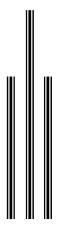
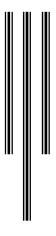
# CONTRIBUTION OF INCOME TAX FROM PUBLIC ENTERPRISES TO GOVERNMENT REVENUE IN NEPAL



Submitted By: Shankar Prasad Baral Roll No.: 42/058

T.U. Regd. No.: 7-1-048-1256-96 Prithivi Narayan Campus, Pokhara



A thesis submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University

In Partial fulfillment of the requirement of the degree of Master of Business Studies (MBS)

Pokhara March, 2009

### RECOMMENDATION

This is to certify that the thesis: submitted by:

#### **Shankar Prasad Baral**

entitled

## Contribution of Income Tax from Public Enterprises to Government Revenue in Nepal

has been prepared as approved by this Department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

Supervisor	<b>Head of Department</b>
Name: Indra Prasad Sharma	Name: Dr. Puspa Raj Sharma
Signature:	Signature:
	Campus Chief
	Signature:

Date: March .......... 2009

### **Department of Management**

#### VIVA VOCE SHEET

We have conducted the Viva-Voce examination of the thesis presented by:

#### **Shankar Prasad Baral**

#### entitled

## Contribution of Income Tax from Public Enterprises to Government Revenue in Nepal

and found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirements for Master's Degree in Business Studies (M.B.S.)

# 

**Viva-Voce Committee** 

**ACKNOWLEDGEMENT** 

I wish to express deep gratitude and thanks to my esteemed Lecturer of

Privhivi Narayan Campus, Pokhara for providing his valuable time, remarkable

support, kind co-operational guidance, supervision and valuable suggestion till the

completion of the dissertation.

I would also like to extend deep appreciation and to Dr. Puspa Raj Sharma

Head of Research Department P.N. Campus for this invariable idea that escorted the

project of this level.

I would like to thanks to Mr. Bhakta Bahadur Pariyar, Kanchan Computer

Sewa, Newroad, Pokhara for providing type setting, printing and format of this

dissertation.

Lastly I would like to extend special thanks to my admired friends

Mr. Toyanath Sapkota, Radhika Paudel for their remarkable help, co-operation kind

support.

Shankar Prasad Baral

Date: March, 2009

**Declaration** 

I, hereby declare that the work reported in the thesis entitled "Contribution of

Income Tax from Public Enterprises to Government Revenue in Nepal"

submitted to Research Department of Prithivi Narayan Campus, Pokhara, T.U. is my

original work dine in the form of partial fulfillment of the requirements for the Master

of Business Studies (MBS) under the supervision of senior lecturer Indra Prasad

Sharma of Prithivi Narayan Campus, T.U., Pokhara.

Date: March, 2009

Shankar Prasad Baral

Prithivi Narayan Campus

**MBS** 

Roll No.: 42-058

Exam No.: 615

T.U. Regd. No.: 7-1-048-1256-96

## TABLE OF CONTENT

			Page No.
Viva-	Voce Sh	eet	i
Recon	nmenda	tion	ii
Ackno	wledge	ment	iii
Decla	ration		iv
Table	of Cont	tent	ν
List of	f Tables		viii
	f Figure		ix
	eviation		X
	PTER-		
INTR	ODUC	TION	1-11
1.1	Backg	ground of the Study	1
1.2	Focus	of the Study	5
1.3	Staten	ment of the Problem	5
1.4	Objec	tives of the Study	8
1.5	Signif	Ficance of the Study	9
1.7	Limita	ations of the Study	10
1.8	Organ	nization of the Study	10
CHA	PTER-	п	
REVI	EW O	F LITERATURE	12-42
2.1	Theor	retical Framework	12
	2.1.1	Concept of Tax and Income Tax	
		Concept of Tax	12
	2.1.2	Historical Perceptive of Income Tax on	
		International Context	14
	2.1.3	Introduction of Public Enterprises	15
		2.1.3.1 Meaning of Public Enterprises	15
		2.1.3.2 Public Enterprises of Nepal	17
		2.1.3.3 Role of Public Enterprises in Nepalese Economy	17
	2.1.4	Taxation in Ancient Nepal	18
	2.1.5	Taxation in Unified Nepal (1776-1846)	19
	2.1.6	Taxation in Rana Regmi (1846-1950)	19

	2.1.7	Income Tax in Modern Nepal	21
		2.1.7.1 Business profit and Remuneration	
		Tax Act 1960 (2017)	22
		2.1.7.2 Income Tax Act 1962 (2019)	23
		2.1.7.3 Income Tax Act 1974 (2031 B.S.)	24
		2.1.7.4 Income Tax Act 2002 (2058 B.S.)	26
2.2	Revie	w of Related Studies	29
	2.2.1	Review of Thesis	30
	2.2.2	Review of Books	34
	2.2.3	Review of Reports	38
	2.2.4	Review of Articles	41
2.3	Resea	rch Gap	41
CHA	PTER-	ш	
RES	EARCH	METHODOLOGY	43-44
3.1	Resea	rch Design	43
3.2	Popul	ations and Sample	43
3.3	Nature	e and Source of Data	43
3.4	Data (	Collection Procedures	44
3.5	Data A	Analysis Procedure	44
3.6	Use of	f Tools for analysis	44
CHA	PTER-	IV	
DAT	A PRES	SENTATION AND ANALYSIS	45-73
4.1	Struct	ure of Tax	45
	4.1.1	Structure of Nepalese Government Revenue	45
	4.1.2	Tax and Non-tax Revenue in Nepal	50
	4.1.3	Composition of Direct and Indirect	
		Tax Revenue in Nepalese Tax Revenue	53
	4.1.4	Composition of Direct Tax	56
	4.1.5	Composition of Indirect Tax	59
	4.1.6	Structure of Income Tax in Nepal	62
	4.1.7	Performance of Public Enterprises on the basis of Gross Profit	65

	4.1.8	Contribution of Income tax from PEs to	
		Government Revenue of Nepal	66
	4.1.9	Contribution of Income tax from PEs to	
		Tax Revenue of Nepal	67
	4.1.10	Contribution of Income Tax from Public	
		Enterprises to Direct Tax Revenue	68
	4.1.11	Contribution of Income Tax from Public	
		Enterprises to Total Income Tax	69
	4.1.12	Contribution of Income tax from Public	
		Enterprises to Corporate Income tax	71
	4.1.13	Major Findings	72
СНА	PTER V	7	
SUM	MARY,	CONCLUSIONS AND RECEOMMENDATINOS	74-77
5.1	Summ	ary	74
5.2	Conclusions		75
5.3	Recom	nmendations	77
	Biblio	graphy	
	Annex	xes .	

## LIST OF TABLES

Table No.	Title	Page No.
Table 4.1.1	Composition of Government Revenue in Nepal by Head	47
Table 4.1.2	Contribution of Tax and Non-tax Revenue in Total Revenue	
	of Nepal from Fiscal Year 1992/93 to 2006/07	51
Table 4.1.3	Contribution of Direct and Indirect Tax to Total Tax	
	Revenue from Fiscal Year 1992/93 to 2006/07	54
Table 4.1.4	Component of Direct Tax and their percentage share from	
	Fiscal Year 1992/93 to 2006/07	57
Table 4.1.5	Major Sources of Indirect tax and their relative percentages	
	to indirect tax from Fiscal Year 1992/93 to 2006/07	60
Table 4.1.6	Structure of Income Tax in Nepal from fiscal	
	Year 1992/93 to 2006/07	63
Table 4.1.7	Performance of Public Enterprises from	
	FY 1992/93 to 2006/07	66
Table 4.1.8	Contribution of Income tax from Public Enterprises to	
	Government Revenue of Nepal from FY 1992/93 to 2006/07	68
Table 4.1.9	Contribution of Income Tax from PEs to Tax Revenue of	
	Nepal from Fiscal Year 1992/93 to 2006/07	68
Table 4.1.10	Contribution of Income Tax from Public Enterprises to	
	Direct Tax Revenue from Fiscal Year 1992/93 to 2006/07	69
Table 4.1.11	Contribution of Income Tax from Public Enterprises to	
	Total Income Tax from Fiscal Year 1992/93 to 2006/07	70
Table 4.1.12	Contribution of Income tax from Public Enterprises	
	to Corporate Income tax from Fiscal Year 1992/93 to 2006/0	7 71

## LIST OF FIGURES

Title	Page No.
Composition of Government Revenue in Nepal by Head	49
Contribution of tax and non-tax revenue of Nepal from the	
FY 1992/93 to 2006/07	52
Contribution of Direct and Indirect Tax from	
FY 1992/93 to 2006/07	55
Component of Direct Tax and their percentage share from	
Fiscal Year 1992/93 to 2006/7	58
Major Sources of Indirect Tax and their relative percentages	
to indirect tax from Fiscal Year 1992/93 to 2006/07	61
Structure of Income Tax in Nepal from Fiscal	
Year 1992/93 to 2006/07	64
	Composition of Government Revenue in Nepal by Head Contribution of tax and non-tax revenue of Nepal from the FY 1992/93 to 2006/07 Contribution of Direct and Indirect Tax from FY 1992/93 to 2006/07 Component of Direct Tax and their percentage share from Fiscal Year 1992/93 to 2006/7 Major Sources of Indirect Tax and their relative percentages to indirect tax from Fiscal Year 1992/93 to 2006/07 Structure of Income Tax in Nepal from Fiscal

#### **ABBREVIATION**

BBS - Bachelor in Business Studies

CEDA - Center for Economic Development Administration

CIAA - Commission on Investigation of Abuse of Authority

DT - Direct Tax

FY - Fiscal Year

GDP - Gross Domestic Products

GNP - Gross National Product

Govt. - Government

i.e. - that is

IDT - Indirect Tax

IRD - Inland Revenue Department

IROs - Inland Revenue Offices

IT - Income Tax

MBS - Masters of Business Studies

MOF - Ministry of Finance

NEA - Nepal Electricity Authority

NIDE - Nepal Industrial and Development Corporation

NTC - Nepal Telecommunication Corporation

PAN - Permanent Account Number

PEs - Public Enterprises

NAC - Nepal Airlines Corporation

Rs. - Rupees

SAARC - South Asian Association for Regional Co-operation

TIt - Total Indirect Tax

T.U. - Tribhuvan University

UDCs - Under Developing Countries

UN - United Nation

US - United States

USA - United States of America

VAT - Value Added Tax

viz. - Namely

WDR - Would Development Report

\$ - US Dollar