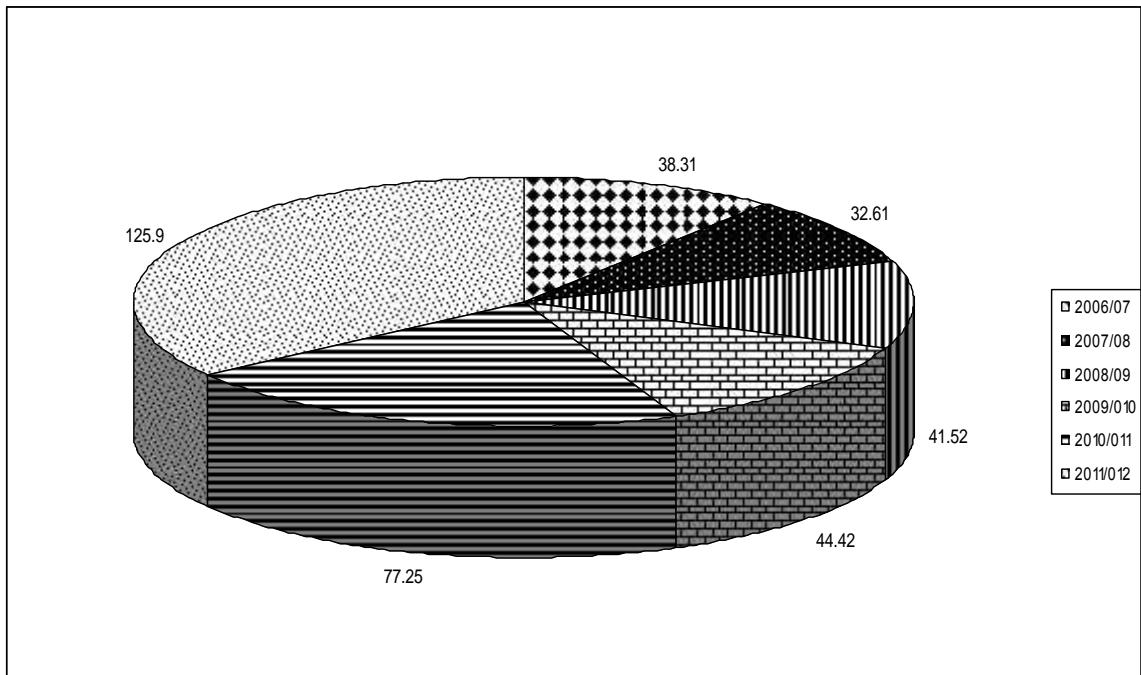


Figure 4.3 shows pie chart about the yearly contribution of import duty from India. The contribution of import of 2006/07 is 21.9 percent, 2007/08 is 21.6 percent 2008/09 is 20.75 percent, 2010/011 is 30.05 percent and 2011/012 is 121.4 percent. The contribution of import duty is fluctuated higher.

4.8 Contribution of Tax Revenue and Import Duty in Total Revenue for Selected Items from Third World.

Tax is a compulsory contribution on government made without reference to a particular benefit received by the taxpayer. An indirect tax is an imposed on one person but partly or wholly paid, by another. Indirect tax is transferable. Customs duty is an example of indirect tax. Import duty is a tax levied by the government on the goods imported from foreign country. Import duty from selected items with special reference to clothes carpet, synthetic carpet and Jute from Third world is presented in table 4.6

Table 4.6

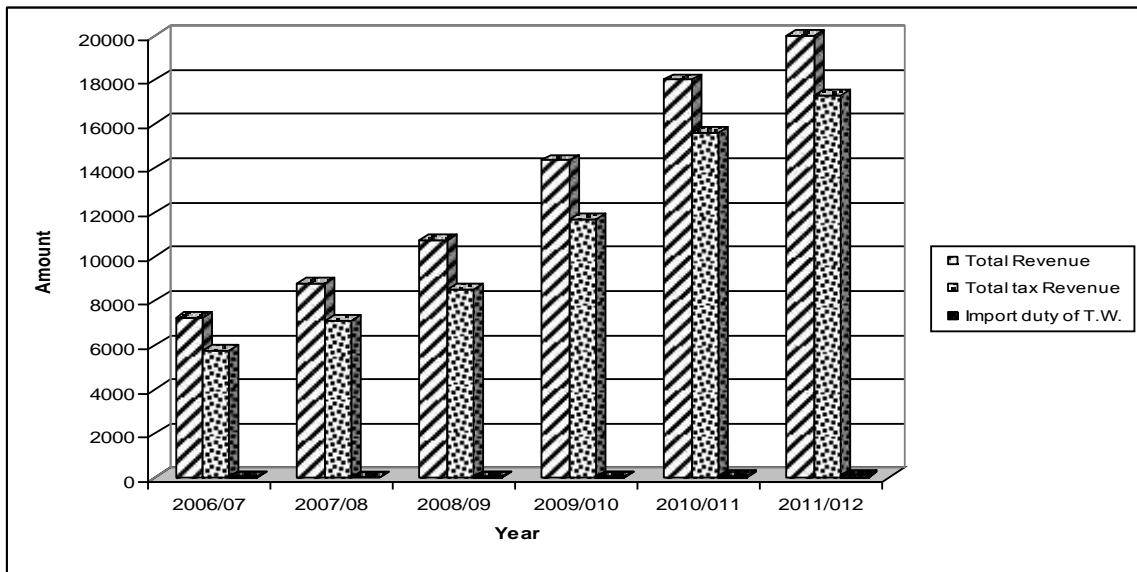
**Contribution of Tax Revenue and Import Duty in Total Revenue for Selected
Items from Third World (FY (2006/07 to FY 2011/012
Amounts in Rs. Millions**

Year	GDP	Total Revenue	Revenue % of GDP	Total tax Revenue	Tax Revenue as % of total Revenue	Import duty of T.W.	% of Import duty on T.R.	proportion of Import Duty
2006/07	51448.6	7228.19	14.05	5743.04	79.45	30.017	0.415	38.31
2007/08	53203.8	8771.21	16.49	7112.67	81.09	25.551	0.029	32.61
2008/09	56451.7	10762.25	19.06	8515.55	79.12	32.536	0.302	41.52
2009/010	59010.7	14347.45	24.31	11705.19	81.58	34.806	0.242	44.42
2010/011	61852.9	17994.58	29.09	15629.49	86.86	60.530	0.336	77.25
2011/012	64255.3	19981.87	31.10	17277.76	86.47	98.656	0.494	125.9
Total	346223	61095.55		65983.7		(282.096)		

Source: Appendix I

The data on table 4.6 shows that the contribution of tax revenue in the total revenue is almost 85 percent of the total revenue and never declined below 79 percent. Thus, the role of tax revenue in domestic resource is highly significance. The contribution of import duty from third world was very low as per compare to total revenue so its contribution is insignificance.

**Figure 4.4
Bar Diagram showing Total Revenue, Tax Revenue and Import Duty from TW**



In figure 4.4 the multiple bar-diagrams show that the share of tax revenue is very high in comparison to import duty from TW. The amount of total revenue has grown in increasing trend from FY 2006/07 and the tax revenue has followed the pattern as well. The import duty from Third world is very low i.e. below 1 percent contribution for tax revenue.

Figure 4.5
Pie Chart Showing Yearly Import Duty from Third World

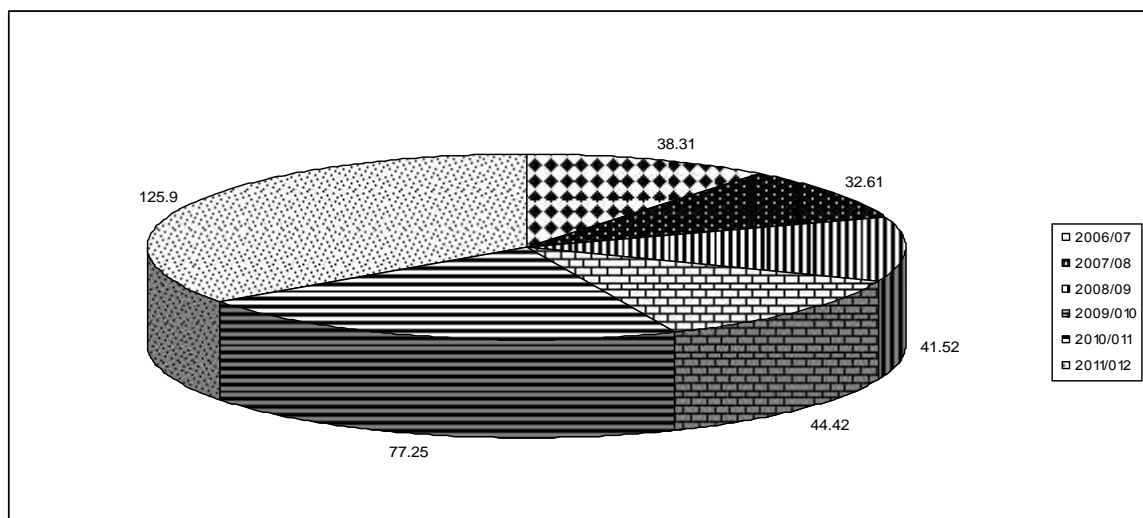


Figure 4.5 show pie chart about yearly contribution of import duty from third world. The yearly contributions of TW in FY 2006/07 to FY 209/010 is constraint 40 percent and after then increase in FY 2010/011 at 77.25 percent and FY 2011/012 at 125.9 percent. The contribution of Tibet was increasing.

4.9 Contribution of Tax Revenue and Import Duty in Total Revenue from Tibet

Tax is a compulsory contribution to government made without reference to a particular benefit received by the taxpayer. An indirect tax is an imposed on one person but partly or wholly paid by another. Indirect tax is transferable. Customs duty is an example of indirect tax. Import duty is a tax levied by the government on the goods imported from foreign country. Import duty selected item from Tibet is presented in table 4.7.

Table 4.7
Contribution of Tax Revenue and import duty in Total Revenue for Different Item from Tibet (FY 2006/07 to Fy 2011/012)

Amount in Rs. Millions

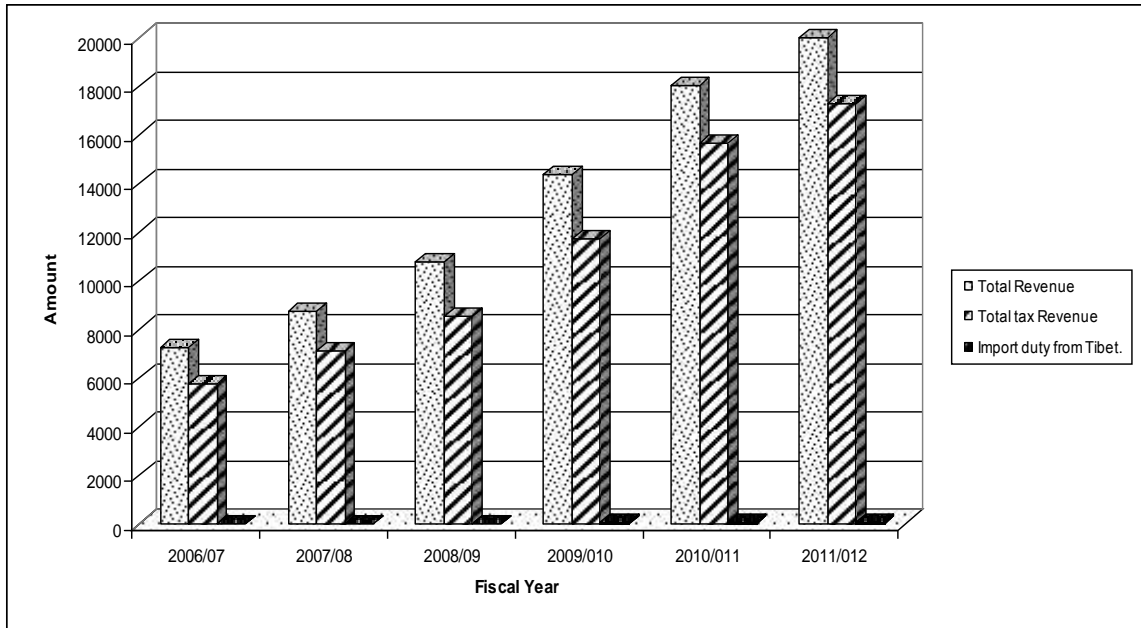
Year	GDP	Total Revenue	Revenue % of GDP	Total tax Revenue	Tax Revenue as % of total Revenue	Import duty from Tibet.	% of Import duty of Tax Rev..	% of Import Duty
2006/07	51448.6	7228.19	14.05	5743.04	79.45	0.225	0.0039	0.38
2007/08	53203.8	8771.21	16.49	7112.67	81.09	0.538	0.0076	0.903
2008/09	56451.7	10762.25	19.06	8515.55	79.12	34.950	0.410	58.68
2009/010	59010.7	14347.45	24.31	11705.19	81.58	50.684	0.433	85.1
2010/011	61252.9	17994.58	29.09	15629.49	86.86	61.719	0.395	103.62
2011/012	64255.3	19981.87	31.10	17277.76	86.47	66.314	0.384	112.0
Total	346223	61095.55		65983.7		214.43		

Source: Economic Survey 2068/069)

The data on table 4.7 shows that the contribution of tax revenue in the total revenue is almost 85 percent of the total revenue is almost 85 percent of the total revenue and never declined below 79 percent. Thus, the role of tax revenue in domestic resource is highly significance. The contribution of import duty from Tibet was very low as per compare to total revenue so its contribution is insignificance but its contribution is increasing day to day.

Figure 4.6

Bar Diagram Showing Total Revenue Tax Revenue and Import Duty from Tibet



In figure 4.6 the multiple bar diagrams shows that the share of tax revenue is very high in comparison to import duty from Tibet. The amount of total revenue has grown in increasing trend from FY 2006/007 and the tax revenue has followed the path as well. The import duty from Third world is very low i.e. below 1 percent contribution from tax revenue.

Figure 4.7

Pie Chart Showing Yearly Import Duty from Tibet

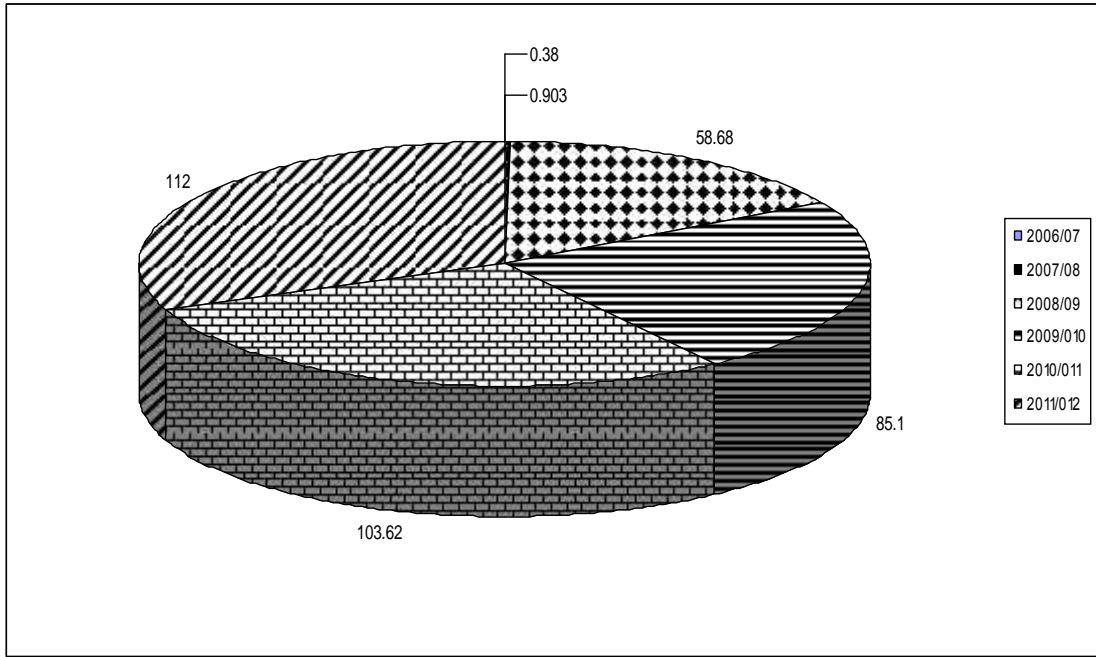


Figure 4.7 show pie chart about yearly contribution of Tibet in FY 2006/07 & 2007/08 is so much low and FY 2008/09 is 58.68, 2008/09 i.e. 85.1, 2009/10 i.e. 103.62 and FY 2011/012 is 112. The contribution of Tibet was increasing.

4.10 Contribution of Import Duty from India, TW and Tibet as Compared to Customs Duty

Customs duty is a government tax on import or export customs duty is a tariff or tax on import or export of goods. A tax or duty to be paid on particular class of import or export is called customs duty. Import duty is the tax levied by the government imported from foreign countries. A tax that a country imposes on its imports items from India, TW and Tibet have significance role for government revenue of Nepal. The import duty from India, TW and Tibet are presented as follows.

Table 4.8
Contribution of Import Duty from India, TW and Tibet in customs Duty (FY 206/07 to FY 2011/012)

Amounts in Rs Million

year	Customs Duty	Import Duty from India	I.D from India as % of custom	Import Duty from T.W	I.D from T.W as % of custom	I.D from Tibet	I.D from Tibet as % of customs
2006/07	1237.02	1.968	0.16	30.017	2.43	0.225	0.02
2007/08	1433.48	1.941	0.14	25.551	1.78	0.538	0.04
2008/09	1757.32	1.857	0.14	32.356	1.84	34.950	2.99
2009/010	2285.3	2.958	0.13	34.806	1.52	50.684	2.22
2010/011	3087.06	12.628	0.41	60.530	1.96	61.719	1.99
2011/012	3183.8	10.864	0.34	98.656	3.10	66.314	2.08
Total	12983.98	32.156		282.096		214.430	

Source: Government of Nepal Customs Department Kathmandu

Customs duty is an indirect tax or boarder tax which is charged on import and export of goods. Nepal has a limited product to export in foreign countries. The main exportable products are clothes carpet, garment woolen product and other household product but any price-alde products are import from foreign countries. Nepal has unbalance trade and also unbalances export and import duty. In such a situation import duty has high significant contribution to the government revenue as compared to customs duty.

Nepal is a buffer state and it has only dry port so Nepalese business is limited, the contribution of the import duty from India as compare to total customs duty was 0.41 percent in FY 2010/011 and remaining years have less than 0.3 percent contribution of the selected Items.

The contribution of the import duty from TW as selected items was 3.10 percent in FY 2011/012. It shows that the import duty from TW is growing trend, and the contribution of import duty from Tibet was increasing.

Figure 4.8
Bar-Diagram Showing Customs Duties to Import Duty from India, TW and Tibet to Customs Duty

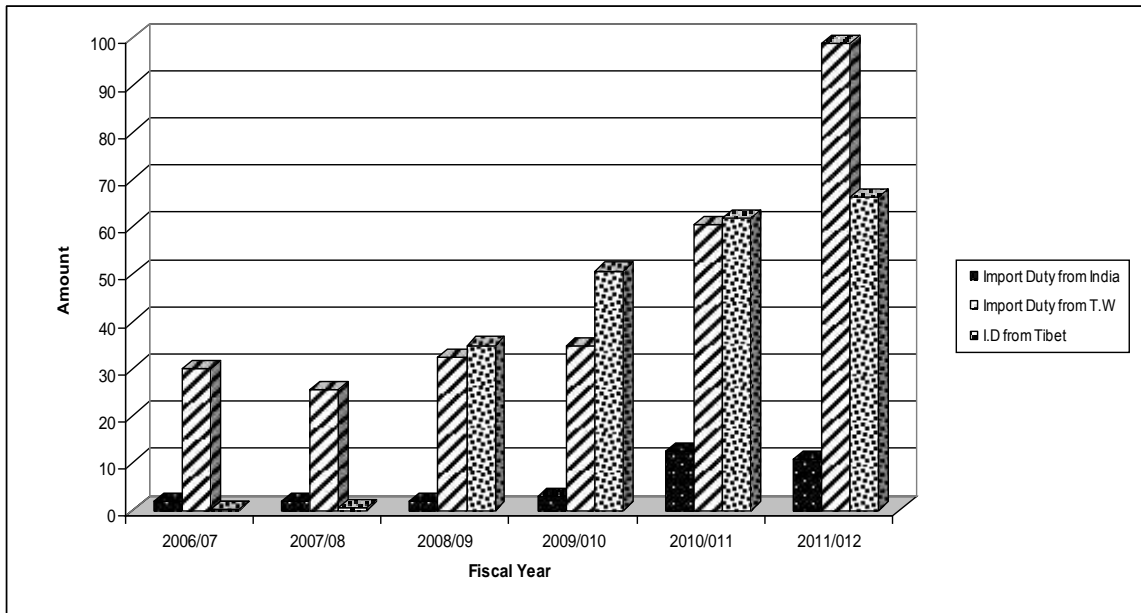


Figure 4.8 shows that the multiple bars diagram of comprising selected items for India TW and Tibet. The contribution of the import duty from India was very little as compare to TW. The contribution from India was 1.968 Million in FY 2006/07 and 10.864 million FY 2011/012. This shows that the Nepalese trade is depending to India. The contribution of import duty from TW in FY 2006/07 was Rs. 30.017 million and Rs. 98.656 million in FY 2011/012. The contribution from Tibet was 0.225 million in FY 2006/07 and Rs. 66.314 million in FY 2011/012

Import duty is a main source of government revenue of Nepal. Nepali exportable products have little and they are house hold made by the people as a traditional occupation. Government of Nepal is not search new market to export the product and it has been established very little industries which produce export able but some industries are being closed because of the cover flow of employees and security in such as situation import duty is a main source of Government revenue.

Figure 4.9

Pie chart showing Total Import Duty of Selected Items from India, TW and Tibet

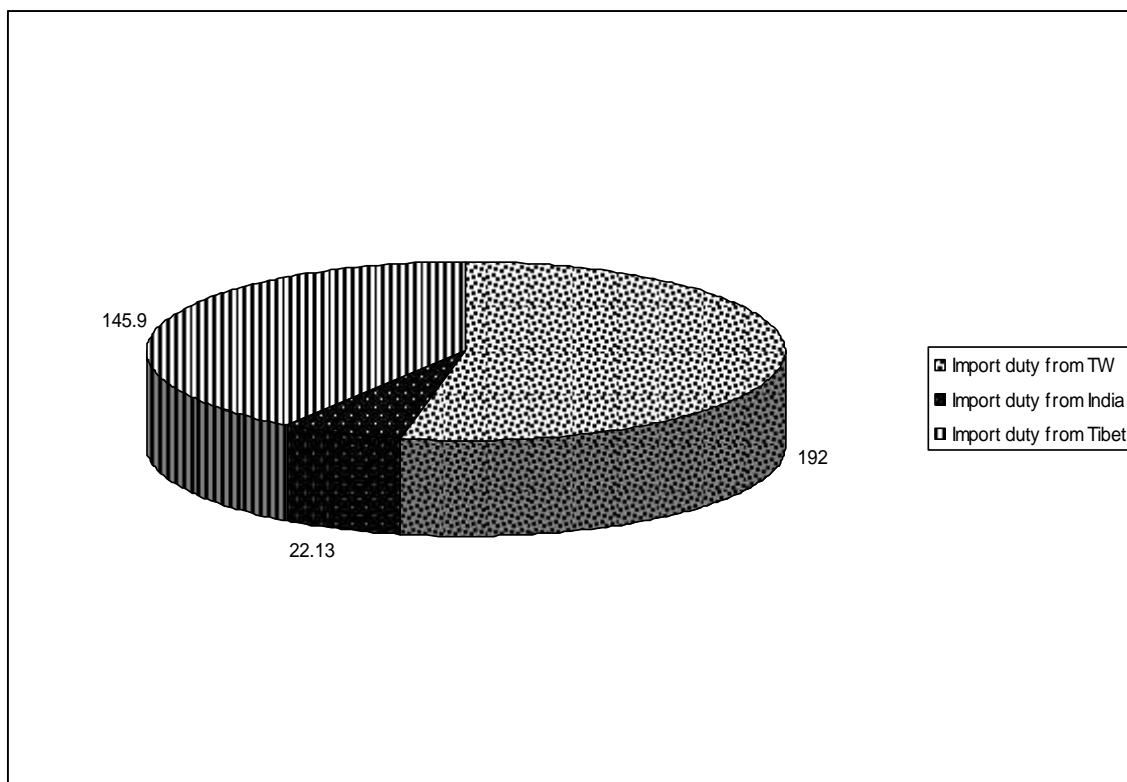


Figure 4.9 shows pie chart of import duty from India, TW and Tibet. The import duty from TW is higher than the India and Tibet. Import duty of selected items from TW is high than the India and Tibet because of high demand of selected items from T.W.

4.11 Contribution of Import Duty from India, TW and Tibet to Total Import Duty

Import duty is the tax levied by the government imported from foreign countries. A tax that a country imposes on its imports items from India, TW and Tibet have significance role for government revenue of Nepal. The import from India, TW and Tibet as compared to total import duty is presented as follows:

Table 4.9
Contribution of Import Duty from India, TW and Tibet in Total Import Duty
(FE2006/07 to FY 2011/012)

Amounts in Rs Million

year	Import Duty	Import Duty from India	I.D from India as % of total import	Import Duty from T.W	I.D from T.W as % of total Import	Import Duty from Tibet	Import Duty from Tibet as % of Total Import
2006/07	1174.46	1.968	0.17	30.017	2.55	0.225	0.019
2007/08	1362.61	1.941	0.14	25.551	1.87	0.538	0.039
2008/09	1712.82	1.857	0.11	32.356	1.90	34.950	20.04
2009/010	2205.66	2.958	0.13	34.806	1.58	50.684	2.30
2010/011	2995.52	12.628	0.42	60.530	2.02	61.719	2.06
2011/012	3148.03	10.864	0.34	98.656	3.13	66.314	2.11
Total	12599.10	32.156		282.096		214.430	

Source: Economic Survey

The data on table 4.9 shows the relationship of the total import duty as compared to import duty from India, TW and Tibet separately. The contribution of Import duty from TW was high in FY 2006/07 i.e. 3.13 percent contribution as compared to total import duty and other year has 2 percent and less than 2 percent and also more than 1 percent from TW. The contribution of import duty from India is less than 1 percent and Import duty from third world is growing day to day.

4.12 Contribution of Export Duty from India, TW and Tibet in Export Duty

Nepal is a butter state and has a limited products are exported. The main exportable products are clothes carpet, synthetic carpet, garment and other handmade products. The contribution of export duty is very little as compared to total revenue. The export duty on selected products from India, TW and Tibet are very little and it has fluctuated duty which is presented below

Table 4.10

Contribution of Export Duty from India, TW and Tibet in Export duty (FY 2006/07 to FY 2011/012)

Year	Export Duty	Export duty of selected items from India, TW & Tibet	% of export ton export duty
2006/07	62.56		
2007/08	70.87	3.282	4.631
2008/09	44.56		
2009/010	79.64	60.4876	75.95
2010/011	91.54		
2011/012	35.77		

Source: Economic Survey

The table 4.10 show that the contribution of export duty with special reference to clothes carpet, Synthetic carpet and jute from India, TW and Tibet as compared to total export duty. The contribution of selected items in four parts is nil in FY 2006/07, FY 2008/09, 2010/010 and FY 2011/012. The contribution of export duty in FY 2007/08 has Rs. 3.282 million and Rs. 60.4876 million in FY 2009/010

Figure 4.10

Bar-Dai gram showing Export Duties and Export Duty from India, TW and Tibet

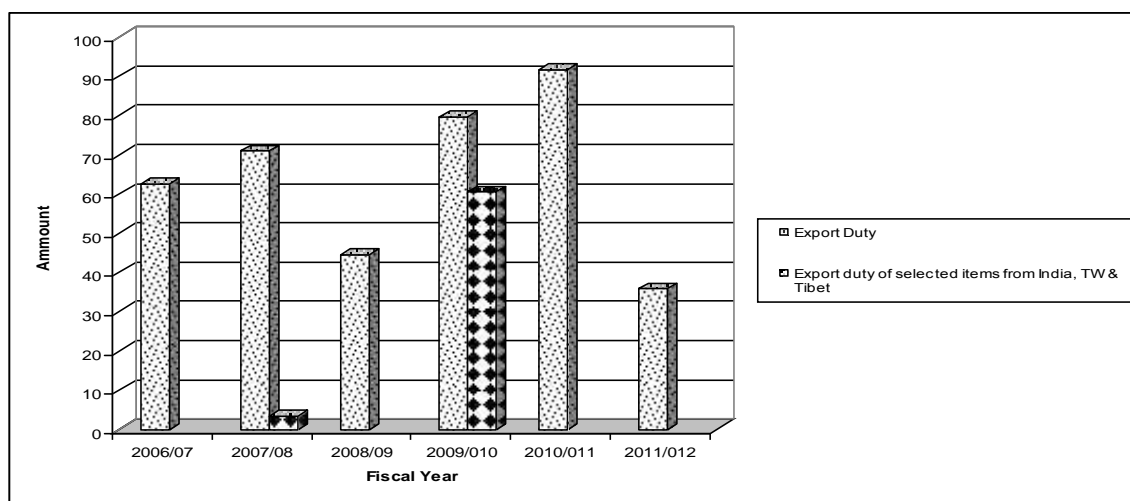


Figure 4.12 shows the relation of export duty on the sum of the three parts and three products. The Contribution of the export duty is 62.56 million in FY 2006/07 but the contribution in FY 2011/12 has Rs. 35.77 million. This shows that the contribution of export duty is decreasing. The contribution of selected items has fluctuating in export duty is decreasing. The contribution of selected items has

fluctuating in FY 2006/07, FY 2007/08, 2008/09 and FY 2011/12 has no contribution. In FY 2007/08, 4.631 percent contribution as compared to total export duty and in FY 2009/10 has 75.95 percent contribution. This shows that the contribution of export duty has insignificance.

4.13 Growth Rates of Total Revenue, Tax Revenue, and Non Tax Revenue and Import Duty from India, TW and Tibet.

The growth rate of total revenue, Tax revenue and non-tax revenue and import duty from India, TW and Tibet as shown in table below

Table 4.11
Growth Rates of Total Revenues, Tax Revenue and Non-Tax Revenue and Import Duty from India, TW and Tibet (FY 2006/07 to RY 2011/012)

Year	Total Revenue	Tax Revenue	Non-tax Revenue	Import Duty		
				India	TW	Tibet
2006/07	-	-	-	-	-	-
2007/08	21.34	23.84	11.67	-1.37	-15	139.1
2008/09	22.7	19.72	35.46	-4.32	26.63	6396
2009/010	33.31	37.45	17.61	59.28	7.57	45
2010/011	25.42	33.51	10.49	326.91	73.9	21.77
2011/012	11.04	9.54	14.33	-13.96	62.9	7.44

Table 4.11 shows the growth rates of total revenue, tax revenue, non-tax revenue, tax revenue, non-tax revenue and import duty from India, TW and Tibet in FY 2006/07 to FY 2011/012. The import duty from India, TW and Tibet is in fluctuating rate from FY 2006/07 to FY 2011/012.

The growth rates of total revenue are increase in FY 2007/08 ie 21.34 percent in FY 2008/09 ie 22.7 percent FY 2009/010 ie 33.31 percent but in FY 2010/011 and FY 2011/012 are 25.42 an d11.04 percent growth. It shows that the total revenue is increasing year.

The tax revenue is also increasing rates, in FY 2007/08 23.84. percent increase, in FY 2008/09 19.72 percent increase, in FY 2009/010 37.45 percent, in FY 2010/011 33.51 percent tax revenue is growing in FY 2011/012 9.54 percent tax revenue is growing. The growth of tax shows that the positive and good sign for economy. Non tax revenue has a contributing role to deposit the government revenue, in FY 2007/08 it has 11.67 percent growing then the FY 2008/09, 35.46 percent in FY 2009/010 17.66 percent in FY 2010/011 (10.49) percent and FY 2011/012 it has 4.33 percent contribution for government revenue. It shows that the contribution of tax revenue is important for government of Nepal.

Figure 4.11

Line Chart Showing Growth Rates of Total Revenue, Tax Revenue, Non Tax and Import Duty from India, TW and Tibet.

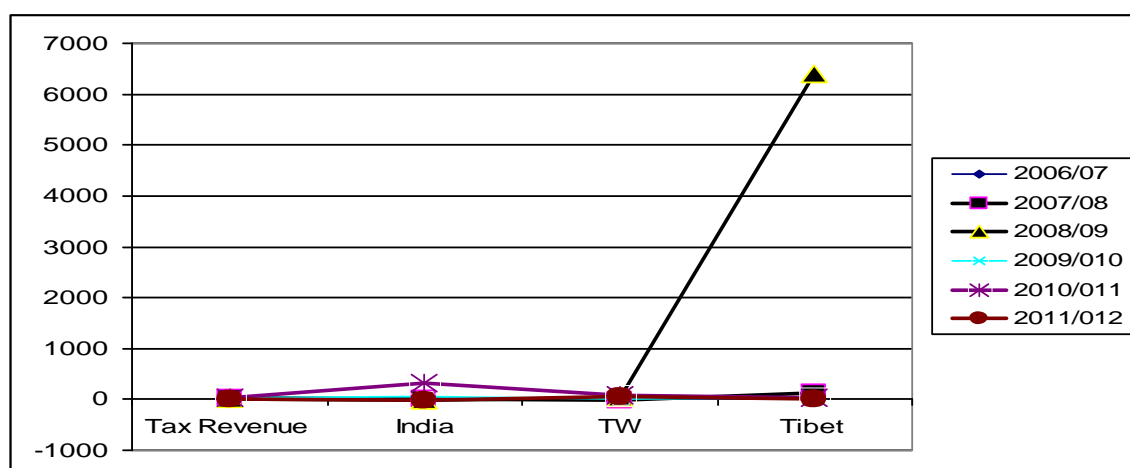


Figure 4.11 shows the growth rate of total revenue, tax revenue, and non tax revenue and import duty from India, TW, and Tibet from FY 2006/07 to FY 2011/12. Among all growth rate of import duty is fluctuated and it has high negative growth rate which is followed by indirect tax.

4.14 Projection of Customs Duty

Data about projection of customs duty in coming year are not available. The availability of data till 2011/012 only has been major hardly in making projection. Despite the serious gaps in availability of information for projections as attempt has been made in this study in project income to revenue of Nepal till 2017/018 such

projection should be taken as broad estimation only in view of series limitations. Additional torn effects resulting from the policy changes, administrative action and changes in the behavior of taxpayers have not been disaggregated. The most important things is that we are calculating the historical trend line of total import and export duty from India, TW and Tibet for period of past 7 years (ie FY 2006/07 to FY 2011/012) using secular trend.

4.15 Calculation of Trend Line

4.15.1 Calculation of trend line and trend values of import duty from India (FY 2006/07 to FY 2011/012)

Table 4.12

Trend Line and Trend values of import duty from India (Amount in Rs Thousand)

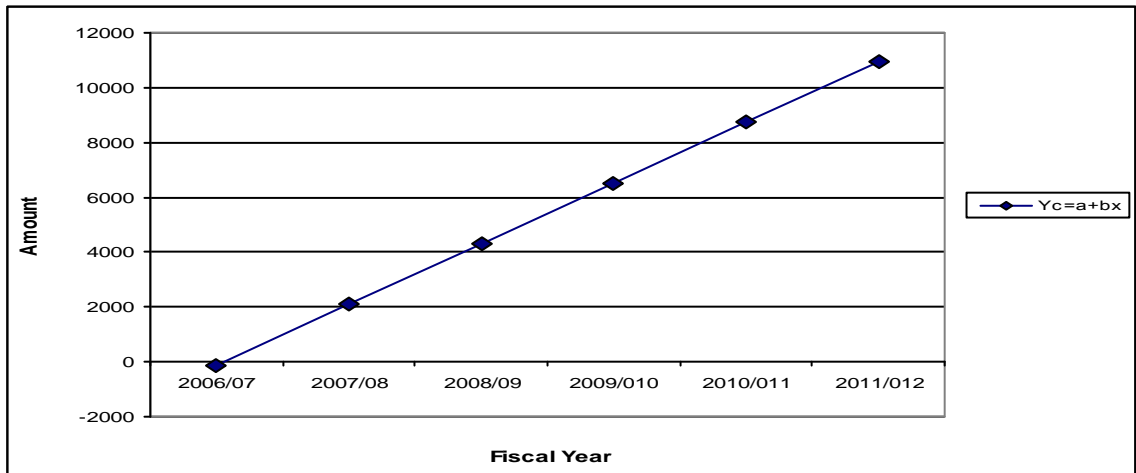
Year	Import Duty (Y)	x = 2(x-2009.5)	x ²	xy	a	b	Yc=a+bx	Variation Y-Yc
2006/07	1968	-5	25	-9840	5419.33	1109.17	-126.52	2094.52
2007/08	1941	-3	9	-5823	5419.33	1109.17	2091.82	-150.82
2008/09	1857	-1	1	-1857	5419.33	1109.17	4310.16	-2453.16
2009/010	2958	1	1	2958	5419.33	1109.17	6528.5	-3570.5
2010/011	12628	3	9	37884	5419.33	1109.17	8746.84	3881.16
2011/012	10864	5	25	54320	5419.33	1109.17	10965.18	-101.18
Total	dY=32516	dx = 70	dx²=10	dxy=77642				

Calculation of Trend values of Import Duty from India.

The trend values can obtained by substituting the respective values of x in the trend line i.e. $YC = 5419.33 + 1109.17x$. The computation of trend values is above.

Figure 4.12

Trend values of Import Duty from India



Computation of trend values of import duty from India is shown in above table. The trend value import duty is also increasing trend and its value in FY 2006/07 was Rs -126.52 and in FY 2011/12 was Rs 10965.18 thousand.

Figure 4.13
Trend Analysis of Import Duty from India

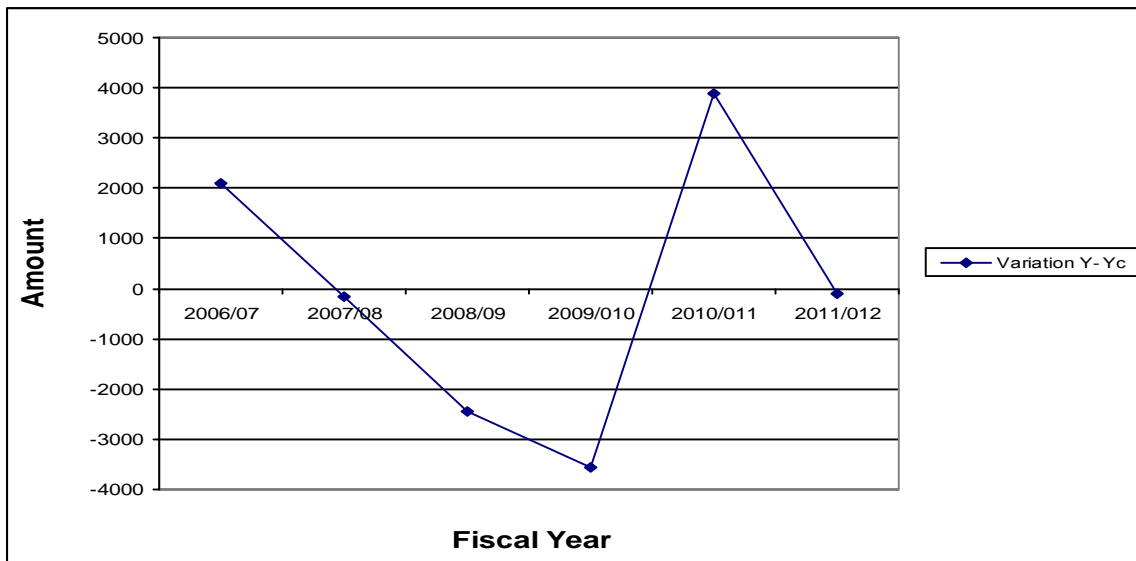


Table 4.12 and figure 4.13 it is clear in trend of import duty from India, there is also exist cyclical variations. As per the trend of import duty, it should grow by the rate of Rs. 1109.17 thousand per year but the variation is negative in FY 2007/08 i.e. Rs. 150.82, 2008/09 i.e. is 2453.16, FY 2009/10 i.e. Rs. 3570.5 and FY 2011/12 is Rs. 101.18. In FY 2006/07 and FY 2011/12 was excess collection i.e. 2094.52 and 3881.16 thousand respectively.

4.15.2 Calculation of Trend Line and Trend Value of Import Duty from Third World (FY 2006/07/2011/012)

Table 4.13
Trend line and Trend values of Import Duty from Third World

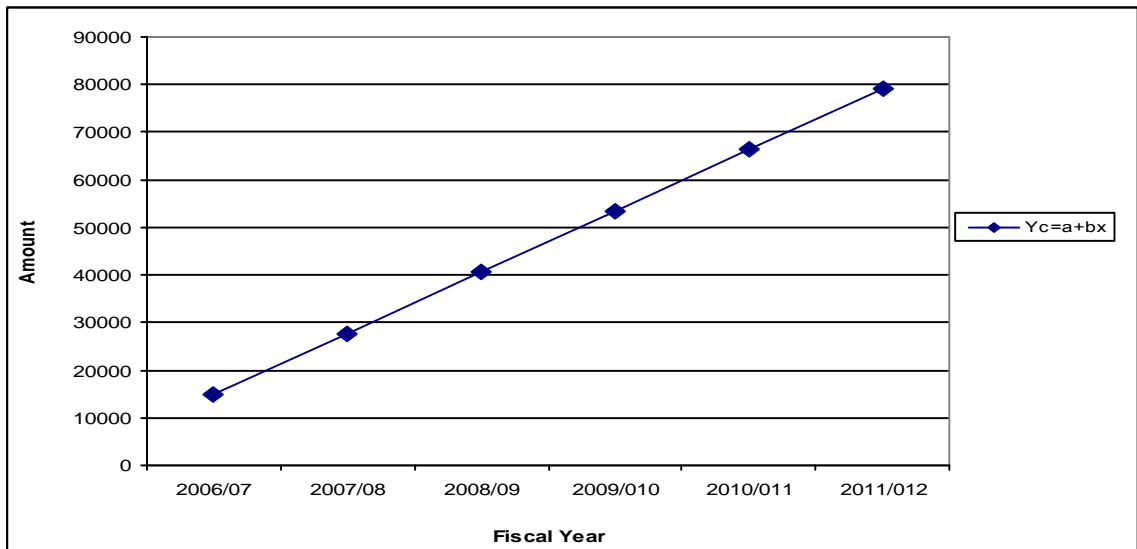
Amounts in Rs. Thousand

Year	Import Duty (Y)	x = 2(x-2009.5)	x ²	xy	a	b	Yc=a+bx	Variation Y-Yc
2006/07	30017	-5	25	-150085	47016	6434.31	14844.45	15172.55
2007/08	25551	-3	9	-76653	47016	6434.31	27713.07	-2162.07
2008/09	32536	-1	1	-32536	47016	6434.31	40581.69	-8045.69
2009/010	34806	1	1	34806	47016	6434.31	53450.31	-18644.31
2010/011	60530	3	9	181590	47016	6434.31	66318.93	-5788.93
2011/012	98656	5	25	493280	47016	6434.31	79187.55	19468.45
Total	dY=282096	dx = 0	dx²=70	dxy=450402				

Calculation of Trend Values of Import Duty from Third World

The trend value can be obtained by substituting the respective values of x in the trend line i.e. $Y_c = 47016 + 6434.31x$. The computation of trend values is above table.

Figure 4.14
Trend values of Import Duty from Third World



The bale 4.13 and figure 4.14 shows the trend value so import duty from Third world. The trend values of import duty was increasing trend and its value in FY 2006/07 was Rs. 14844.45, FY 2007/08, Rs. 27713.07, FY 2008/09 Rs. 40581.69, FY 2009/10 Rs 53450.31, FY 2010/11 Rs. 66318.93 and in FY 2011/12 Rs 79187.55 thousand respectively. The trend of import duty from third world was increasing.

Figure 4.15
Trend analysis of Import duty from Third World

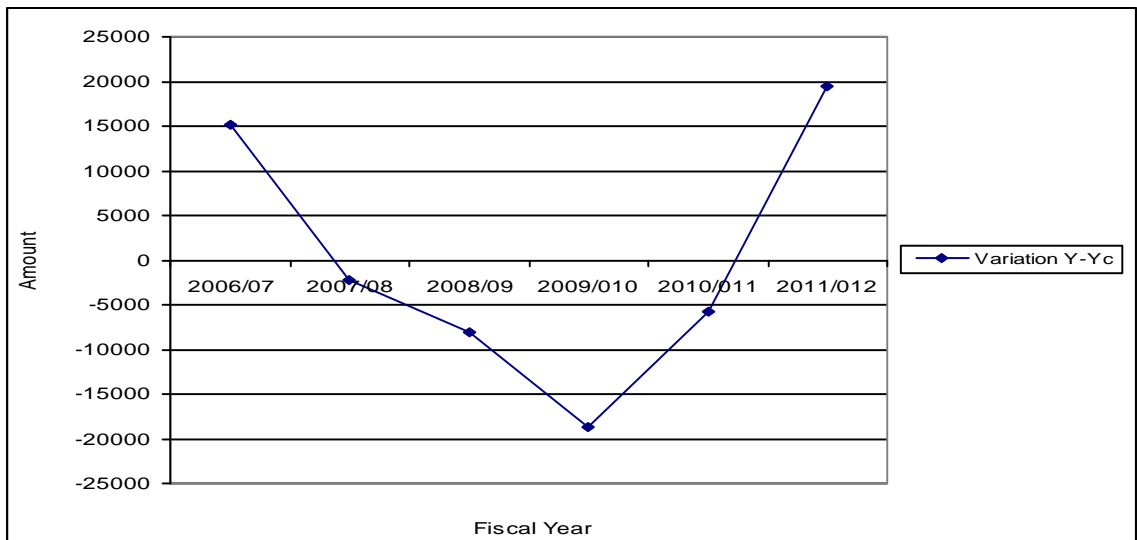


Table 4.13 and figure 4.15 it is clear in trend of import duty from TW, there is also exist cyclical variations. As per the rend of import duty, it should grow by the rate of Rs. 47046 thousand per year but the variation is negative in FY 2007/08,

2008/09, 2009/010, 2010/011. In FY 2006/007 & FY 2011/012 was excess collection i.e Rs. 15172.55 and 19468.45 thousand respectively.

4.15.3 Calculation of Trend Line of Import Duty form Tibet

Table 4.14
Trend line and trend value of import Duty from Tibet (FY 2006/07 to FY 2011/012)

Amount in Rs. Thousand

Year (x)	Import Duty (y)	x = 2 (x- 2009.5)	x ²	xy	a	b	Yc=a+bx	Variation Y-Yc
2006/07	225	-5	25	-1125	35738.33	7567.45	-2098.92	2323.92
2007/08	538	-3	9	-1614	35738.33	7567.45	13035.78	-12497.98
2008/09	34950	-1	1	-3450	35738.33	7567.45	28170.88	6779.12
2009/010	50684	1	1	50684	35738.33	7567.45	43305.78	7378.22
2010/011	61719	3	9	185157	35738.33	7567.45	58440.68	3278.32
2011/012	66314	5	25	331570	35738.33	7567.45	73575.58	-7261.58
Total	dY=214430	dx = 0	dx²=70	dxy=529722				

Calculation of Trend values of Import Duty from Tibet

The trend values can be obtained by substituting the respective values of x in the trend line i.e. $Yc = 35738.33 + 7567.45x$. The computation of trend value is above.

Figure : 4.16
Trend values of Import Duty from Tibet

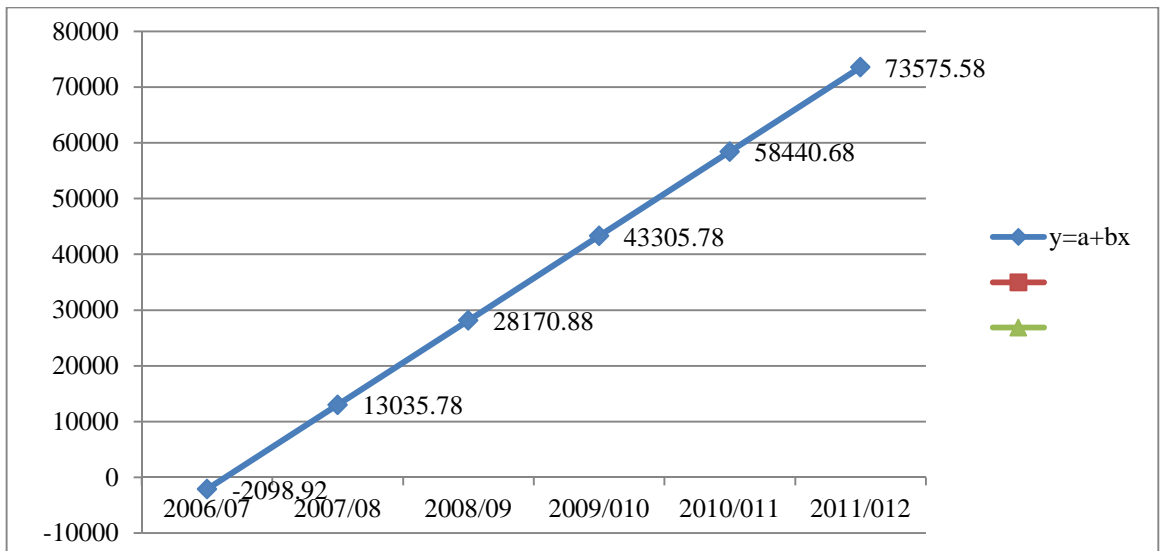


Table 4.14 and figure 4.16 shows the trend values of import duty from Tibet. The trend values of import duty were negative in FY 2006/07 i.e. Rs. 2098.92 thousand. The remaining years have increasing trend value of import duty from Tibet. The import duty from Tibet was increasing.

Figure : 4.17

Trend Analysis of Impost Duty from Tibet

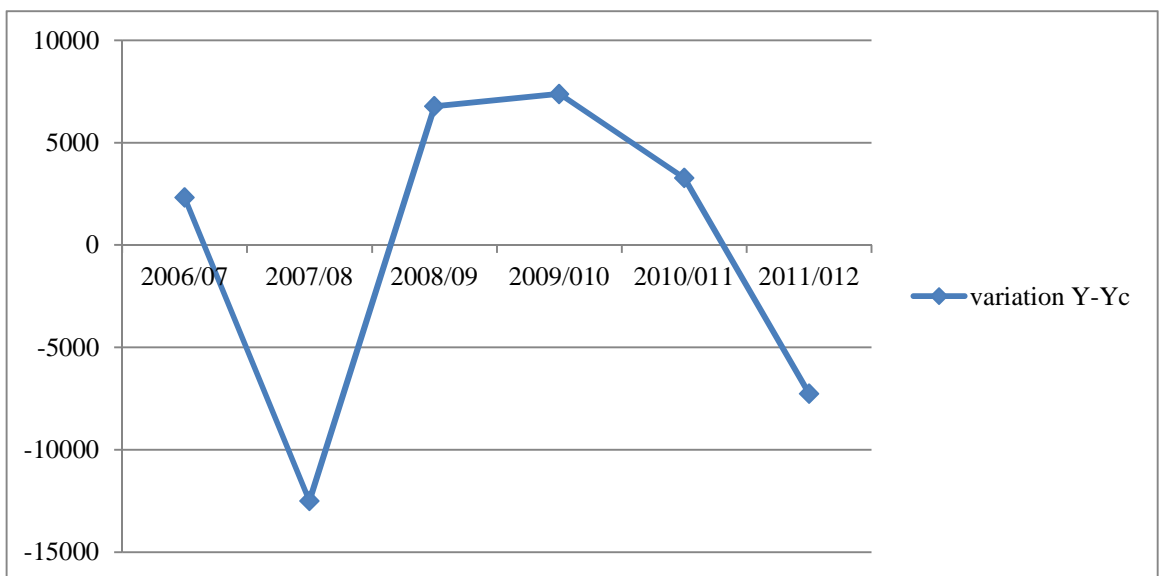


Table 4.14 and figure 4.17 it is clear in trend of import duty from Tibet, there is also exist cyclical variation. As per the trend of import duty, it should grow by the rate of Rs. 7567.45 thousand per year but the variation is negative in F 2007/08 and FY 2011/12. In FY 2006/07 FY 2008/09, 2009/10 and 2010/11 was excess collection i.e. Rs 2323.92, 6779.12, 7378.22, 3278.72 thousand respectively.

Future projection of import Duty of selected items from India, TW and Tibet.

The projection of import duty for India, TW and Tibet for coming six year ie FY 2011/012 to FY 2017/018 is shown in table below

Table: 4.15
Projection of Import Duty of Selected Item from India, TW and Tibet
Amount in Rs. thousand

Year	India				TW				Tibet			
	x	a	b	y	x	a	b	y	x	a	b	y
2011/012	5	5419.33	1109.17	10965.18	5	47016	6434.31	79187.55	5	35738.33	7567.45	73575.58
2012/013	7	5419.33	1109.17	13183.52	7	47016	6434.31	92056.17	7	35738.33	7567.45	88710.48
2013/014	9	5419.33	1109.17	15401.86	9	47016	6434.31	104924.79	9	35738.33	7567.45	103845.38
2014/015	11	5419.33	1109.17	17620.20	11	47016	6434.31	117793.41	1	35738.33	7567.45	118980.28
2015/016	13	5419.33	1109.17	19838.54	13	47016	6434.31	130662.03	13	35738.33	7567.45	134115.18
2016/017	15	5419.33	1109.17	22056.88	15	47016	6434.31	143530.65	15	35738.33	7567.45	149250
2017/018	17	5419.33	1109.17	24275.22	17	47016	6434.31	156399.27	17	35738.33	7567.45	164384.98

Figure 4.18
Projection at Import Duty in Nepal from India, TW and Tibet

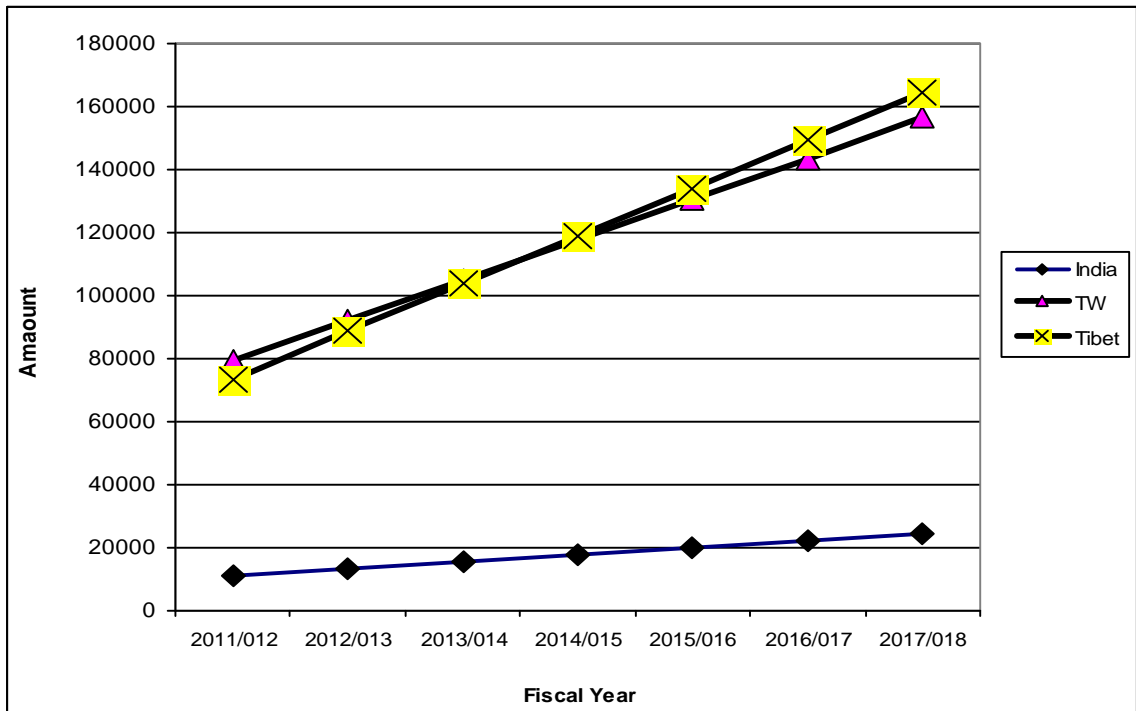


Table 4.5 and figure 4.18 refers the projection of import duty collection for the FY 2011/012 to FY 2017/018 from India, TW and Tibet Separately but in one table and one figure. As per growth rate, the import duty from India collected will increase by Rs. 1109.17 thousand per year. In FY 2012/013 Rs. 13183.52 thousand will be collected. Likewise in MY 2014/015 import duty amounting Rs. 17620.20 thousand and FY 2017/018 import duty amounting Rs. 24275.22 thousand will be collected.

The growth rate of import duty from TW and Tibet will be increase by 6434.31 and Rs. 7567.45 thousand respectively comparatively the increasing growth rate of import duty of TW and Tibet is higher rate then India.

4.16 Calculation of Trend Line of export Duty of Selected Items from India TW and Tibet

Table 4.16
Calculation of Trend Line of Export Duty as selected Items from India, TW and Tibet (2006/07/ to 2011/012)
Amounts in Rs Million

Year (x)	Export Duty (y)	x = 2 (x-2009.5)	x ²	xy	a	b	Yc=a+bx	Variation Y-Yc
2006/07		-5	25		10.628	0.723	7.013	-7.013
2007/08	3.282	-3	9	-9.846	10.628	0.723	8.459	-5.1777
2008/09		-1	1		10.628	0.723	9.905	-9.905
2009/010	60.4876	1	1	60.4876	10.628	0.723	11.351	49.137
2010/011		3	9		10.628	0.723	12.797	-12.797
2011/012		5	25		10.628	0.723	14.243	-14.243
Total	dY=63.77	dx = 70	dx²=10	dxy=50.642				

Calculation of Trend Value of Export Duty of Selected Items from India, TW and Tibet

The trend values can be obtained by substituting the respective value of x in the trend line i.e. $Yc = 10.628 + 0.723x$. The computation of trend values is above.

Figure 4.19

Trend analysis of Export Duty from India, TW and Tibet

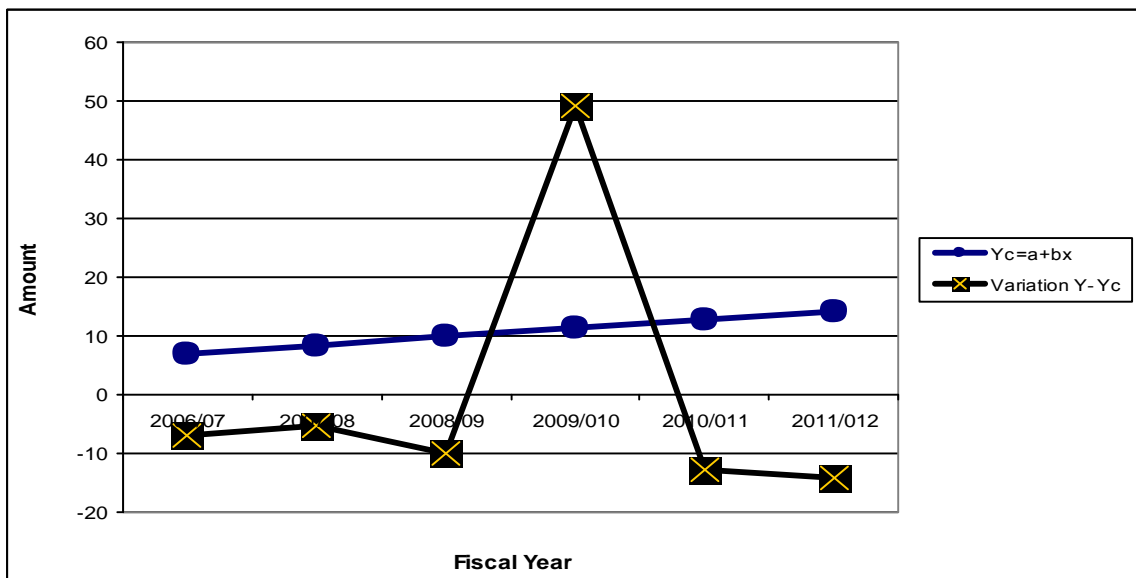


Table 4.16 and Figure 4.19 show the trend value of export duty from India TW and Tibet for selected items. The trend value of export duty was positive in every year and the export duty is increasing rate from three products.

It is cleared in the trend of export duty from India, TW and Tibet there also exist cyclical variations. As per the trend of export duty it should grow by the rate of Rs. 0.723 million per year but the variation is negative in FY 2006/07 i.e. Rs. 7.013

million, in FY 2007/08 Rs. 9.905million, FY 2010/11 Rs. 12.797 and FY 2011/012 Rs. 14.243 million. In FY 2010/011 was excess collection i.e. Rs. 49.137 million respectively

4.17 Empirical Analysis

In order to benefit this research work from the experience of real world situations, an empirical investigation was conducted. The major tools used for this purpose was an questionnaire survey which was obtained from 30 respondents.

The questionnaire comprises of two types one type was of Yes / no responses and another asked fro ranking for choices on a certain scale such as 1-3 to 1-6 scale where 1 was most important and the last number i.e. 3 or 6 was least important. The last choice was on open-ended one. For analysis purpose, choice 1 to 3 where assigned weight in case of questions comprising of 1-3 scale where the first preferred got 1 point. The total points available to each choice were converted into percentages in reference to the total points available for all choices. The choice with the highest score of percentage was ranked as the most important choice and with the lowest percentage being ranked as last choice. The open-ended was left out for the purpose of analysis.

4.17.1 In your opinion, is the taxation a suitable means of Raising Domestic Resources?

Table 4.17.1

Options	No. of Respondents	% of Respondents
Yes	27	90%
No	3	10%

Total	30	100%
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Source: Opinion Survey, 2013

The data on table 4.17.1 shows that 90% of the respondents agreed that tax is a suitable means of raising domestic resources. Domestic resources can be raised through either tax or non-tax revenues.

According to the respondents, although there is some scope for generating revenue through the rationalization of non-tax resources, these resources cannot be used effectively as a revenue raiser since most of them are not levied for revenue purposes 90% intellectuals believed that tax revenue should be emphasized for mobilizing resources for development purposes while 10% intellectuals opposed this.

4.17.2 In your opinion, what do you think that the tariff rate should be increased or decreased by the types of goods?

Table 4.17.2

Options	No of respondents	% of respondents
It should be increased	21	70%
It should be decreased	3	10%
The present condition is right	6	20%
Total	30	100%

Source: Opinion Survey, 2013

The data on table 4.17.2 shows that 70% of the respondents opined that the custom tariff rate should be increased, 10% of the respondents opined that the custom tariff rate should be decreased and 20% respondents opined that the present condition is right.

4.17.3 Do you think the present custom Act, 2064 is more effective than custom Act, 2054?

Table 4.17.3

Options	No. of Respondents	% of Respondents
Yes	22	73%
No	0	05
Don't know	8	27%
Total	30	100%

Source: Opinion Survey, 2013

The data on table 4.17.3 shows that 73% of the respondents believed that the present custom Act, 2064 is more effective than custom Act, 2054 if it is implemented well. The remaining 27% are in dilemma whether it is effective or not since the effectiveness of the Act can be known only after its proper implementation.

4.17.4 Why has the custom tariff evasion been happening?

Table 4.17.4

Options	No. of Respondents	% of Respondents
Open boarder	18	60%
Loose rule and regulation	9	30%
Lack of knowledge	3	10%
Total	30	100%

Source: Opinion Survey, 2013

The data on table 4.17.4 shows that 60% of the respondents think that the custom tariff evasion has been happening by open boarder, 30% of respondents think it is happening from loose rule and regulation and only 10% of respondents think it is happening from the lack of knowledge about the contribution of custom tariff for national revenue.

4.17.5 Did you face complication in paying custom duty?

Table 4.3.5

Options	No. of Respondents	% of Respondents
----------------	---------------------------	-------------------------

Yes	25	83%
No	5	17%
Total	30	100%

Source: Opinion survey, 2013

About 83% of the respondents face difficulties while paying custom duty while the rest 17% do not face any difficulty.

Reasons for facing complication in paying custom duty

Table 4.3.5.1

Reasons	Total Points	%of total points	Ranks
1. Complex custom law and procedure	52	35%	2
2. Administrative inefficiency	67	45%	1
3 Corruption	31	20%	3
Total	150	100%	

Source: Opinion Survey, 2013

83% of the respondents who faced difficulties in paying income tax rated administrative inefficiency as the number one reason. According to the respondents complex custom law and procedures takes the second place. The respondents opined that the clause used in custom Act and Rules 2064 is not very much clear cut meaning last but not the least, corruption has been rated as the third reason.

4.17.6 Do think the custom proceeding and formalities are complicated and time consuming?

Table 4.17.6

Options	No. of Respondents	% of Respondents
---------	--------------------	------------------

Yes	26	87%
No	4	13%
Total	30	100%

Source: Opinion Survey, 2013

The data on table shows that about 87% of the respondents had the same opinion regarding custom proceeding and formalities that they are too complicated. The rest 13% of the opinion where that the custom rules in itself is not so vague. The dishonesty and corruption on the part of some of the businessmen and the custom officers has made the custom formalities as the major constraints rather than the guidance to regularize the business.

4.17.7 What is your opinion about the present custom valuation system ?

Table 4.17.7

Options	No. of respondents	% of Respondent
Good	11	37%
Satisfactory	19	63%
Bad	0	0%
Total	30	100%

Source: Opinion Survey, 2013

As per above table's data out of the total respondents, 37% believed that the valuation system is good while the rest 63% opined that it is satisfactory only. According to them, the base of the valuation i.e. transaction value is good. However, the under voicing of goods by some of the importers have marred the valuation system

4.17.8 Which alternatives is better to increases revenue through custom duties?

Table 4.17.8

Options	No. of respondents	% of Respondent
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Increasing the rate of custom duties	8	27%
Levying duties on existing custom exempted goods	6	20%
Both should not be adopted	16	53%
Total	30	100%

Source: Opinion Survey, 2013

Out of total respondents, 27% believed that increasing revenue by increasing the rate of custom duties is reasonable. Custom duties should be increased on those items for which domestic production is also very high. This will increase the competitiveness of domestic products. On the contrary, 20% were of the opinion that minimal rate should be changed on certain goods which lie under the category of exemption i.e. the coverage should be widened while the rest 53% respondents believed that both methods should not be adopted. If the revenue has to be increased through custom duties it should control the unauthorized and illegal trade carried out through open border which, at present, has been leading a big leakage in government revenue.

4.17.9 What do you think about the facilities and concession provided under custom Act?

Table 4.17.9

Options	No. of respondents	% of Respondent
Good	12	40%
Satisfactory	10	33%
Inadequate	8	27%
Total	30	100%

Source: Opinion Survey, 2013

The data on table 4.17.9 shows that out of total respondents, 40% found the facilities provided under custom Act quite good. According to them, the provisions under the custom Act helps for speedy growth and development of Nepal's economy through international trade 33% of the respondents found them satisfactory only.

According to them, the provisions are fine but the implementation part is very poor. The rest 27% opined that the provisions enacted in the custom Act does not follow the principle of equality.

4.17.10 Do you think that custom administration in Nepal is inefficient?

Table 4.17.10

Options	No. of respondents	% of Respondent
Yes	25	83%
No	5	17%
Total	30	100%

Source: Opinion Survey, 2013'

About 83% of the total respondents expressed that the custom administration in Nepal inefficient

Reasons for inefficient tax administration

Table 4.17.10.1

Reasons	Total points	% of total points	Rank
1. Frequent changes in custom laws	116	22%	2
2. Lack of trained and competent custom officials	127	24%	1
3. Lack of computerization	99	19%	3
4. Lack of voluntarily compliance by tax payers	35	7%	6
5. Custom officials are not motivated	52	10%	5
6 Traditional and complex procedure	96	18%	4
Total	525	100%	

Source: Opinion Survey, 2013

According to the respondents, the main reason for the inefficiency of custom administration is defective personnel. Proper training is not imparted to the custom personal so as to increase their competency. Similarly, frequent changes in custom laws which are influenced by change in government are another main point for defective custom administration. After this, the other reasons as un-computerized system, traditional and complex procedures and unmotivated tax officials and lack of voluntarily compliance by taxpayers comes consecutively.

4.17.11 Do you think there are defects in formulation of custom polices?

Table 4.17.11

Options	No. of respondents	% of Respondent
Yes	12	40%
No	18	60%
Total	30	100%

Source: Opinion Survey, 2013

According to the table out of total respondents, only 40% agreed that there are defects in formulation of tax policies. 60% opined that rather than in the formulation, there are loopholes in the part of implementation of taxation policies.

Reasons for defective formulation of custom policies

Table 4.17.11.1

Reasons	Total points	% of total points	Rank
1. Introduction of several tax measures an adhoc basis	26	36%	2
2. Formulation of custom policies without considering other polices	34	47%	1
3. Interference of political powers in the formulation of custom policies	12	17%	3
Total	72	100%	

Source: Opinion Survey, 2013

According to the respondents, the first reason for the loopholes in the formulation of custom policies is its formulation without considering other policies.

The policies such as industrial and trade policies have to be considered while formulating. Custom policy, which is not done in the context of Nepal. Similarly, they attributed in introduction of several tax measures without any consideration and their possible effects as the second reason. Likewise, the interference of political powers while formulating taxation policies was rated as the third major problem.

4.17.12 Do you think there is widespread custom evasion in Nepal?

Table 4.17.12

Options	No. of respondents	% of Respondent
Yes	30	100%
No	0	0%
Total	30	100%

Source: Opinion Survey, 2013'

100% of the respondents agreed that tax evasion is very prevalent in Nepal

Reasons for tax evasion in Nepal

Table 4.17.12.1

Reasons	Total points	% of total points	Rank
1. Poor custom paying habit	144	24%	2
2. Low morality of businessmen	130	21%	3
3. Loopholes custom laws	78	13%	4
4. Illegal and unauthorized trade	40	7%	6
5. Inefficient custom administration	152	25%	1
6. Corruption	70	11%	5
Total	614	100%	

Source: Opinion survey, 2013

All the respondents have a single voice that tax evasion is very rampant and serious problem of Nepal. They attributed inefficiency of custom administration as the major reason of custom evasion in Nepal. Then consecutively they rated poor custom paying habits, low morality of businessman and loopholes in custom laws as the other main reason. Likewise, corruption which mainly includes bribing tax officials to lower the custom burdens by businessmen and demanding unnecessary reports sometimes even openly demands the extra financial benefits by the custom officials from the businessmen as other incentives for custom evasion in Nepal. Last but not the least, illegal and unauthorized trade i.e. under invoicing, underground business operation especially in boarder areas and fraud billing do unfortunately encourage custom evasion.

Thus, it can be concluded that the combination of some dishonest businessmen, corruption and defective custom laws has lead to widespread custom evasion in Nepal.

4.18 Findings

The major findings of this study are summarized as follows.

From secondary data analysis:

-) Import duty of jute from India is higher than that of TW and Tibet, Import duty of Synthetic Carpet from TW is higher than India and Tibet and the import duty of clothes carpet from India is lower the TW and Tibet. It shows that the contribution of import duty of clothes carpet is higher than synthetic carpet and jute.
-) The contribution of import duty from India is higher than that of Tibet and TW. It shows that the import duty from India has very significant role from Nepalese economy. The import duty from Tibet is lower as compared to India and TW.
-) The total import duty from TW is higher as compared to India and Tibet. The import duty from TW has high significant role for cloth carpet as compared to synthetic carpet and jute. The import duty of clothes carpet is higher as compared to other items.

- J The trend of import duty of clothes carpet is more positive than other items. The contribution of import duty of clothes carpet is regular and its contribution is in increasing trend from Tibet, and TW but it is fluctuating contribution from India.
- J Export duty of selected items has fluctuating contribution to government revenue of Nepal from India, TW and Tibet. The contribution of export duty of carpet is high from TW. The export duty of clothes has no contribution from these three areas. It shows that the contribution of export duty has lower significance as compared to import duty
- J Although it is clear in trend of import duty from India, there is an also cyclical variation. As per the trend of import duty from India, It should grow by the rate of Rs. 1109.17 thousand per year. But during the reference period 2006/07 to FY 2011/012., it is not found that the import duty is growing as per its growth rate.
- J Although it is clear in trend of import duty from TW, There is an also cyclical variation. As per the trend of import duty from TW, it should decrease by the rate of Rs. 6434.31 thousand per year. But during the reference period FY 2006/07 to FY 2011/012, it is not found that the import duty is growing as per its growth rate.
- J Although it is clear in trend of import duty from Tibet, there is an also cyclical variation. As per the trend of import duty from Tibet, it should grow by the rate of Rs. 7567.45 thousand per year. But during the reference period FY 2006/07 to FY 2011/12, it is not found that the import duty is growing as per its growth rate.
- J Although it is clear in trend of export duty from India, TW and Tibet there also cyclical variation. As per the trend of export duty from India, TW and Tibet it should grow by the rate of is 0.723 million per year. But during the reference period FY 2006/07 to FY 2011/012, it is not found that the import duty is growing as per its growth rate.

From Primary data analysis:

-) About 90% of intellectuals and businessmen believed that tax revenue should be mobilizing resources for development purpose.
-) Out of 30 respondents about 70% of the respondents are positive to increase the rate of custom duty.
-) 60% of the respondent believed that the custom tariff evasion been happening by open border.
-) 83% of respondents are facing any complication in paying custom duty and more of them define the reason of it is administrative inefficiency.
-) About 87% of the respondent thinks the custom proceeding and formalities are complicated and time consuming.
-) 83% of the respondents believe that the custom administration in Nepal is inefficient and the main causes of it are lack of trained and competent custom officials.
-) About 40% of the respondents believe that there are defects in formulation of custom policy and the main causes of it is formulation of custom policies without considering other policies.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Taxation is an effective tool with which the government can mobilize internal source for economic development on the other hand; economic development is possible only if industrialization is an important factor for achieving the basis objective of the country's economy and social progress. Taxation provides the means for economic development and industrialization is the path for it.

Tax is the main source of government revenue that is used for meeting regular and development expenditure. Development expenditure constitutes expenses relating to establishment of new industrial sector, expanding the existing once and development of infrastructure like transportation, electricity communication etc, which are vital for industrialization. However, the collection of tax depends directly and indirectly upon the development of industrial sector. The industrial development, in trend, depends upon the taxation policy of the country. Taxation policy besides levies includes incentives and subsidies, which greatly effects industrial growth

Nepal is one of the developing countries in which about 23.8 percent of total population lies below poverty line. So, Nepal needs huge amount of resources for economic development. Despite the various measures adopted by the government to boost the revenue collection, there is still a substantial resource gap between expenditure and revenue.

Tax is a compulsory payment to the government from a person according to law. Tax is the contribution to the government without expectation of any direct benefit. In the broader since, there are two types of taxes: direct and indirect tax custom duty is an indirect tax. The idea of custom duty in Nepal originated along with the period of Rana Regime. In that period, government made an internal customs duty in Kathmandu Ranamu keshower. This customs office as transferred Teku in 1991 B.S. After the trade agreement between Nepal and India in 1950, internal customs offices were canceled and they were established in boarder area. Government of

Nepal declared customs office in 2013 B.S. i.e. Tribhuwan International custom office.

The history of customs duty is short in Nepal. Nepal and British Indian government made peace and friendship agreement in 1923 A.D. to facilitate transit to product and provide 3 percent import duty.

Nepal has adopted harmonized system in 1992 A.D. by the help of world customs organization (WCO). This harmonized system helps to separate the commodity by coding them. Nepal has adopted Automated system for customs Data (ASYCUDA) in 1996 A.D by the help of ADB, which is a computer software developed by UNCTAD. This software helps to keep record systematically and customs office has been modernizing since then.

Custom duty is a main source of revenue collection from international trade. Nepal has a limited export and high import so import duty's contribution is high and exports contribution is low as compared to import and export. Government of Nepal should make good customs administration to generate maximum revenue collection.

Government revenue is the composition of tax and non tax revenue. There is dominant share of tax revenue in Nepalese government revenue. The contribution of customs duty is increasing, which shows good future of custom duty. To fulfill the general objective of this study, different sources of data are used to find the accurate and actual conclusion. Both primary and secondary data are collected. Primary data are collected by the help of questionnaire and the secondary data are collected from economic survey of different years and the year book custom published by ministry of finance and custom department. By analyzing the secondary data it is found that the import duty is increasing every year and the export duty is decreasing. By analyzing the primary data it is found that the contribution of custom duty is much important sources of government revenue but lack of strict custom administration and proper implementation of law its role is lacking in Nepalese economy.

The study on customs duty shows that the contribution of custom duty is very important source for government revenue. Its contribution in total revenue is increasing. The changes of policies and plan is affected by the time with respect to customs duty are very important in the total collection of customs duty. The future projection of customs duty shows the bright future of customs duty in government

revenue. The import duty is high as compared to export duty so Nepal should make well policies to improve the export.

5.2 Conclusion

From this study, it can be concluded that there is significant contribution of those products which I have taken as my area of the study. Custom duty is import for revenue collection of Nepal. The selected item with special reference to government revenue of cloth carpet, synthetic carpet and jute have important role for Nepalese economy. Because of lack of different researches and government's less priority fixing the rate of customs duty in different products most of the Nepalese agricultural industries re facing different problems as well as the government is not being able to collect significant amount of revenue from those sources.

From this study, the trend of import duty from India is growing in the recent year where as the growth of import duty from TW is decreasing and Tibet is increasing but there is fluctuation. The trend of export duty of selected items from India, TW and Tibet is fluctuating because of the government policy of eliminating duty on certain products.

The selected items with special reference to cloth carpet, synthetic carpet and jute export is fluctuate and has not get export duty in regular so the contribution of export duty is a little for government revenue. The import duty of selected items from Tibet is high as compared for TW and India the contribution of TW and Tibet is also positive sign and increasing trend. The future projection of TW and Tibet is better and India is also good. From this study, it can be conclude that the role and contribution of custom duty to government revenue is highly important. But there are many loopholes and obstacles to proper utilize to it. The administrative inefficiency, lack of trained and competent custom officials, and formulation of custom policy without considering other polices are the basic problem of it. For solve this problem the government should make strict and relative law and policies.

5.3 Recommendation

On the basis of above analysis and conclusion, the following specific suggestion have been recommended for the effective and efficient mobilization of additional fluencies resources through customs duty.

-) At present, customs proceeding and other formalities are very complicated and time consuming. The custom process should be made simpler and easier as far as possible.
-) One of the main problems the industrialists are facing while importing raw materials or exporting their goods is the lack of proper transit facilities especially in Calcutta port and other places in transit to the respective destinations.
-) Fraudulent attempts and border smuggling are other main constraints for industrial growth. Nepal's open border has led to the smuggling the goods without paying custom duties. Due to this reason, the degree and the extent of the revenue erosion are very high. Moreover, such imported goods are cheaper in compared to domestically produced goods. The domestic goods cannot compete with such imported goods. This discourages industrial growth and expansion. There must be a continuous effort from both the countries for improvement in the control mechanism on the border areas. There must be necessary arrangements of the border forces and a strong and efficient penalty system must be adopted which will reduce the fraudulent attempts and smuggling to a greater extent.
-) Government of Nepal should facilitate to promote the exportable product. It should make well plan for collecting revenue from customs duty, it should provide new computer system and trained employee to work fast. It should make plan to modernize customs office; it should increases customs office in north border area.
-) Minimize the high corruption in customs office. The staff of the customs office is being corrupted so government should control the corruption and make well plan for increasing revenue from custom duty.

-) Government of Nepal should make a policy to expand the export of product in foreign countries, but Nepal depends on foreign products so government should encourage to industry to produce domestic products.
-) There are evidence of leakage of government revenue due to inefficient custom administration, legal complications and many other loopholes. In order to control the leakage of government revenue, the following measures can be adopted
1. Depute personnel at different custom points only after proper training for custom valuation and control mechanism
 2. Transfer of custom personnel from one custom point to another must take place frequently so as to control the evasion of custom duty resulting from the mutual understanding between the custom officer and the importers.
 3. There must be a policy of rewarding the honest and dutiful personnel and punishing the dishonest and corrupted ones.
 4. Legal complications and paper work should be reduced so as to facilitate import and export of goods.
 5. Each and every busy customs points must have a well equipped laboratory facility to test the quality of the goods for valuation.
-) It is necessary to computerize the all custom administration so as to speed up the day to day work and provide adequate information as and when required.
-) It should control and minimize the informal trade which helps to control the leakage of the custom duty. Government makes a policy to punish who don't follow the law and order.

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Questionnaire

Dear sir/madam

I am carrying out a research work entitled "contribution of customs duty to government revenue of Nepal with special reference to cloth carpet, synthetic carpet and jute" as the partial fulfilment of the degree of master in business studies (MBS) from Tribhuvan University for this purpose. I need to collect more necessary information related to my topic. I therefore kindly request you to provide me your the responses about the questions included in the questionnaire attached here with. You would be highly appreciable. Information gathered through these questionnaire will be kept strictly confidential and will be used only for this thesis purpose.

Research student
Rama Karki
MBS thesis year
Central Department of management
Trbhuvan University

1) In your opinion, is the Taxation a Suitable means of Raising Domestic Resources ?

- a) Yes [] b) No []

2) In your opinion what do you think that the tariff rate should be increased or decreased by the types of goods.

- a) It should be increased [] b) It should decreased []
- c) The present condition is right []

3) Do you think the present custom Act, 2064 is more effective than custom Act 2054?

- a) Yes [] b) No [] c) Don't know []

4) Why has the custom tariff evasion been happening?

- a) Open boarder [] b) Loose rule and regulation []
- c) Lack of knowledge about the contribution of custom tariff for national revenue []

5) Did you face complications in paying custom duty?

- a) Yes [] b) No []

***-If yes, please point out the reasons. (answer on 1 to 3 scales)**

- 1) Complex custom laws and Procedures []
- 2) Administrative inefficiency. []
- 3) Corruption []

6) Do you think the custom proceeding and formalities are complicated and time consuming

- a) Yes [] b) No []

7) What is your opinion about the present custom valuation system ?

a) Good [] b) satisfactory [] c) Bad []

8) Which alternative is better to increase revenue through custom duties?

a) Increasing the rate of custom duties. []

b) Levying duties on existing custom exempted goods. []

c) Both should not be adopted. []

9) What do you think about the facilities and concessions provided under the Custom Act?

a) Good [] b) Satisfactory [] c) Inadequate []

10) Do you think that tax administration in Nepal is efficient?

a) Yes [] b) No []

If yes, please point out the reasons (answer on 1 to 7 scales)

1. Frequent changes in custom laws []

2. Lack of trained and competent custom officials. []

3. Lack of computerization []

4. Lack of voluntary compliance by tax payers. []

5. Custom officials are not motivated []

6. Traditional and complex procedures. []

7. Other please specify.....

11) Do you think there are defects in the formulation of custom policies?

a) Yes [] b) No []

If yes, please point out the reasons. (Answer on 1 to 3 scales)

1. Introduction of several tax measures on an ad hoc basis []

2. Formulation of custom policies without considering other

policies. []

3. Interference of political powers in the formulation of policies. []

12) Do you think there is wide spread custom evasion in Nepal

a) Yes [] b) No []

If yes, give reasons. (Answer on 1 to 6 scales)

- 1) Lack of proper custom duty base. []
- 2. Poor custom duty paying habits. []
- 3. Hoopholes in custom laws. []
- 4. High custom rates. []
- 5. Inefficiency of custom administration. []
- 6. Corruption []
- 7 Others (Please specify)

.....
.....

Thank You

Import Duty of Selected Item from Tibet

$$a X \frac{Y}{n}, X \frac{214430}{6} X 35738.33$$

$$b X \frac{XY}{X^2}, X \frac{529722}{70} X 756.45$$

$$Y = a + bx$$

$$Yc = 35738.33 + 7567.45x$$

Import Duty of Selected Items from India, Third World and Tibet

$$a X \frac{Y}{n}, X \frac{63.77}{6} X 10.628$$

$$b X \frac{XY}{X^2}, X \frac{50.642}{70} X 0.723$$

$$Y = a + bx$$

$$Yc = 10.628 + 0.7x$$

Appendix II

Import Duty of Selected Items from India Third world and Tibet (FY 2006/07 to FY 2011/012)

Year	India			To tal	Third world			Tot al	Tibet			Tot al	Gra nd
	Clo th car pet	Synt hetic Carp et	Ju te		Clo th car pet	Synt hetic Carp et	Ju te		Clo th car pet	Synt hetic Carp et	Ju te		
2006 /07	648	-	13	19	-	3001	-	300	225	-	-	225	321
			20	68		7		17					0
2007 /08	-	314	16	19	-	2553	15	255	405	-	13	538	283
			00	41		6		51			3		0
2008 /09	445	248	11	18	302	2271	24	325	310	3862	14	349	693
			64	57	41			36	74			50	43
2009 /010	935	326	16	29	310	2837	89	348	506	-	1	506	884
			97	58	74		5	06	83			84	48
2010 /011	145	9823	13	12	506	9622	22	605	567	4993	24	617	134
	9		46	62	83		5	30	02			19	877
				8									
2011 /012	132	7763	17	10	896	7692	12	986	599	6260	71	663	175
	7		74	86	66		98	56	83			14	834
				4									
	481	1880	89	32	201	7797	24	282	199	1511	24	214	528
	4	1	01	51	664	5	57	096	072	5	3	430	742
				6									

Source : Government of Nepal Custom Dep Ktm annual custom report

