

**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

Name: Indra Prasad Sharma

Signature:

Head of Department

Name: Dr. Puspa Raj Sharma

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

Chairperson, Research Committee:

Member (Thesis Supervisor):

Member (External Expert):

Member:

Date:, 2009

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 done 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.
<i>Viva-Voce Sheet</i>	<i>i</i>
<i>Recommendation</i>	<i>ii</i>
<i>Acknowledgement</i>	<i>iii</i>
<i>Declaration</i>	<i>iv</i>
<i>Table of Content</i>	<i>v</i>
<i>List of Tables</i>	<i>viii</i>
<i>List of Figures</i>	<i>ix</i>
<i>Abbreviation</i>	<i>x</i>
CHAPTER-I	
INTRODUCTION	1-11
1.1 Background of the Study	1
1.2 Focus of the Study	5
1.3 Statement of the Problem	5
1.4 Objectives of the Study	8
1.5 Significance of the Study	9
1.7 Limitations of the Study	10
1.8 Organization of the Study	10
CHAPTER-II	
REVIEW OF LITERATURE	12-42
2.1 Theoretical 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	Review 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	Research Gap	41

CHAPTER-III

	RESEARCH METHODOLOGY	43-44
3.1	Research Design	43
3.2	Populations and Sample	43
3.3	Nature and Source of Data	43
3.4	Data Collection Procedures	44
3.5	Data Analysis Procedure	44
3.6	Use of Tools for analysis	44

CHAPTER-IV

	DATA PRESENTATION AND ANALYSIS	45-73
4.1	Structure 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

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 74-77

5.1	Summary	74
5.2	Conclusions	75
5.3	Recommendations	77

Bibliography

Annexes

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 2006/07	71

LIST OF FIGURES

Figure No.	Title	Page No.
Figure 4.1.1	Composition of Government Revenue in Nepal by Head	49
Figure 4.1.2	Contribution of tax and non-tax revenue of Nepal from the FY 1992/93 to 2006/07	52
Figure 4.1.3	Contribution of Direct and Indirect Tax from FY 1992/93 to 2006/07	55
Figure 4.1.4	Component of Direct Tax and their percentage share from Fiscal Year 1992/93 to 2006/7	58
Figure 4.1.5	Major Sources of Indirect Tax and their relative percentages to indirect tax from Fiscal Year 1992/93 to 2006/07	61
Figure 4.1.6	Structure of Income Tax in Nepal from Fiscal Year 1992/93 to 2006/07	64

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	-	World Development Report
\$	-	US Dollar