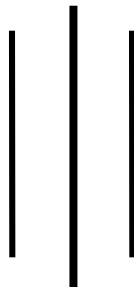


**CONTRIBUTION OF HOUSE & LAND TAX (PROPERTY TAX)
TO TOTAL REVENUE OF SIDDHARTHANAGAR
MUNICIPALITY CITY**



BY:

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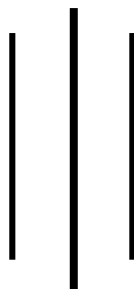
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A THESIS SUBMITTED TO:

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*In Partial Fulfillment of the requirements for the degree of
Master of Business Studies (MBS)*

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RECOMMENDATION

This is to certify that the thesis

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Contribution of House and Land Tax (Property Tax)

To Total Revenue of Siddharthanagar Municipality

*has been prepared as approved by this Department in the prescribed format of
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To Total Revenue of Siddharthanagar Municipality City**

*And found the thesis to be the original work of the student written according to the prescribed format. We recommend this thesis to be accepted as partial fulfillment of the requirements for
Master of Business Studies (M.B.S.)*

VIVA-VOCE COMMITTEE

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**Contribution of House And Land Tax (Property Tax) to Total Revenue of Siddharthanagar Municipality City**” submitted to **Shanker Dev Campus, Faculty of Management, Tribhuvan University**, is my original work. It is done in the form of Partial fulfillment of the requirements for the **Master's Degree in Business Studies (M.B.S.)** under the supervision and guidance of **Dr. Kamal Deep Dhakal** of Shanker Dev Campus.

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Sujan Bhandari

Researcher

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ABBREVIATION

%	: Percents
&	: And
BS	: Bikram Sambat
CEDA	: Center for Economic Development and Administration
CR	: Coverage Ratio
DDC	: District Development Committee
Etc.	: Etcetera
F/Y	: Fiscal Year
H & L	: House and land
i.e.	: That is
LSG	: Local Self-Government
MBS	: Master of Business Studies
Mgmt.	: Management
Mis.	: Miscellaneous
N.G.	: Nepal Government
No.	: Number
PT	: Property Tax
Rs.	: Rupees
S.N.	: Serial Number
Sec.	: Section
SMC	: Siddharthanagar Municipality City
Sq. ft.	: Square feet
TR	: Tax Ratio
TR	: Total Revenue
TU	: Tribhuvan University
U.S.A.	: United State of America
VAT	: Value Added Tax
VDC	: Village Development Committee
	: Summation

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Nepal is a sovereign and independent nation located on the southern part of the Asian continent. It covers an area of 147181 square kilometers and it has about 25 millions of populations. Nepal, one of the land locked developing country in the world covers 0.03% of world and 0.3% of Asia in the total area. The position of Nepal in the world according to GNP per capita income is 12th form the below and the last in SAARC countries. This shows that Nepal still remains one of the members of poor countries in the world. Despite more than four Decades of planned development, Nepalese economy is persistently suffering from general poverty and stagnation. The low income leads Nepalese people under the vicious circle of poverty. The per capita income of Nepalese people is just around 260 US \$ a year.

To get rid of such serious economic condition and to boost up itself in the world economic development there should be implemented regional balanced economic activities as well as sustainable development making the local bodies more powerful and self executive. As accordingly, Nepal is also practicing such policy for more than 6 decades.

In the present world the government has to spend a lot of money to fulfill its responsibility towards its people. The responsibility may be either for security or for health or education or other physical as well as social infrastructural development activities. In each country government requires sufficient revenue for the effective promotion of such activities like handles day to day administration, maintain peace and order, lunch different socio economic activities etc

Nepal at present, is divided into 5 development regions, 14 zones, and 75 districts to ensure the successful implementation of balanced economic development activities. Each district has further been divided into small administrative unit called Village Development Committee (VDC) and municipalities. Presently there are 58 municipalities including 1 metropolitan and 5 sub metropolitan and 3915 VDC.

Nepal, after the succession of "*Great Jana Andolan- 2*" and the completion of election of *Constitutional Assembly*, it is in the stage of reconstruction in every sector. So the form of government and governance is also expected to be changed. Different

model of decentralized federal government by different parties, in their manifestos has been presented as the main agenda. So in near future Nepal will definitely go in the *Federal System*. However, at present there exist two types of government. The first is the central government and next is the local government. District Development Committees (DDC), Municipalities and VDCs are local governments. As per the decentralization policy of the government, local bodies are being made empowered by providing major fiscal and political rights. In fiscal decentralization all the local bodies have been assigned various rights of collecting various tax and other revenues such as : Business tax , House and land tax (Property tax), vehicle tax, entertainment tax, Advertisement tax, Penalty tax, Kawadi Kar and Local development tax(i.e. Chungi Kar) for the equitable development of local areas. Among such various sources 'Property Tax' imposed by municipalities is one of the major resources of revenue collection.

Siddharthanagar is Nepalese town located near the south western boarder with India. Siddharthanagar is the largest town in the Rupandehi District, located about 286 km. west of Kathmandu. Siddharthanagar Municipality City (SMC) lies at 27° 31' North Latitude with 83° 26' East Longitude.

The former name of Municipality was Bhairahawa Municipality which was established in 2024 B.S. After ten years, the name was changed as Siddharthanagar Municipality to memorise the name of Lord Buddha. The birth place Lumbini is situated 22 Km. west from the Municipality.

The local government also collects revenue from the various sources such as tax, revenue form public enterprises, special assessment, fees, grants and assistance etc. Among them the main sources is tax revenue.

As according to the decentralization policy of the nation the local bodies are free to collect the revenue to fulfill its responsibility towards its people in terms of food, security, education, and other human as well as physical infrastructure within the parameter provided by the various local self governance act and the regulations. Among various taxes revenue collected by the municipality, the property tax is the major source.

Taxes are divided into two broad categories; direct tax and indirect tax. Direct tax is levied on income, property, expenditure, gift, interest, contract, vehicles etc. And Indirect tax is levied on sales, entertainment, hotel, export and import duties,

excise duty and other consumption of goods and services. The direct tax is imposed to bridge the gap of income and wealth inequality in society.

Property tax is direct tax imposed on individuals or owner's house and land. This tax by some local bodies is levied by the name of *house and land tax* also.

Oxford dictionary defines property as "a thing or things that are owned by some body". In other words any kind of assets such as building, land, vehicle, silver, gold, jewelry, furniture, plant and machinery, equipment etc owned by someone are property. The property tax is the compulsory payment to the public authority which is based on the capital value of property. Property tax act 2047 has mentioned property as cash or kind and transferable ownership. It includes movable and immovable property. So the property tax has a great potentialities of source mobilization on the developing countries legally all property can be divided into two classes personal and real property. In Nepal, property tax was performed in Financial Act 2017. At that time, government had authority for collection of property tax. There were different rules for the tax rate. However, the property tax act revised in 2019 BS. Since the period the property tax system has been implemented in urban houses and property. Property tax has become the most important single resource of revenues for nation and local governments. In Nepal, Urban house and land tax was introduced in 1962 AD for the purpose of collection revenue from urban house and land property.

In European countries the property tax was introduced more than 100 years ago. Right now the property tax has been major source of revenue in most of the countries of the world. In Nepal the first elected government introduced this tax. Due to ineffectiveness in collecting revenue from property tax, it was replaced by urban house and property tax in 1962 to collect revenue from urban house and land property. Initially this tax was introduced in Kathmandu, Lalitpur, Bhaktapur, Biratnagar, Birgunj, Nepalgunj, Rajbiraj, Janakpur and Butwal. Later in 1963/1964 it was extended to Bhadrapur and then to Dharan. In 1964/65 it was extended to Bhairahawa, Pokhara, Palpa and Hetuda in 1973/74.

The tax was introduced in Bharapur in 1988/89. The interim government of 2047 again introduced the property tax in 1990 by the financial act. It was again replaced by urban house and land tax in 1995/96.

After the introduction of local self government act in 1999 property tax is given to local bodies right now. There are two variant of property taxes house and land tax and unified property tax. Local bodies i.e. VDCS and municipalities have the right to collect property tax whereas the right of collecting unified property tax is given to municipalities.

1.2 Statement of the Problem

Nepal has been facing the most serious economic problem from the beginning of her developmental phase to present time. It needs huge amount of capital for economic development of Nepal. Despite the various measures adopted by the government to boost revenue collection there is still a substantial resource gap between expenditure and revenue. The rate of government expenditure is exceeding the rate of growth revenue almost every year. The budget deficit has been growing and this may have negative effect on the Economy. In this context, taxation can be taken as means for resolving this problem by mobilizing additional resource from the domestic sources, small part of total incomes under the purview of house and compound (property) tax.

Before local self government act 2055 all taxes were collected by the central government and only octroi duty was allowed to collect to local body. At present octroi duty is abolished and central government collects 1.5% of custom duty for local development fees but this is not stable in future because the country has been entering into globalization and which deduct tax rate, in this condition only property tax increased to develop local level so, it is one of the problems.

Nepal has been facing various problems for the implementation of property taxation. In the under developed country like Nepal, Firstly the Government inefficiency of its dependent on the political pressure is far from expectation. In this condition specific statement of problems are as:

-) What is the contribution of house and land tax on total revenue of Siddharthanagar Municipality City?
-) What is the trend of house and land tax on Siddharthanagar Municipality City?

1.3 Objective of the Study

The main objective of this study is to examine and analysis the role of property tax in revenue collection in Siddharthanagar Municipality City. The specific objectives are as follows:

- a) To analyze contribution of house and land tax to total revenue of Siddharthanagar Municipality City.
- b) To analyze the trend of house and land tax of Siddharthanagar Municipality City.
- c) To provide suggestions on the basis of findings.

1.4 Significance of the Study

A country needs a lot of resources to implement plans or programs. Taxation is one of the means to mobilize domestic resources for economic development of a country. Taxation is not only the means for raising resources but it may bring about remarkable change in the social and economic structure of the economy as well as change in social attitude of the people.

The property tax helps government to raise revenue of local bodies. It also helps government to achieve the goals of growth, equality and stabilization of the economy. Through the instrument of property taxation the country can encourage the growth of certain industries, restricts the conspicuous consumption of certain commodities, increases the rate of saving and regulates the price of commodity.

Revenue mobilization is the challenging task of the developing countries like Nepal. The responsibility of the developing countries is higher than the developed countries because more money is needed for economic development of a nation so, it is necessary to inquire different resources of taxes to fulfill such purposes. Property tax may help government to raise revenue of local bodies.

Property tax has been very essential to empower the local bodies. It is most necessary to empower first local body to empower central government. Before local self government act 2055 all taxes were collected by the central government and only octroi duty was allowed to collect to local body. In fact, it was not sufficient to develop local body. At present octroi duty is abolished and central government collects 1.5% of customs duty for local development fees, but this is not certain in the future because the country has been entering into globalization and which deducts tax rate. In this condition only property tax can be one of the major sources to raise revenue to make empowerment local body.

This study has suggested measures to improve the revenue collection system in Siddharthanagar Municipality City. Other municipalities also help to increase revenue mobilization from property tax.

1.5 Limitations of the study

Although all the efforts have been made to make this study realistic, practicable, and informational for all the people, this study is suffering from the number of limitation as follows:

-) Firstly, this study is limited to the Siddharthanagar Municipality only.
-) Secondly this study is based on the data provided by the municipality and the primary data to some extent.
-) The third limitation is that the research is based only on 7 years data.
-) This study pays attractions to the property tax only.
-) The selected sample from various reports and booklets are based on Nepalese context.

1.6 Organization of the Study

The research has been carried for the partial fulfillment of the requirements for the degree of Master of Business Studies (MBS). The research report is organized under the prescribed format by Central Department of Management, Tribhuvan University. The whole study has organized into the following chapters:

1. Introduction

The first Chapter is the introduction. It includes Background, Statement of the Problem, Objective of the study, Significance of the study, Methodology used in the study, Limitation of the study and Organization of the study.

2. Review of literature

This chapter covers the conceptual framework and review of past research literature on property tax.

3. Research Methodology

This chapter deals with the research methodology adopted for the study consisting research design, sources of data, data gathering procedure, population and sample and data processing procedure.

4. Data presentation and analysis

The fourth Chapter is on the Presentation and Analysis of Data. This is the major part of the study. It aims of make clear understanding of contribution of property tax of Siddharthanagar Municipality City.

5. Summary ,conclusion and recommendations

The final chapter has devoted to summaries the whole study and conclusion based on the findings. Recommendation is also listed wherever is necessary. At last appendix, bibliography and other supported documents are also attached with the study.

CHAPTER- II

REVIEW OF LITERATURE

2.1 Historical Background/Conceptual Framework

Nepal is one of the parts of eastern civilization. With in eastern civilization the tax used to be imposed as per Shastras in ancient time. Koutilya, Manusmriti, Yagnabalka, smrity etc were the sastras which governed the taxation system at that time. The main principle of taxation at that time was to impose tax without hampering the taxpayers. According to the sastras the tax was to be imposed like the honey collection of honeybee or getting milk from the udder of the cow. (*Kandel 2006*)

In an ancient time, the tax was mainly imposed on land, however, other various types of direct and indirect tax were also in practice. Ancient rulers of Nepal are Kirat & Lichhibi. Before Lichhibi regime Kirat ruled Nepal. In the time of Lichhivi, the ruler established the office for revenue collection named Kuhter. Some historical documents presents the information about three types of tax. These were : Tax on agriculture, farming and commercial activities. (*Kandel 2006*)

Property tax, one of the major sources of local revenue of each and every city in the world, was practiced at first by the American colonies in the 17th century. In initial stage it assessed in limited items of property such as land and cattle. But during the passes of time and the growing need of the city to recover public expenditure the meaning of 'property' also used in a broader and broader. (*Singh S.K., 1991*).

Property tax gained importance because of growing urbanization in last few decades. In 1960s the selected Asian nations, like Indonesia, Republic of Korea, Laos and Thailand adopted property taxation. And during the same period India also used this taxation as a main source of local revenue. (*Rajesh Ghalliah, 2001*)

The history of property tax in Nepal is not so long. Finance act 2016 had empowered the government to levy property tax. Property tax act 2017 was enacted to collect tax from property. Urban house and land & foreign

investment were taxed at a uniform rate under property tax act 2017. Under the provision of property of property tax act immediately Government of Nepal framed property tax rules 2017. A separate house and land tax act 219 was enforced and subsequently, house and land tax rules 2020 was then enacted which replaced the existing property tax act 2017. Earlier central government used to impose property tax under prevailing acts and rules. After enactment of local self governance act 2055, local bodies (i.e. VDCs and Municipalities) are free to impose property taxes within some legal boundary. Currently house and land tax act 2019, Property tax act 2049 and local self governance act 2055 have been implemented in the collection of property tax. Local bodies are levying property taxes under local self governance act and rules.

2.2 Meaning of Property Tax.

2.2.1 Property

The term property means ownership. It is a generic term of extensive application and includes everything like car, farm, watch, jewelries, or any thing else owned by the people. Property also refers to any types of capital goods that are owned. For example: machinery, raw material and finished goods. Normally property can be classified in 2 categories:

- a) Real property (Immovable property)
- b) Personal property(movable property)

Real property includes land and things permanently attached to it such as buildings etc.

Personal properties are mostly movable. And this includes all other kinds of property, such as furniture, stock, harvested crops and up to copyright and patent right. (Singh S.K 1991)

2.2.2 Tax

Taxes are compulsory payment to the government without expectation of direct return in benefits to the taxpayers. It is a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without references to special benefit conferred. It is a liability imposed upon the tax assesses who may be individuals, groups or other legal entities.

2.2.3 Property Tax.

From the two terms 'property' and 'tax' it is clear that this is a charge levied by legal authorities upon an assets or property of the owner. This property includes real state such as buildings, homes, and vacant land and also personal assets like furniture, stock, bond, automobile etc.(Singh S. K., 1991)

Property taxes are compulsory charges/levies which specially relates to ownership, or development of land and building. They mostly levied on capital value or annual rental value (real or imputed) and are collected by local authoritarians. The property tax has the great potentiality of resource mobilization in the local level of every developing nation. (Singh S. K., 1991)

In U.S. and Canada only provincial and local government laid property taxes. The federal governments of the two countries do not use these types of tax. Since the early 1930's states have received less and less property taxes. But the tax is continuous to be an important source of revenue for local government.(Prasad Bhagwati,1999)

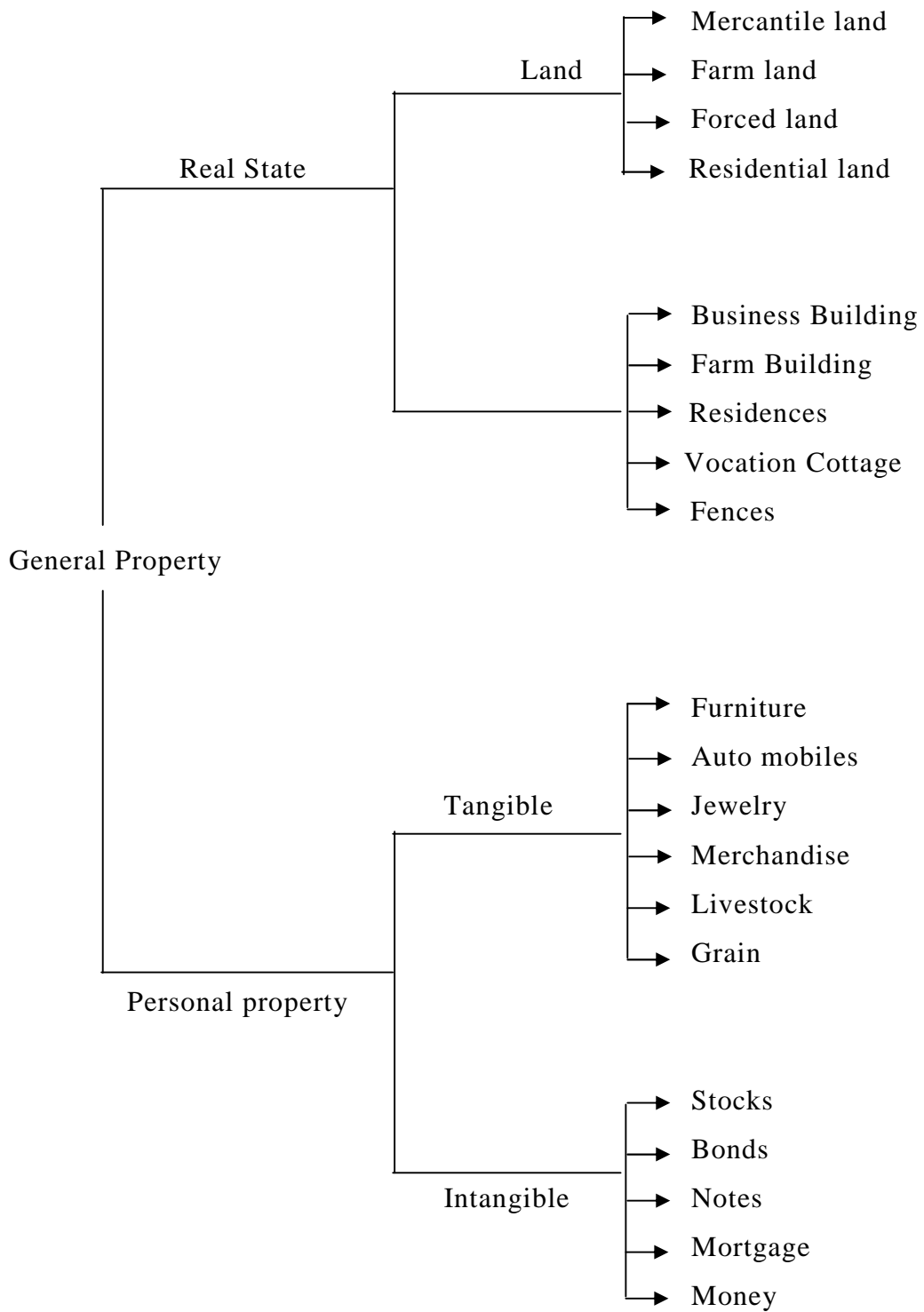
The property tax rate varies depending on the tax revenue needs of the government. The rate is usually based on the property's assessed valuation. This is a certain percent of the property's total value as determined by the government property is rarely taxed at its full market value.

'Wealth tax', the synonymous of property tax, is different with income tax. Wealth represent a stock of resources at any point in time where as income is a flow of resource over time.

The wealth includes how much various assets are worth. Some assets are like the government bond above unobvious market price. Wealth tax or property may be imposed on all tangible and intangible wealth which possesses exchange value. The items included for general property taxes can be clarified from the following figure:(Singh S. K. 1991:423)

Figure No. 2.1

Property tax in brief



2.3 Property Tax system in Nepal

In Nepal the right to collect property tax has given to the local bodies (i.e. VDCs and Municipalities) under Local Self Government Act 2055. They can levy property tax on house and compound as well as land for multi purposes.

2.3.1 Collection, Realization and Refund of Tax

A) Collection of Tax

Local self-governance act 2055 has empowered VDC municipality and DDC to levy taxes. The VDCs and municipality in the form of land revenue, land, tax house and land tax, integrated property tax and vehicle tax levy the property taxes. Since the integrated property tax and vehicle tax are not exclusively practiced in some municipalities, tax collection and realization with respect to the house and land tax and revenue or land tax are discussed hereunder.

In the case of Village Development Committee (VDC)

According to section 55 of Local Self Governance act 2055, the VDC may levy the property taxes as follows in its area at the rate approved by the village council, not exceeding the prescribed rate:

- 1) House and land tax: On the basis of size, type, design and structure of the house within the area of VDC, it may impose annual house and land tax on each house and compound.
- 2) Land revenue (Malpot) or land tax: The VDC may levy land revenue or land tax on the land within its area. However 25% of revenue collected from land revenue or land tax has to be handed over to the District Development Committee (DDC).

The rate of taxes to be levied by a VDC within its area is prescribed in Annex-4 of Local self governance regulation, 2056.

In the Case of Municipality

According to section 136 and 140 of Local Self-Governance act 2055, the municipalities levy the following property taxes within its jurisdictions:

- 1) House and land tax: On the basis of size, type, design and structure of
The house, the municipality may levy annual house and land tax on each house and compound as approved by the municipal council.
- 2) Land revenue or land tax: The municipality may impose land revenue and land tax as prescribed on the land within the municipal area.
- 3) Integrated property tax: The municipality may levy an integrated Property tax within its jurisdiction at the prescribed rate.

According to rule 140 of self local governance regulation 2056 the maximum and minimum limits of the rate of land revenue and of house and land tax that may be levied by a municipality within its area shall be as prescribed in annex-8 of the regulation. As per rule 144, the minimum and maximum rates of the integrated property tax that may be levied by a municipality within its area shall be as prescribed in annex-12 of the regulation.

B) Recovery of Tax

According to section 71 and 166, the fine and punishment imposed by the village development committee or by municipality are recovered by section 260. According to this process, if any person does not pay any tax, duty or charge levied or contracted or any other amount due and payable to the local body, the district administration office recovers it as government dues.

C) Refund of Tax

According to section 147 of LSG act 2055, the municipality is not entitled to collect any kinds of taxes contrary to the act or the rules. If the municipality collects such taxes, Nepal's government may order to stop such collection and to refund the amount of taxes so collected to the connected person.

2.3.2 Penalties, Action and Appeals:

Local Self-governance act 2055 has made the provision for fine and penalties if anyone does not pay any taxes, fees, charges, duties, tariffs, and other amount due and payable under the act, the VDC and municipality can take action of penalties.

A. In case of VDC:

Penalties and Action:

According to *section 70.2* of chapter 8 in LSG act 2055, If the person does not pay any taxes, fees, charges, duties, and other amount due and payable imposed or levied by VDC, it may punish such person with a fine up to Rs.500 and may stop the services made available by the Village Development Committee in regard to such person.

According to *section 70.4*, if any person who has already been punished under *section 70* commits the same offence again, the VDC may punish such person with two-fold punishment for each instance.

Appeals:

As per *section 70.5* of LSG act 2055, if any party who does not satisfied with the punishment or penalty imposed by VDC as according to *section 70*, may appeal to the concern district court within 35 days from the date of knowledge of such decision.

In case of municipality:

Penalties and Action:

According to *section 165.2* in LSG act 2055, If any one does not pay any taxes, fees, charges, duties, and other amount due and payable imposed or levied by municipality, it may take the following actions:-

- i) If anyone does not pay the taxes, fees, charges and other due amount, may be collected as per this act, the municipality may write to the concern body to stop the transfer of ownership of the movable/immovable property of such person, may seal or lock up

the trade, profession and withhold the transaction including import and export.

- ii) If the amount, which the municipality is entitled to collect under the act, could not be covered up even from the stoppage of the house, land, transaction or any other property of the concerned person as under part(I), the municipality may recover it by auctioning the person's house, land or other assets or properties, if any.

According to *section 165.4* If anyone does not pay the taxes, fees, charges and other due amount as per the act, the municipality may stop the services made available in regard to such person.

If any one commits any action in contravention of the act or the rule, by-rules or order made under the act, such person is punished with punishment, if any prescribed elsewhere in the act, and if punishment is not so prescribed the municipality may punish such person with a fine up to Rs.1000.(*Section 165.5*)

According to *section 165.6*, if any person, who has already been punished under *section 165*, commits the same offence again, the municipality may punish such person with two-fold punishment for each instance.

Appeals:

As per *section 165.7* of LSG act 2055, if any party who does not satisfied with the punishment or penalty imposed by municipality as according to *section 165*, may appeal to the concern district court within 35 days from the date of knowledge of such decision.

2.3.3 Property not included in valuation for tax purpose

According to the local self governance act 2055 and regulation 2056, the following properties are not included in valuation for tax purposes.

- 1) Growing crops: the growing crops, grass or standing trees are excluded from the preview of the term of assets.
- 2) Animals: Any domestic animals such as buffalo, cows, oxen and others.

- 3) Amount deposited for life insurance.
- 4) Patent or copyright: The patent or copyright is acquired by an assessee under a contract from the original author or the inventor or it is acquired by way of inheritance or otherwise no exemption is allowed in such cases.
- 5) Books and equipments for study.
- 6) Pots and equipments except valuable metals.
- 7) Wearing apparel provisions and other clothes for personal or household use of assessee.
- 8) Furniture and equipments(except T.V., VCD, Deck, Refrigerator, washing machine, camera etc)
(However, above mentioned items are also exempted in developed country even in India but in Nepal it is assumed highly luxury goods.)
- 9) Tools, machinery and equipments used for professional works.
- 10) Simple equipments of decoration of house.
- 11) Singing and dancing equipment for personal use.
- 12) Equipment for physical education.
- 13) Equipment and tools for first aid which are kept in houses.
- 14) Transportation equipments as cycle, rickshaws and simple media
- 15) Weapons and tools for professional safety.
- 16) Equipment related to arts and photographs.

According to *section 5.2* of Property tax Act 2047, the assets exempt from tax are:

- i. Gold up to 10 Tolas with jewelries.
- ii. Silver 200 Tolas with jewelries.
- iii. Stock in trade.
- iv. Industrial mills, machinery tools and equipments building and warehouses of industrial areas.
- v. Invested Shares and debentures.
- vi. Loan issued by Nepal government which is declared exemption from this act.
- vii. Area for house up to 300 sq.ft or 2 ropanies of land.

- viii. Goods and equipment, for social welfare and property of temple.
- ix. Land taken by farmers from landlords.
- x. The land up to the limit of
 - For terai - 10 Biga
 - For Ktm valley -20 ropani
 - For other hilly area - 60 ropani

Similarly according to section 144.16 of LSG regulation 2056, the following properties are exempt from property tax.

- I. Royal palace and the land covered by it.
- II. The buildings and land owned by the government of Nepal
- III. Land and building of government hospital.
- IV. Land owned by trust.
- V. The land and building of the government school and government organization operating for non-profit motive.
- VI. Land and buildings of Religious organization(Temple, Stupas, Church, Masjid, etc)
- VII. Public places like Water reservation tank, Electricity house, Airport, Bus station, Stadium, Garden, Park etc.
- VIII. Land Buildings of Embassies, Trade and Diplomatic missions.

2.3.4 Types of property tax exemptions

Property tax exemptions are exempt for social reasons such as homesteads, churches, lodges, private some for development purposes such as new industries, some for fiscal or administrative reasons such household furniture, some to avoid double taxation such as credits. The tax exempted intangibles and certain types of tangible property are as follows:

Home stead exemptions: Homestead includes any dwelling occupied by the varying amounts of surrounding land. The exemption may include not only the land and improvements used as a place to live but also considerable property used to make a living. Homestead exemptions depend on a number of variables, such as the degree of home ownership, area and value of homesteads and the ration of residential property to total property.

Exemption of property used for religious and philanthropic purpose:

Most of the governments exempt educational, charitable, benevolent and religious institutions from property taxation. In the case of religious organizations, exemptions are church and a non profit making organizations etc.

Exemption to encourage economic activities: Exemption like cash bonus, loans, donations of site and building or their provision at nominal rentals, guarantees of favorable conditions and so on.

Municipal exemption policies: Municipality also provides exemption to individuals to encourage economic activities within the municipality.

2.3.5 Rebates from property tax:

Rebates from property tax are mentioned in local self-governance act.

From the property tax, the following incomes are rebated:

1. Loan and debenture taken from registered institution.
2. Amount received from life insurance.
3. Prizes receive from social work.
4. Amount received from provident fund.
5. Amount received from Citizen Investment Fund
6. Amount received from personal annuity.
7. Amount of debenture received from Government of Nepal
8. Amount received from foreign investment.

(Source: Revenue department of SMC)

2.3.6 Problems for Efficient Tax Administration

There exists problem because of the poor taxpayer and lack of tax education. So the local government would make sure them by teaching tax education. There are other factors like, delay in assessment and collection, unnecessary out side pressure and lack of proper incentives to tax personnel's. A good tax system must have certain administrative qualities including certain rules, compliance and collection cost enforceability and acceptability. Although there has been significant progress in the area of improving the elasticity and efficiency of tax system still the major source of revenue collection is land based.

2.4 Current Provision of Property Tax in SMC

Siddharthanagar Municipality has been followed up the local self-governance act. Beside this act Siddharthanagar Municipality has to work under the current provision as well as their rules and regulations. The major provisions adopted by the municipality for the administration of property tax are as follows:

2.4.1 Necessary Documents required for submitting the tax

Following documents are required to submit property tax in Siddharthanagar Municipality:

-) Copy of land ownership certificate
-) Copy of approval of house map
-) Copy of approval of new flat map if any
-) Field inspection report by technician for house constructed without approval before provision of Municipality system

2.4.2 Process of tax assessment

Siddharthanagar Municipality has provided certain process of tax assessment for its taxpayer as follows:

1. Necessary documents should be submitted to the municipal office.

2. A standard form of application developed by the municipality should be filled up by the tax payer themselves. In this form the taxpayer should show detail about the house and land and the location clearly.
3. After receiving application submitted by the taxpayer, the valuation is done by the technician of the municipality on the basis of size and area of the house and land.
4. The amount of tax is determined by the municipality after valuating the property.
5. The valuation of house is done as according to the provision made by the LSG act 2055, related to rule 140.

Table No. 2.1

Valuation rate of House

Classification of houses	Average. cost per sq.ft.(Rs.)	Depreciation rate per yr. (%)	Total life (In Year)
Green(raw) bricks with mud-mortar	450	3	25
Kiln breaks(Stones)with mud mortar	525	2	30
Kiln breaks(Stones)with cement mortar	575	1	70
RCC frame structure	625	0.75	100

Source: Working paper of SMC.

Notes:

- i. House and land of green (raw) brick with mud mortar and thatched roof or house made of bamboo or wood with thatched roof is not valued for the propose of house and land tax.
 - ii. The main auditorium of cinema hall is valued by applying a 25% discount in aforesaid rates.
 - iii. Classifications of house are Green (Raw) bricks with mud-mortar, Kiln bricks (Stones) with mud mortar, Kiln bricks (Stones) with cement mortar & R.C.C. frame structure.
6. The valuation of land is done as according to the minimum rate provided by the District Land Revenue Office yearly and the maximum rate ascertain by the following 5 members *Revenue Consultant Committee*.

Chief executive of Municipality	- Chairman
Chief of District Fund and Account Controlling Office	- Member
Chairman, Chamber of Industry & Commerce	- Member
One from the Taxpayer appointed by the municipality	- Member
Revenue officer of the municipality	- Member Secretary

2.4.3 Rebate system in SMC

Tax payer could get rebates if they paid tax in the certain time and other conditions. Some of such conditions of rebate for taxpayers are as follows:

-) 10% discount if they paid their bill up to the end of Ashwin of the concern economic year.
-) No any penalty if they pay their bill till the end of the economic year (i.e. end of Ashadh for first year.)

2.4.4 Penalty system of property tax in SMC

If the taxpayers disobey the rules and regulations as mentioned in act and provisions, they are charged by fine and penalties. Penalties provisions are as follows:

-) If any person submits false document invoices or documents till Ashwin or every year, the penalty is Rs. 5000.
-) If any person doesn't follow direction of tax officer penalty is Rs. 500.
-) If any person does not pay their tax bill within 1 year the penalty will be as follows:
 - For 1st year- 10% on total bill
 - For 2nd year- 10+5% on total bill
 - And extra 5% should be added for the next years.

2.4.5 Documents required for Property Valuation in SMC

Documents required for property valuation in SMC are as follows:

1. Application form-1
2. Copy of house and land tax clearance certificate-1
3. Bill of land tax clearance-1
4. Field inspection report of Ward office-1

(Source: Revenue department of SMC).

2.4.6 Rate of House and Land Tax in SMC

Table 2.2 shows the rate of house and land tax in SMC

Table 2.2

Rate of House and Land Tax in SMC

Value of House and Land	Rate of Tax (in Rs. And%)	Amount
First upto 10 Lakh	Nil	Nil
Next upto 10 Lakh	300	300
Next upto 30 Lakh	0.05%	1500
Next upto 50 Lakh	0.25%	12500
Next upto 1 crore	0.5%	50000
More than 1 crore	1.5%	-

Source: Working Paper of SMC

In Table 2.2, rate of tax in Rs., And percentage and amount are shown in right side. Value of house and land is shown in the left side. If the value of house and land is up to 10 lakhs she/he should not have to pay tax. If one has value of house and land up to 20 lakhs she/he must pay Rs. 300. Similarly one who has value of house and land next up to 1 crore after exemption of Rs. 10 lakhs, he/she should have to pay Rs. 50,000.

2.4.7 Methods of Valuation of Buildings

There are some methods of valuation of buildings which are as follows:

- 1) Rental method
- 2) Direct comparison with the capitalized value
- 3) Valuation based on profit
- 4) Valuation based on cost
- 5) Development method of valuation
- 6) Depreciation method of valuation
- 7) Cost by detailed measurement.

1) Rental Method

In this method, the net income from rent is found by deducting all outgoing money from the rent. A suitable rate of interest, as prevailing in the market is assumed and the year's purchase is calculated. The net income multiplied by the year's purchase, gives the capitalized value of the property. The method is useful in those properties which are rented and where the net rent is known. It is difficult to discover the actual net rent because the property owners seldom declare the true amount. There would be the problem of fixing a rental rate for each house (Dhugana, Pradhan and Shah, 1974).

2) Direct Comparison with the Capitalization Value

The second method is adopted when the rental value is not available from the property concerned. In such cases the capitalized value of the property is fixed by direct comparison with the capitalized value of similar property in the locality. This method can be used only in conjunction with some other method where the basis of valuation is already known. It is difficult to find two or more similar properties in the locality.

3) Valuation Based on Profit

This third method is suitable for building like hotels, cinema halls theaters etc for which the capitalized value depends on the profits.

4) Valuation Based on Cost

In the valuation based on cost method the actual cost incurred in constructing the building, is taken as the basis for determining the value of the property.

5) Development Method of Valuation

This method is used for those properties in either an undeveloped stage. It is used only in specific cases, e.g. half completed houses.

6) Depreciation Method of Valuation

This method is the depreciation method of valuation. According to this method, one needs to have information on:

- i) Walls
- ii) Roofs
- iii) Floors
- iv) Doors
- v) Windows etc.

7) Cost by Detailed Measurement

This method is the best as far as accuracy is concerned. But general public is not having a consciousness or understanding of the implication of such taxation, so it is not applicable. (Dhugana, Pradhan and Shah, 1974)

2.4.8 House and Land Tax Calculation Related to SMC

In Nepal local self-government act 2055 has been applicable in calculating property tax the example of calculation are shown in Appendix-I.

2.5 Review of Related Books

Khadka(2059), has described that municipalities represent local government in urban areas where the demand for public services was very high due to the rural urban migration. Municipalities also had potential tax base due to the concentration of economic activities in the urban center, since the municipalities are in the position to manage their local affairs, including the management of fiscal affairs reform of local finance implies putting priority on the reform of principal finance. The municipal experience can later only replicated to the rural areas. This explains the reason why this book is concentrated on the municipal finance."

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

Dhakai (2001) has described the provision made under income tax aid the methods of income tax assessment have been described with numerical examples. His book is informative rather than analytical. His book is more helpful to know about general information and provisions made under income tax act 1974.

Bhattraai and Koirala(2060) have mentioned about the concessions rebates and allowances to taxpayers, which can reduce tax liabilities. This book is also important to know legal provisions to plan for taxpayer's beneficial. Tax planning is to take full advantages of those facilities.

In 2002, Dhakai presented his revised edition of his book "Aayakar Tatha Ghar-Jagga Sambandhi Kar Ra Lekha". This book is based on income

tax act 2031 and is very useful in getting knowledge about history of taxation and the practice under the previous act.

Kandel (2006), has presented practical as well as theoretical aspects on taxation in Nepal.

Malik(2003), published a book. This book is much more useful to anyone who keep interest in the subject of taxation. In this book the author has explained income tax act with examples wherever necessary. He has explained the complex act in a simple manner so that every one can easily understand the provisions in act. His book is descriptive and analytical. All the provisions in the act have been clarified in simple language. In some cases he has also compared the provisions of the old act and new act.

Adhikar(2003), has been written according to the syllabus requirement of different level (esp. for BBS III year, T.U.) and included the amendment in income tax act 2058 by finance ordinance 2060. This book is also based on the theoretical as well as practical aspect.

Amatya, Pokhrel and Dahal(2060), had described conceptual foundation of tax, income tax in Nepal. This book has been designed for the subject "Taxation in Nepal" as per the syllabus prescribed for the Faculty of Management,T.U.This book is also useful for Academicians, tax administrators, auditing professionals, tax consultants and tax payers.

2.6 Review of Related Studies

Kayastha(1974), in an unpublished thesis "Taxation on income and property on Nepal" has tried to analyze the contribution of income and property tax to overall revenue generation in Nepal and has also pointed out the drawbacks of the system at that time along with the policy suggestion to remove them . His study on legal and administrative aspect was also helpful to find out some relative information regarding Nepalese property tax system such as level of income tax evasion and role of indirect tax in tax revenue. These problems are still considered as the major problems in Nepalese tax system.

Adhikari (2005), in an unpublished thesis entitled "House and compound tax; special reference to integrated property tax in Dharan Municipality", she has studied about tax administration system and recommended to improve in valuation system, recording keeping system, legal procedures etc.

Timilsina (2062), in an unpublished thesis, "Taxation in Nepal: special reference to land revenue, has mentioned about importance of land tax in Nepal. He has also explained clearly about the land tax development from ancient to modernize land tax system in Nepal. The major problems exist in Nepalese land tax system identified by him are the inefficient land revenue administration, lack of modern cadastral survey, updated records, inequality of minimum valuation of land for different purposes, land classification not made on the basis of productivity etc. He has suggested some improvement regarding land tax administration for the collection of tax revenue in Nepal.

Adhikari (2007), in his unpublished thesis "Municipal Tax in Nepal(A case study of Lalitpur Sub-Metropolitan City), has mentioned about importance of property tax in Nepal. He has also justified the contribution of enterprises to the municipality. The major problems existing in Nepalese tax system identified by him are poor revenue collection efficiency, lack of appropriate legal action against defaulters, ineffective collection procedure etc. He has suggested some improvement regarding municipal tax for the collection of tax in Nepal.

Timilsina (2007), in his unpublished thesis "A study on House and Land Tax in Lalitpur sub-metropolitan city" has studied different issues regarding property tax. He described that due to lack of awareness and tax education property holder are deprived from duty of paying tax. He also stated administrative problems in the collection of property tax revenue.

Realizing the scarcity of the reports in Nepalese tax system different scholars, writers and institutions are involved in this field. Some research related to the property tax are studied and conclusively mentioned hereafter.

Dhungana, Kayastha and Rai (1967), CEDA have analyzed the property taxation along with other taxes. This report entitled "The analysis of Tax Structure of Nepal" shows the contribution, trends of revenue and percentage of GDP from property taxation (Urban House and Land Tax) to the total

revenue between the periods of 1962/063 to 1967/068. It also shows the urban areas of Nepal and their contribution to the total revenue collection. This reports finds that the major share of local revenue is collected from Kathmandu and Lalitpur (i.e.67% of total collection).

Kathmandu had made higher collection than its revenue potentiality. It due to the collection of old dues and new houses that have to pay their cumulative amount of taxes either from the year of introduction of this tax or from the construction and completion year of the house.

Biratnagar made the 2nd collection and Birgunj and Bhairahawa (Siddharthanagar) come under third and fourth respectively in the total collection. The report also point out the main problem regarding the existing laws and administration and have forwarded some suggestions and recommendation for the improvement of the urban house and land tax in Nepal. It also point out the annual increment and future prospects of the property tax.

In 1973, the research officers Mr. Bhawani Dhungana and Mrs Bina Pradhan of CEDA surveed the property taxes for the 1st time and performed a general account on revenue potentiality, administrative mechanism of law, administrative loopholes, problems and suggestion have been made for the prospect and future score for the development and had proposed for improvement and implementation procedure of property taxation. The survey report published as the title of "Evaluation of urban property (1st phase Kathmandu)". The report consists of various aspects of urban property tax in Nepal. It also deals with housing trends and revenue potentiality of Kathmandu.

The report points out that in the fiscal year 2027/2028 and 2028/029 the total amount of tax raised from the urban property was only Rs. 5.87 and 6.00 lakh out of which Rs 2.25 and Rs 2.43 lakh were raised from Kathmandu alone . Thus, the total share of Kathmandu is about 40% of the total property tax. The survey also shows that only about 4% of houses are paying taxes.

They have also reported that with the existing tax rates Government of Nepal can very well raise up to Rs. 10.67 lakh of revenue from Kathmandu alone and with necessary changes it will be increased to Rs.15.243 lakh. They

have also suggested of setting up a separate tax administration unit which can fetch quite substantial revenue to the government.

Shah, Kayastha and Rai (1974), have analyzed the property tax of five districts in the reports entitled "Evaluation of Urban Property". The five districts are Biratnagar, Birgunj, Bhairahawa, Nepalgunj and Janakpur.

In this report they have analyzed the revenue generation from these districts. They have also dealt with housing trend, revenue potentiality valuation procedure of land, plinth area rate and building categorization etc.

Bhandari (1978), has attempted to focus on those problem areas and issue of policy making that are remaining on central concern. He also points out problem regarding property tax and has suggested overcoming and uplifting its share on the revenue side along social betterment as it being a tax on the social sector.

Thakuri (1979), studied the urban property taxation in Nepal and tried to show the role in bringing about development with social justice in the economy.

Devkota (1980), has analyzed urban house and land tax extensively. In the report entitled "Nepalma Sahari Ghar Jagga Kar Ek Bisleshan", he has analyzed different aspect of property tax such as legal aspect, evaluation procedure of house and land, collection of house and land tax, tax base, structure of tax rate, revenue potentiality, number of tax payers and historical aspect of property tax in different nation along with international aspect.

In this report he finds out that the revenue from property tax has not been mobilized well. It has low revenue productivity and the contribution from this tax to total revenue is insignificant. He also finds out that, recently the property tax is less elastic than in the beginning and assessment ratio is also very poor. He, in his report has forwarded some suggestions for the improvement of property tax by making it more elastic.

Pokhrel (1981), shows the insignificant revenue generation from urban house and land tax and shows serious weakness regarding tax administration, method of assessment and evaluation procedure for the effective implementation and improvement of the property tax and forwarded some suggestions.

Poudel (1993), shows the implemented procedure of property system, rate and structure of property tax and shows the problems of property tax system. For the effective implementation and improvement of the property tax, he has forwarded some suggestions.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

The main sources of the government revenue especially to the local government (i.e. DDC, Municipality & VDC is the tax imposed upon various income and property of its people. Among various taxes, the role of property tax is significant to the internal sources of revenue collected by the local bodies. So the main objective of this study is to observe the real situation of the property tax revenue collected by Siddharthanagar Municipality. To achieve this objective of the study, a research methodology is designed.

This methodology contains types of research, research design, population and samples, nature and sources of data, data collection procedure, data processing technique and analysis of those data.

3.2 Research Design

This study includes three types of research as descriptive, analytical as well as empirical.

Descriptive research includes survey and different kinds of fact finding inquire. Most of the data and information of the study are concern with past phenomena of the performance. So it can be regarded as historical research design. To achieve the stated objective of the study, the study of *property tax act, finance act and local self governance act and other relative acts, rules and regulations are used for making the study descriptive.*

Analytical research includes the critical analysis and evaluation of the data made already available. For this purpose the data received from the municipality are used.

The empirical research relies on observation alone often without due regards for system and theory. It is data based research coming up with conclusion, which is capable of being verified observation. For empirical research, an opinion survey has been conducted. The opinion of the various respondents, associated with property tax (i.e. tax administrators, intellectuals

and tax payers) has been collected through structured questionnaire with reference to property tax system of Nepal. Thus, the research methodology followed in the study can be termed as analytical as well as descriptive research design.

3.3 Population and Sample

Because of large population of tax payers inside the municipality and due to the time limitation, the self judgment technique of sampling is adopted for the collection of primary data. In order to conduct this study, 40 sample sizes from Siddharthanagar Municipality and around the city have been taken.

The respondents have been divided into 3 groups. The following table shows the group and respondents and sample size.

Table No.3.1

List of Respondents

S.No.	Group of respondents	Sample Size
1	Tax Administrator and tax experts	10
2	Intellectuals	10
3	Tax Payers	20
Total		40

3.4 Nature and sources of data

In order to make the research realistic and factual, both primary as well as secondary data are used. But most of the data used in this research are secondary.

3.4.1 Primary sources of data

The primary data have been collected from the response of person relating to property tax representing from various sector of Siddharthanagar Municipality and other places around it. For this purpose, structured

questionnaire was distributed to selected respondents along with field visit. The questionnaire has been designed in Nepali wherever necessary. The questionnaire includes the question relating to the specific objective of property tax in Nepal, major problems and remedies to minimize the evasion existed in Siddharthanagar Municipality, cases of ineffectiveness of tax administration, and necessary suggestions for achieving effectiveness of tax administration of property tax in Siddharthanagar Municipality.

3.4.2 Secondary Sources of Data

The secondary sources of data includes different Acts/regulations, books, journals, newspaper, published and unpublished reports by different research organization and the government of Nepal.

The major sources of secondary sources are:

-) Ministry of local development, Municipality Act 2048, Nepal Government, Kathmandu.
-) Ministry of local development, Municipality Working management regulation, 2049, Nepal Government, Kathmandu.
-) Ministry of local development, Local self-governance Act 2055 and Local self-governance regulation 2056, Nepal Government, Kathmandu.
-) Property tax act, 2047
-) Economic Survey of various years, ministry of finance, Nepal government.
-) Books related to property tax.
-) Unpublished thesis and dissertation submitted at central library, T.U.
-) Research studies by Center for Economic Development and Administration (CEDA) concerning property tax.
-) Budget Books of different years of Siddharthanagar Municipality.

3.5 Data Presentation and Analysis

For the sake of effectiveness, the data collected from various sources have been presented in the form of table, chart and bar graph as per the need of the study. The result obtained from the analysis has been clearly interpreted so as to depict the exact finding of the study. Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic. The empirical results have been extracted in this study by using annual data from 2057/58 to 2064/65.

3.6 Tools Used for Analysis of Data

In order to analyze and interpret the collective data after necessary adjustments various financial as well as statistical tools have been used. Brief explanations of such tools have been presented below:

Statistical tools:

- i. Simple percentage
- ii. Simple average
- iii. Graphs, charts, and diagrams
- iv. Regression Methods

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

4. Background

Data presentation and analysis on this study has been presented in this chapter. This is the major part of the study which aims to make clear understanding contribution of property tax in Siddharthanagar Municipality. Towards the end of this chapter empirical investigation based on opinion survey has been presented with relevant sub topics and major findings are also included in the last sub headings.

4.1 Contribution of House and Land Tax to Total Revenue of SMC

Siddharthanagar municipality has been collecting property tax since 2057. It is known as house & land tax. This tax is playing vital role in Siddharthanagar Municipality City. It contributes of house and land tax in total revenue of Siddharthanagar Municipality City which can be shown in table 4.1.

Table No. 4.1

Contribution of House and Land Tax to Total Revenue of SMC

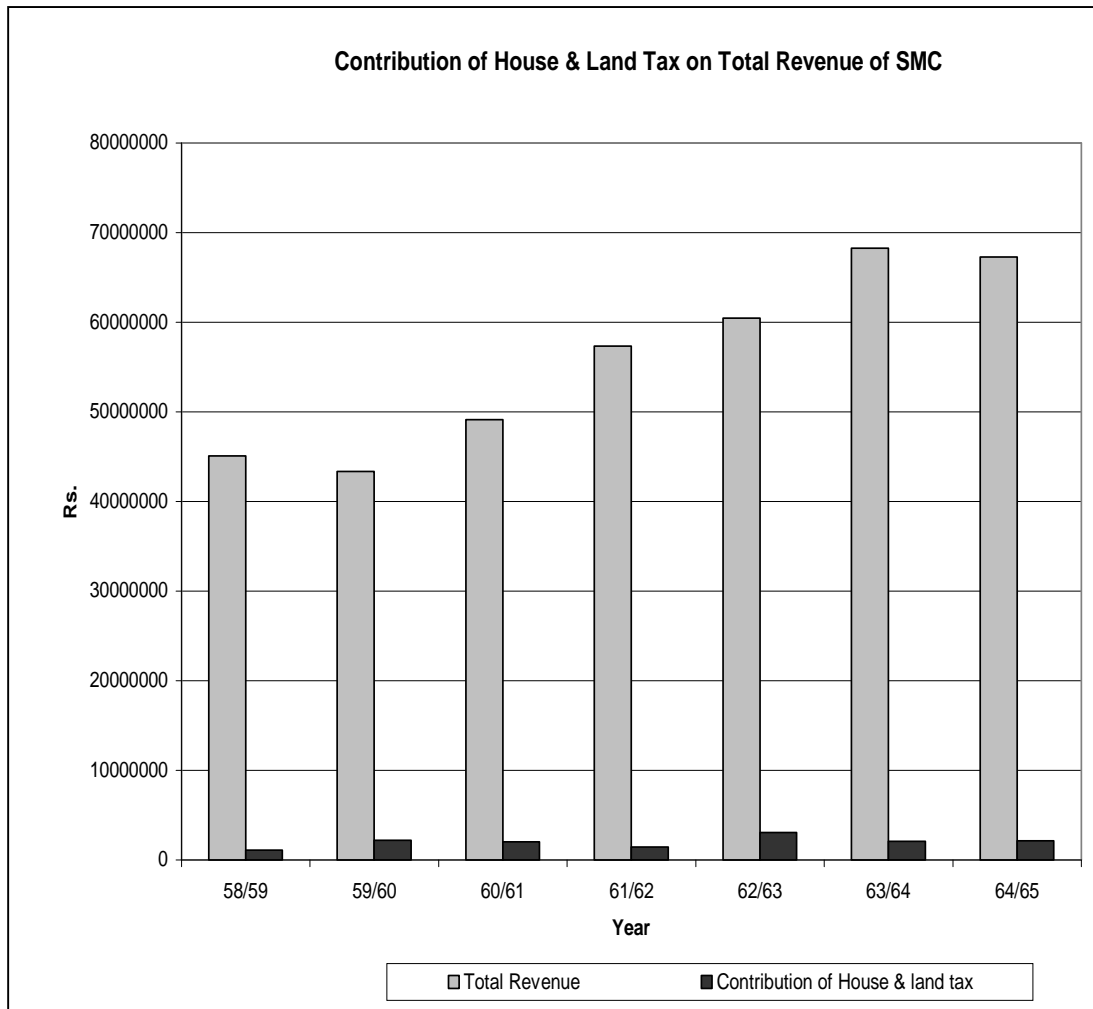
Year	Total Revenue	Contribution of H & L tax	Percent
058/059	45088780.84	1093447.54	2.43
059/060	43353197.53	2218293.17	5.12
060/061	49142780.48	2039511.21	4.15
061/062	57337379.72	1452984.43	2.53
062/063	60448136.52	3090770.16	5.11
063/064	68263227.43	2108686.80	3.09
064/065	67262091.36	2115913.63	3.15
Total			25.58
Average			3.65

(Source: SMC, revenue department)

From the table 4.1 it cleared to see that average contribution of house and land tax on total revenue is 3.65 percent. Percentage share contribution of house and land tax on total revenue can be observed highest i.e. 5.12 percent in F/Y 059/060 and lowest i.e. 2.43 percent in F/Y 058/059. This can be shown in graph.

Figure No. 4.1

Contribution of House and Land Tax to Total Revenue of SMC



4.1.1 Structure of Total Income from Tax and Other Sources of SMC

The structure of total income from tax and other sources of SMC is presented in table 4.2 from the fiscal year 058/059 to 064/065. The table shows that the public revenue in SMC is by different taxes such as service charge, fine and penalties, fees, aid and other income which are shown in the following table with percentage.

Table No. 4.2

Structure of Income from Tax and Other Sources of SMC

Other sujan file landscape

4.1.2 Total Tax Income from Property Tax and Other Taxes & Income of SMC

Table 4.3 shows that the percentage contribution of property tax (house and land) and other taxes to total revenue. The contribution of property tax was very low comparison to the other taxes in SMC. The presented data shows fluctuation percentage of property tax was in every fiscal year. So it can't be said that the percentage contribution of property tax may or may not grown up in the future.

Table No. 4.3

Total Income, Property Tax and Other Taxes of SMC

Particulars	F/Y 058/059	F/Y 059/060	F/Y 060/061	F/Y 061/062	F/Y 062/063	F/Y 063/064	F/Y 064/065
Total tax income (in Rs.)	45088780.84	43353197.53	49142780.48	57337379.72	60448136.52	68263227.43	67262091.36
Property (H & L)tax (in Rs.)	1093447.54	22182.93.17	2039511.21	1452984.43	3090770.16	2108686.80	2115913.63
% fo property tax	2.43	5.12	4.15	2.53	5.11	3.09	3.15
Other taxes & income (in Rs.)	43995333.30	41134904.36	47103269.27	55884395.29	57357366.36	66154740.63	65146177.73
% of other taxes & income	97.57	94.88	95.85	97.47	94.89	96.91	96.85

(Source: Income and expenditure budget of SMC)

Table 4.3 showed total tax income from property and other tax of SMC for the last 7 fiscal years. Total tax income house and land tax, percentage of property tax and percentage of other taxes and income are shown in above table. Total tax Income was Rs.45088780.84, which consisted 2.43% from property tax and 97.57% from other taxes and income in fiscal year 058/059. Total tax income was Rs.43353197.53, which consisted 5.12% from property tax and 94.88% from other taxes and income in fiscal year 059/060. Total tax income was Rs.49142780.48, which consisted 4.15% from property tax and 95.85% from other taxes and income in fiscal year 060/061. Total tax income was Rs.57337379.72, which consisted 2.53% from property tax and 97.47% from other taxes and income in fiscal year 061/062. Total tax income was Rs60448136.52, which consisted 5.11% from property tax and 94.89% from other taxes and income in fiscal year 062/063. Total tax income was Rs.682632.27, which consisted 83.09% from property tax and 96.91% from other taxes and income in fiscal year 063/064. Total tax income was Rs.67262091.36, which consisted 3.15% from property tax and 96.85% from other taxes and income in fiscal year 064/056.

4.1.3 Budgeted and Actual House and Land Tax of SMC

Success of any organization is depended upon the correct budgeted and it's correct implementation. So here presented table 4.4 shows the budgeted of property tax prepared by the SMC and collection efficiency to collect actual in different fiscal years.

Table No. 4.4

Budgeted and Actual House and land tax of SMC

F/Y	Income Revenue		Collection Efficiency in (%)
	Budgeted	Actual	
058/059	7500000.00	1093447.54	14.58
059/060	1300000.00	2218293.17	170.64
060/061	1650000.00	2039511.21	123.61
061/062	2250000.00	1452984.43	64.58
062/063	2100000.00	3090770.16	147.18
063/064	3300000.00	2108686.80	63.90
064/065	2500000.00	2115913.63	84.64

(Source: Income and expenditure budget of SMC)

From the above table 4.4 showed that the revenue from house and land tax was fluctuating over the last 7 years. Collection efficiency of house and land tax was around 14.58% in the first fiscal year. It had been increased in the fiscal year 059/060. This was not because of better performance of SMC because of the decreased in budgeted amount. From the above data it can be said that due to the poor calculation of budgeted income recovery of tax was not satisfied.

4.2 Study about Trend of House and Land Tax of SMC

The trend of house and land tax of SMC calculated on the basis of house and land tax revenue of last 7 years. Table 4.5 shows the trend of house and land tax of SMC.

Table No. 4.5

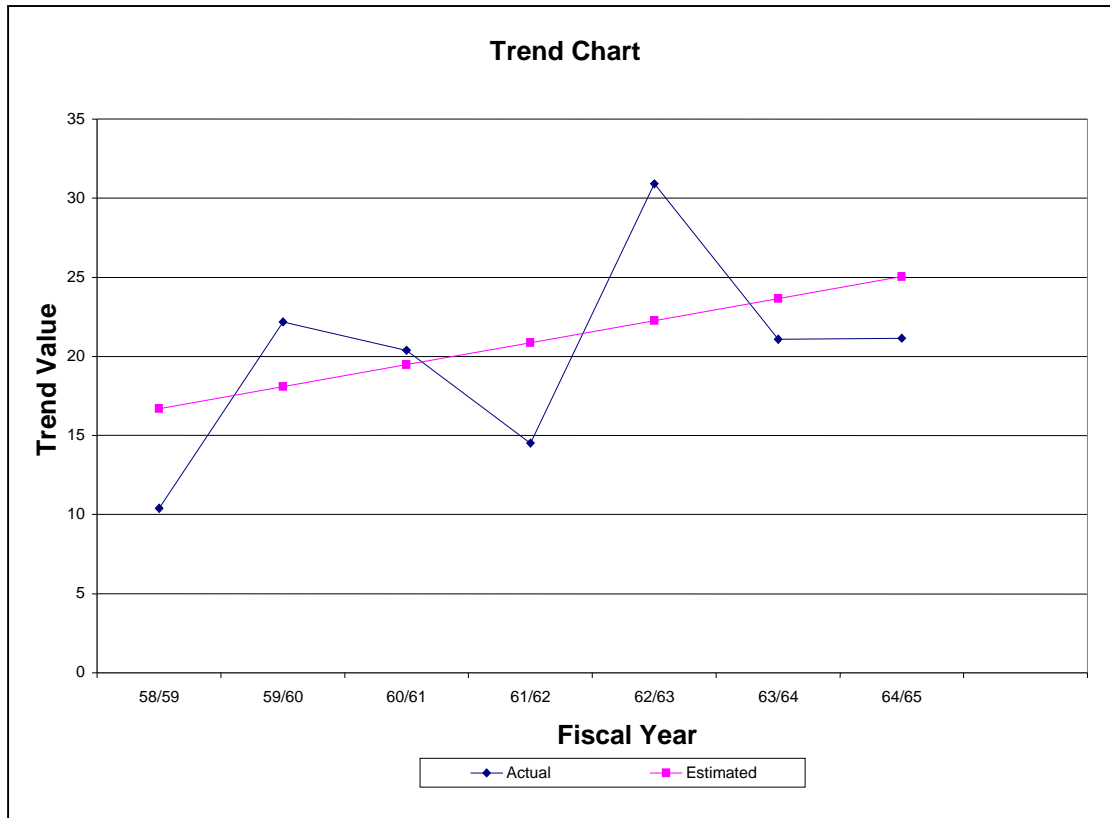
Trend of House and Land Tax of SMC (in '00000)

Year	T	X=T-3.5	X ²	H & L Tax (Y)	XY	y=a+bX
058/059	1	-2.5	6.25	10.39	-27.33	16.69
059/060	2	-1.5	2.25	22.18	-33.27	18.08
060/061	3	-0.5	0.25	20.39	-10.20	19.47
061/062	4	0.5	0.25	14.52	7.26	20.86
062/063	5	1.5	2.25	30.90	46.35	22.25
063/064	6	2.5	6.25	21.08	52.70	23.64
064/065	7	3.5	12.25	21.15	74.03	25.03
		X=0	X²=29.75	Y=141.15	XY=109.54	

From the above table 4.5 shows actual House and Land Tax is maximum in fiscal year 064/065 and low in 058/059 but estimated House and Land Tax shown in slowly increasing. Where $a=20.16$, $b=1.39$ and estimated $y=20.16+1.39X$ which is clearly shown in Trend Chart below and calculation is shown in Appendix-II.

Figure No. 4.2

Trend of House and Land tax of SMC.



4.3 An Empirical Investigation

An empirical investigation has been conducted in order to find out various aspects of house and land tax (property tax) from the experience of real situation. The major tools for this purpose is an opinion questionnaire which was dispatched to 40 person representing from various sector. (See the format of questionnaire and the list of respondent in Appendix III and IV). Two separate questionnaires are designed for each of the respondent category i.e. one for tax payer and other for tax administrator/intellectual.

The questions were asked either yes/no format or in the four degree options. For analysis purpose the total number for each alternative are converted into percentage and analyzed.

4.3.1 Familiarity with the property tax imposed by municipality

In order to know whether the tax payer are familiar with the property tax imposed by the municipality a question was asked to the taxpayer, "Do you know about the property tax imposed by Municipality?" The response received from the respondents are tabulated as below:

Table No. 4.6

Familiarity with the Property tax imposed by municipality

Response	Total No	Percentage (%)
Yes	18	90
No	2	10
Total	20	100

Source: Primary data (opinion survey)

From the above table we conclude that most of the respondents are familiar with the property tax imposed by the municipality. 90% showed their response on having familiar and only 10% shows on not being known.

4.3.2 The time of tax submission

In order to know when the tax payer submits their tax bill, a question was asked to the taxpayer, "When do you pay your property tax?" The response received from the respondents are tabulated as below:

Table No. 4.7

The time of tax submission

Response	Total No	Percentage (%)
Within rebate period	3	15
Within one year	2	10
After one year	5	25
Not fix	10	50
Total	20	100

Source: Primary data (opinion survey)

From the above table, it is clear that most of the respondents do not pay their property tax within rebate period. The percentage of such number is only 15%.

Among the respondents 10% pay their property tax within one year and 25% after one year. And most of the respondents i.e. 50% show their response on not have any fix time to pay the tax. According to them they only pay their tax while any procedural work at municipality (i.e. for registration, loan processing etc.)

4.3.3 Complication in paying property tax

In order to know the opinion of the respondents about the complication on paying property tax, question was asked to the tax payer, "Is there any complication in paying property tax?" Their response is tabulated as follows:

Table No. 4.8

Complication in paying property tax

Response	Total No	Percentage (%)
Yes	14	70
No	6	30
Total	20	100

Source: Primary data (opinion survey)

From the above table it is clear that 70% of the respondents felt complication in paying property tax and remaining 30% do not feel any complication at all.

4.3.4 Types of complication in paying property tax

To know the types of complication in paying property tax a separate question was asked to the tax payers, "If yes what kind of complication do you face?" The response over different 4 alternatives is tabulated as follows:

Table no. 4.9

Types of complication in paying property tax

Response	Total No	Percentage (%)
Assessment complication	10	50
Valuation complication	7	35
Submitting complication	3	15
Other complication	---	---
Total	20	100

Source: Primary data (opinion survey)

Form the above table we can see that most of the respondents i.e. nearly 50% feel the complication on assessment. In the same way nearly 35% feel complication in valuation. According to them the rate in different flat is diversifiable so it is difficult in valuation for the general tax payer. In the same way 15% shows their complication while submitting integrated property tax. And no response in other complication.

4.3.5 Satisfaction of tax payer on the rebate provided by the municipality

In order to know the view of the taxpayers whether they are satisfied on the rebate facility provided by the municipality in integrated property tax a question was asked to the taxpayers, "*Are you satisfied with the rebate provided by the municipality?*" The response is tabulated as follows:

Table no. 4.10

Satisfaction of taxpayer on the rebate provided by the municipality

Response	Total No	Percentage (%)
Yes	3	15
No	17	85
Total	20	100

Source: Primary data (opinion survey)

From the above table it is clear that most of the respondents are not satisfied with the present rebate system on property tax. Only 15% are satisfied with the present rebate facility and remaining 85% are not satisfied. They in personal interview say that both the rebate (i.e. time rebate and amount rebate) should be made more incremental.

4.3.6 Appropriation of present PT rate

In order to know the view of the taxpayers whether the present PT rate applied by the municipality is appropriate or not, a question was asked to the taxpayers, "*Is the tax rate applied by municipality appropriate?*" The response is tabulated as follows:

Table no. 4.11

Appropriation of present PT rate

Response	Total No	Percentage (%)
Yes	8	40
No	12	60
Total	20	100

Source: Primary data (opinion survey)

From the above table we can absorb that 40% of the tax payer shows their response on 'appropriation' and 60% of the tax payers shows their response on 'not appropriation'.

4.3.7 Suggestion for the applicable rate

To the taxpayers who don't agree with the present PT rate a further question was asked them, "If not what should be done?" The responses received form the 12 respondents are as follows:

Table no. 4.12

Suggestion for the applicable rate

Response	Total No	Percentage (%)
Should based on certain percentage	8	40
Limit-gap should be decreased	2	10
Full limit of law should be imposed	5	25
Must increase the rate for higher valuation and decrease for lower.	5	25
Total	20	100

Source: Primary data (opinion survey)

Form the above table we can see that 40% of respondents suggest to be based on certain percentage for all slap of valuation. However, in personal interview they suggest to make different 3 to 5 slap for different percentage purpose. In the same way only 8% of the respondents said that the limit gap should be decreased to make the rate more diversifiable. Similarly 25% of the response is received for both 'full limit of law should be utilized' and 'must increase the rate for higher value and decrease for lower value'.

4.3.8 Satisfaction on the compensating services from municipality

To know the view of the respondents whether they are satisfy with the service provided by the municipality in compensation of the tax submitted by them, a question asked to the tax payers, "*Are you satisfied with the services provided by the municipality in compensating on your property tax?*" The response is tabulated as follows:

Table no. 4.13

Satisfaction on the compensating services from municipality

Response	Total No	Percentage (%)
Yes	12	60
No	8	40
Total	20	100

Source: Primary data (opinions survey)

From the above table we can see that 60% of the taxpayers are satisfied with the service provided by the municipality and 40% are not. The reason of dissatisfaction according to them is that the municipality does not pay its attention for the equal development in each ward and each sector.

4.3.9 Basis of valuation of land for tax purpose

In order to know the view of the taxpayers about the valuation of land for tax purpose a question was asked to the taxpayers," *What should be the basis of valuation of land for tax purpose?*" The response is tabulated as follows:

Table no. 4.14

Basis of valuation of land for tax purpose

Response	Total No	Percentage (%)
Market value	3	15
Registration value of land.	4	20
Self assessment value.	7	45
The value fixed by municipality.	6	30
Total	20	100

Source: Primary data (opinion survey)

From the above table we can observe that the maximum respondents i.e. 45% focus them on the self assessment method of valuation of land. Similarly, 30 % said that the valuation method should be based on the value fix by the municipality every year, 20% said it should be based on the value for the registration purpose and 15% said the base of valuation should be on market value.

4.3.10 Information provided by the municipality about PT to tax payers

In order to know whether the municipality is providing sufficient information about integrated property tax to its taxpayers, a question was asked to the taxpayers, "Are you regularly being informed by the municipality about property tax?" The response is as follows:

Table no. 4.15

Information provided by the municipality about PT to taxpayers

Response	Total No	Percentage (%)
Yes	3	15
No	17	85
Total	20	100

Source: Primary data (opinion survey)

From the above table it is clear that most of the tax payers i.e.85% are not being made regularly informed by the municipality about integrated property tax. Only 15% said that they are being regularly informed about PT.

4.3.11 Suitability of PT as a major source for raising local revenue

In order to know the suitability of property tax for raising the local revenue a question was asked to the tax administrator and intellectuals, "Do you think property tax is the suitable means for raising local revenue?" The response is tabulated as below:

Table No. 4.16

Suitability of PT as a major source for raising local revenue

Response	Tax administrator	Intellectuals	Total	%
Yes	10	10	20	100
No	--	--		
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table it is clear that all 20 respondents from both categories accept that integrated property tax is the suitable means of fund raising from local revenue.

4.3.12 Reasons for suitable source of fund raising from PT

In order to know the reason of suitable source among internal sources, a question was asked to the tax administrator and intellectuals, "*Why PT is the suitable sources for raising local revenue?*" The response over different alternative is as follows:

Table No. 4.17

Reasons for suitable source of fund raising from PT

Response	Tax administrator	Intellectuals	Total	%
Among internal source it is the most viable sources	6	5	11	55
It is based on the value of property so that the tax payer does not hesitate to pay	3	2	5	25
Can help to decrease external borrowing	--	2	2	10
The tax payer does not feel the burden	1	1	2	10
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above tale we can see that 50% said that PT is the most viable source among internal sources. Similarly 25% said that it is suitable because the tax is based on the value of property so the tax payer does not hesitate to pay the tax. In the same way 10% of the respondents said that it is suitable because it can help to decrease the external borrowing and 10% shows their preference on "The tax payer does not feel the burden.

4.3.13 Basis of valuating property

In order to know the view of tax administrator and intellectual about the basis of valuation of property for tax purpose a question was asked to the respondent, "*What should be the basis of valuating property for tax purpose?*" The response is tabulated as follows:

Table No. 4.18

Basis of valuating property

Response	Tax Administrator	Intellectuals	Total	%
Rate fix by revenue consultant committee of municipality	6	4	10	50
Rate fix by land revenue office for registration purpose	4	3	7	35
According to the real market price	--	2	2	10
Self assessment basis	--	1	1	5
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table, 50% of the respondents suggest that the rate must be imposed as according to the revenue consultant committee of municipality. 35% suggest the rate fix by district land revenue office for registration purpose. 10% suggest the rate as according to the real market price. Similarly only 5 % suggest on self assent basis.

4.3.14 PT as effective tools in reducing the gap between rich and poor

In order to know the view of the respondents whether in property tax is the effective tools in reducing the gap between rich and poor, a question was asked to the tax administrator and intellectual," *How much do you think, property tax is the effective tool in reducing the gap between rich and poor?"* The response is tabulated in the following table:

Table No. 4.19

PT as an effective tool in reducing the gap between rich and poor

Response	Tax Administrator	Intellectuals	Total	%
Highly effective	--	--	--	--
Fairly effective	2	2	4	20
Not effective	6	8	14	70
Don't know	2	--	2	10
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table we can see the major portion of the respondents i.e.70% replied that PT can not be the effective tools in reducing the gap between rich and poor. 20% said, this tool is fairly effective and 10 % shows their views in being unknown about this.

4.3.15 Sufficiency of the component of property included in PT

In order to know the views of the respondents whether the component of property included in PT are sufficient or not, a question was asked to the tax administrator and intellectual, "*Are the component of property tax (i.e. house and land tax), implemented by the municipality sufficient for raising local revenue?*" The response is tabulated as follows:

Table No.4.20

Sufficient of the component of property included in PT

Response	Tax administrator	Intellectuals	Total	%
Yes	8	6	14	70
No	2	4	6	30
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table we can see that 70% of the respondents replied that the component used presently for tax purposes are sufficient and remaining 30% said that the component are still not sufficient for raising local revenue. On the way of interviewing them, they suggest that other movable property should be included in property tax so that other more funds can be raised.

4.3.16 Evaluation of property tax administration in Nepal

To know the views of the respondents about the present property tax administration in Nepal, a question was asked to the tax administrator and intellectual, "*How do you evaluate the property tax administration in Nepal?*" The response is tabulated below:

Table No. 4.21

Evaluation of property tax administration in Nepal

Response	Tax administrator	Intellectuals	Total	%
Delay in assessment and collection	--	3	3	15
Wide spread tax evasion and tax avoidance	--	3	3	15
Lack of tax expertise.	6	2	8	40
It is satisfactory	4	2	6	30
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table we can observe that the major portion of respondents accept that the Nepalese property tax administration is suffering from the expertise. 15% of the respondents express the Nepalese tax administration as delay in assessment and collection, 15% said there is wide spread tax evasion and tax avoidance. In the same way 30% are satisfied from the present administrative system.

4.3.17 Tax Evasion as a major constraint in revenue collection

In order to know the views of the respondents about the tax evasion as a major constraint in revenue collection, a question was asked, "Do you agree that the tax evasion also is a major constraint in revenue collection?" The responses are tabulated as follows:

Table No. 4.22

Tax Evasion as a major constraint in revenue collection

Response	Tax administrator	Intellectuals	Total	%
Yes	2	6	8	40
No	8	4	12	60
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table we can see that major portion of the respondents (i.e. 60%) do not accept that the tax evasion is a major constraint in revenue collection. Only 40% of the respondents replied that the tax evasion is a major constraint in revenue collection.

4.3.18 Suggestions for controlling tax evasion

In order to find out the suggestions to control the tax evasion, the respondents who accept the tax evasion as a major constraint, a question was asked to those tax administrator and intellectual, "If yes what should be done to control tax evasion?" The response is tabulated as follows:

Table No.4.23

Suggestions for controlling tax evasion

Response	Tax administrator	Intellectuals	Total	%
Restructuring the management in municipality	--	--	--	--
Adequate auditing and fair investigation	--	4	4	20
Essential of taxpayer's awareness	10	6	16	80
Maximum penalty should be imposed.	--	--	--	--
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table it is clear that most of the respondents (i.e.80%) who accept the tax evasion as a major constraint in revenue collection suggest to the tax payers awareness to control the tax evasion. Similarly 20% suggest for making adequate auditing and fair investigation.

4.3.19 Technique of motivation to taxpayers for revenue collection

In order to know the views of experts about motivation to tax payer for revenue collection, a question was asked, “*What should be done to motivate the tax payer to collect the tax revenue in time?*” The response is tabulated below:

Table No. 4.24

Technique of motivation to taxpayers for revenue collection

Response	Tax Administrator	Intellectuals	Total	%
Fine, penalties and punishment should be imposed	5	4	9	45
Tax payers should be made well informed about PT	3	4	7	35
More rebate facilities should be given	-	-	-	-
Awareness programs should be launched	2	2	4	20
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table we can observe that maximum respondents i.e. 45% focused on fine, penalties and punishment should be imposed. Similarly, 35% respondents opinioned that tax payers should be made well informed about PT. And 20% said awareness programs should be launched.

4.6.20 Suitability of self assessment method of valuating property

In order to know the views of experts about the self assessment method of valuation of property, a question was asked, “*Is self assessment valuation method of valuating property applicable in this present system?*” The views are tabulated in the following table:

Table No. 4.25

Suitability of self assessment of valuation method

Response	Tax Administrator	Intellectuals	Total	%
Yes	4	8	12	60
No	3	--	3	15
Should trial	1	2	3	15
Increase tax evasion	2	--	2	10
Total	10	10	20	100

Source: Primary data (opinion survey)

From the above table it is clear that the self assessment method of valuation of property might be more applicable and easier as it has been in practice in case of direct (i.e. sales) tax. Most of the respondents (i.e.60%) accept that the self assessment method is applicable and suitable. 15 % says that it is not applicable. While 10% says that it increases the tax evasions. Remaining 15% respondents prefer their views on doing trial.

4.4 Major Findings of the Study

This study has focused on the contribution and trend of house and land tax of SMC. The major findings of the study are summarized below:

-) It is cent per cent true that the Property Tax is a suitable means for raising local resources. As direct tax have strategic importance and best sources of revenue, the suitability of PT can't be ignored in course of raising domestic resources.
-) The percentage of contribution of house and land tax on total revenue can be observed highest i.e. 5.12% in F/Y 059/060 and lowest i.e. 2.43% in F/Y 058/059. The average contribution of house and land tax on total revenue is 3.65% in SMC.
-) Analysis of trend value of house and land (property) tax show huge fluctuation and have potential growth rate if it is considered well in implementation.
-) Being lack of sufficient information tax paying habit of people is poor.
-) Inefficient tax administration, lack of consciousness of taxpayer, increasing habit of tax evasion etc are the major problems of the property tax system in Nepal.
-) Healthy administration, awareness of taxpayers and fair investigation etc are most to control tax evasion.
-) The present rate of exemption limit of PT is medium.
-) The main suitable method of valuation of assets are:
 - i. According to the rate fixed by revenue consultant committee of municipality.
 - ii. According to value fixed by District Land Revenue office.
-) Tax education, incentive to regular tax payers and simplification of property tax assessment procedure can help to increment of tax paying habit.
-) Tax awareness is essential to control the tax evasion.
-) Self assessment method of valuating property might be a more applicable method than other procedural method.

CHAPTER -V

SUMMARY CONCLUSION AND RECOMMENDATION

5.1 Summary

Nepal is one of the least developed countries around the world. Nearly 31% people are moving themselves under the vicious circle of poverty. They are living below the average living stander and far from the access of basic social as well physical infrastructures. It is only due to inefficient resource mobilization and unequal distribution of local resources. So, the well management in the field of revenue collection may lead the nation to the development of social infrastructure and can fulfill the increasing desire and demand of public interest.

In Nepal, Property tax was first introduced by finance act, 1955 AD. It was implemented under property tax act in 1960 A.D. It was replaced by urban house and property tax later. Urban house and land tax was introduced in 1962 for the purpose of collecting revenue from urban house and land property. Initially, this tax was introduced in Kathmandu, Lalitpur, Bhaktapur, Biratnagar , Birgunj Nepalgunj, Rajbiraj and Butwal. Later in 1963/64 it was introduced in Bhadrapur and Dharan in 1964/65 and Bhairahawa (Siddharthanagar), Pokhara, Palpa and Hetuda in 1973/74 AD. The interim government of 2047 BS again introduced property tax in 1990 AD by the finance act in beginning and by property tax act 1990. After the introduction of local self-government act in 1999, property tax is collected by the local bodies.

Property taxes are generally mobilized for the benefits of public in the local community. There are basically two types of property taxes levied by VDC's and Municipalities: House and land tax and Integrated property tax.. Among 58 municipalities, Butwal Municipality, geographically situated in Lumbini Zone of Western Region is implementing Integrated Property Tax since Fiscal Year 2057/2058 as according to the provision made under local self governance act 2055.

The study has focused the role of property tax revenue structure, contribution, trend and composition of house and land tax of Siddharthanagar Municipality City. Siddharthanagar Municipality City has 13 wards. Total population of Siddharthanagar Municipality City is 59,875. The highest contribution of property tax revenue is 5.12 percent in F/Y 059/060 and the lowest contribution is 2.43 percent in F/Y 058/059.

5.2 Conclusion

Nepal is the country which has a lower taxed income in comparison to other countries in the world. The Nepalese economy is fully dependent upon foreign grants and aids of several nation and organization. The government of Nepal is not being able to accelerate its economy from its internal resources especially from tax revenue. Although and even though the country generates sufficient internal revenue it can't be imagined as a sustainable and independent economy. Among internal revenue property tax, the major common tax is the main resources to the nation. However, the contribution of property tax in Nepalese tax structure is very poor in its volume due to various reasons as mentioned below:

-) Most of the property holders are not aware about their tax paying liability. Due to lack of tax education property holder are deprived from the responsibility of paying tax.
-) Still, from the decentralization policy of government, the municipality is not being able to make its own valuation policy. It adopts the rate fixed by the district land revenue offices which has a vast difference comparing the market value.
-) The tax rate is not being designed in connection with reducing the gap between rich and poor. The increasing trend between rate and valuation is not similar.
-) There is not any check and balance in assessment and valuation of property. Due to such loopholes many people are paying low tax in comparing their value of property.
-) No any programs are launched from municipality to increase awareness to its taxpayer, from which tax evasion is being a serious problem in revenue generation.
-) The revenue consultant committee formed in the municipality is not actively working. It only fulfilling the formality.

The available resources of the country collected through the remittance and domestic resources as well are mostly diverted and invested towards real estate and luxury housing in Nepal. This increasing trend is creating the *jungle of concrete* in urban areas. So the investment in such sector creates boom in the economy and push into high inflation. In this respect only the revolutionary tax in an equitable and

justifiable manner will help to discourage such investment. This leads the investment into productive sector and a high degree of tax revenue collection. The property tax revenue administration in Nepal is very weak due to the lack of expertise, professionalism and implementation of existing rules and regulations as well.

If the above mentioned problems relating property tax are solved effectively, the revenue collection will definitely be remarkable and can be used in the formation of well developed society.

5.3 Recommendations

After the formulation of fiscal decentralization policy of the government and after the introduction of Local Self Governance Act 2055, property tax has been accepted as an important source for local government of Nepal. The growing need of fiscal resources for overall development can only be met through effective and large volume of property tax. Instead of several legal as well as procedural problems, the contribution of property tax in the total tax structure is likely to be significant in the upcoming future. In the light of findings of this study the following specific suggestions have been recommended for the sound and effective property tax system of Siddharthanagar Municipality City.

-) Municipality should launch several programs for creating awareness of tax payer to increase their tax paying habit.
-) It should provide information about property tax and penalty system from different media (like, TV, Radio, Papers etc) to collect revenue in time.
-) The rebate system should be re-structured so that the taxpayers may motivate to pay their tax liability.
-) Property tax should be applied in reducing the gap between rich and poor people, which at present does not seem to be much more significant.
-) Necessary attention should be focus for simplification of procedure and to develop the computerized billing system.
-) Local property tax should be guided as per market based as well as the use basis by taxpayers.
-) Door to Door service may provide to collect the tax revenue.

-) The valuation of land should not have vast difference with the market value of such land. So the value should be based on the rate by the municipality not from the old and unrealistic government valuation.
-) The tax should be revolutionary so that it can be used as a tool of reducing the social inequalities.
-) Self assessment method can be applied to simplify the procedures regarding integrated property tax.
-) More facilities for the taxpayer should be provided so they may feel that they are getting full compensation from the amount they submit.

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APPENDIX I

Example:-

Mr. Hari Krishna Shrestha has following details of his house located at Siddharthanagar Municipality City.

Mode of construction	: Kiln bricks with mud and mortar
Total area of house	: 6000 sq. feet
Land and compound	: 3 katta
Year of construction	: 2044 B.S.
Government valuation of land	: Rs. 3, 00,000 per katta

Solutions:

Valuations of house and land

Area of house = 6000 sq. feet

Type of house = kiln bricks with mud mortar

Valuation rate per sq. feet = 525

Total valuation of house = $525 \times 6000 = 3150000$

Year of construction = 2047 Ashad = 2048 Counted

Year for Depn 2065-47 = 18 years

Depn rate = 1% year to taken = 18

Depn amount = $1\% \times 3150000 \times 18 = 567000$

Valuation of house after depn = $3150000 - 567000 = 2583000$

Area of land = 3 katta

Valuation of land = 300000

Total value of land = $3 \times 300000 = 900000$

Total value of house and land = $900000 + 2583000 = 3483000$

TAX LIABILITY

	Slab	Tax rate	Tax amount
First	1000000	0	0
Next	1000000	-	Rs. 300
Next	300000	0.05%	Rs. 1500
Next	1513000	0.25%	Rs. 3782.5
Total Tax Liability			55825.5

Here, Total Valuation of House and Land = Rs. 6513000

Total Tax Liability = Rs. 5582.5

APPENDIX II

$$a X \frac{Y}{N} X \frac{141.15}{7} X 20.16$$

$$b X \frac{n}{n} \frac{XY Z f}{X^2 Z f} \frac{X f}{X f} \frac{YA}{YA}$$

$$b X \frac{7 | 109.54 Z 3.5 | 141.15}{7 | 29.75 Z 3.5 f}$$

$$b X \frac{272.76}{196}$$

$$b X 1.39$$

$$y = a + bX$$

$$y = 20.16 + 1.39 | (-2.5)$$

$$y = 16.69$$

APPENDIX III

Questionnaire (For Tax Payer)

Dear sir/madam,

I'm Sujan Bhandari, student of Master of Business Studies (MBS) at Shanker Dev Campus, Kathmandu. I have been writing thesis entitled "*Contribution of House & Land Tax (Property Tax) To Total Revenue of Siddharthanagar Municipality City*" in partial fulfillment of the requirement for M.B.S. This questionnaire has been developed and presented to you to know about House and Land Tax (Property Tax) on your opinion. I kindly request you to provide your views as per demand of questions. I would like to ensure you that the information provided by you will be kept confidential.

Please tick any one option:

1. Do you know about the property tax imposed by the municipality?
 - a) Yes
 - b) No
2. When do you pay your property tax?
 - a) Within rebate period
 - b) Within one year
 - c) After one year
 - c) Not sure
3. Is there any complication in paying tax?
 - a) Yes
 - b) No
4. If yes what kind of complication do you face?
 - a) Assessment complication
 - b) Valuation complication
 - c) Submitting complication
 - d) Other complication
5. Are you satisfied with the rebate provided by municipality?
 - a) Yes
 - b) No, it should be increased
6. Is the tax rate applied by municipality appropriate?
 - a) Yes
 - b) No
7. If not what should be done?
 - a) Should be based on certain percentage
 - b) Limit-gap should be decreased
 - c) Full limit of law should be imposed
 - d) Must increase the rate of higher valuation.

8. Are you satisfied with the service provided by the municipality in compensating on your property tax?

a) Yes

b) No

9. What should be the basic valuation of land for tax purpose?

a) Market value

b) Registration value of land

c) Self assessment value

d) The value fix by municipality

10. Are you regularly being informed by the municipality about property tax?

a) Yes

b) No

Name:

Address:

Occupation:

APPENDIX-V

Municipality at a glance

Development Region : Western

Zone : Lumbini

District : Rupandehi

Area : 36.03. sq. km

Status :

Altitude : 110 metres

Latitude : 27°31' North

Longitude : 83°26' East

Geographical Boundries

East : Bagaha and Basantapur VDC of Rupandehi.

West : Hati Bangai VDC of Rupandehi.

North : Padshari and Pharsatikar VDC of Rupandehi.

South : Sunauli, Maharajganj District of India.

Total Wards: 13

Population:

Total : 59875

Male : 30,677

Female : 29198

Households : 10210

Population Density: 16.77/Ha.

Education:

Literacy rate : 74.68

No. of Ph.D Doctors: 10

Population getting drinking water facility: 97.35%

Average Age : 68.27%

Major Religion:

Hindu : 82.9% Bouddist : 4.6%

Islam : 12.01% Jain : 0.07%

Christian : 0.22% Other : 1.11%

Temperature :

Maximum : 45.2⁰C (May)

Minimum : 2.0⁰C (January)

Average annual rainfall : 23.71 mm

No. of newspaper published from the municipality : 8

No. of F M station inside the municipality : 2

NO. of parks : 4

(Source: District Profile of Rupandehi (2064), Nepal Gov. Central Bureau of Stastic,
National Planning Commission, Kathmandu.

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