

CONTRIBUTION OF EXCISE DUTY TO NATIONAL REVENUE

By

MADAN KUMAR BARAL

Shanker Dev Campus

Roll No. : 1582/062

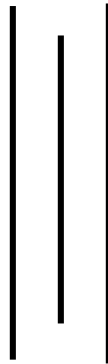
T.U. Regd. No. 7-1-25-56-2000

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University



*In partial fulfillment of the requirement for the Degree of
Master of Business Studies (M.B.S)*

Kathmandu, Nepal

May, 2009

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

MADAN KUMAR BARAL

Entitled:

CONTRIBUTION OF EXCISE DUTY TO NATIONAL REVENUE

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

.....
Dr. Kamal Deep Dhakal
(Thesis Supervisor)

.....
Dr. Kamal Deep Dhakal
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By

MADAN KUMAR BARAL

Entitled:

CONTRIBUTION OF EXCISE DUTY TO NATIONAL REVENUE

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled “**CONTRIBUTION OF EXCISE DUTY TO NATIONAL REVENUE**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Dr. Kamal Deep Dhakal, Professor** of Shanker Dev Campus.

.....

MADAN KUMAR BARAL

Researcher

T.U. Registration No. 7-1-25-56-2000

Campus Roll No. : 1582/062

ACKNOWLEDGEMENT

The thesis entitled “Contribution of Excise Duty to National Revenue” is prepared as dissertation for the partial fulfillment of the requirements of Masters of Business Studies (M.B.S.) undertaken by T.U. I remain indebted to all the helpful and cooperatives those hands and brains who helped me to complete this research work.

At this moment I would not like to forget factual and concrete suggestions, cooperative approach and facilitation of Dr. Kamal Deep Dhakal, Professor of Shanker Dev Campus, mine thesis supervisor and also respected campus Chief of Shanker Dev Campus. This thesis is the outcome of his continuous encouragement, many helpful suggestions and comments.

I am grateful to Mr. Bisheshwor Man Shrestha my other respected teacher and head of the Research Department whose valuable suggestions helped me to complete this research work. I would also like to record my indebtedness to all my respected teachers, all administrative staff, and library staff of Shanker Dev Campus for providing valuable suggestions, information and comments.

I would also like to express mine special thanks to all the staffs of Inland Revenue Department, Lazimpat for providing valuable time and materials. Similarly I want to acknowledge the Central Library T.U, National Library, Pulchowk, Keshar Pustakalaya, Kesharmahal and Indian Library, New Road.

Finally mine Mrs. Sabina Koirala, Brother Sudarshan Baral and Aunt Mrs. Prativa Subedi deserve many thanks for inspiring me in the prompt completion of this work.

Madan Kumar Baral
Researcher

TABLE OF CONTENTS

Acknowledgement

Table of Contents

List of Tables

List of Figures

Abbreviations

Page No.

CHAPTER – I INTRODUCTION

1.1 Background of the Study	1
1.2 Statement of the Problem	6
1.3 Objectives of the Study	9
1.4 Rationale of the Study	10
1.5 Scope of the Study	10
1.6 Limitations of the Study	11
1.7 Organization of the Study	11

CHAPTER – II LITERATURE REVIEW

2.1 Background	13
2.2 Theoretical Review of Excise Duty	14
2.3 Objectives of Excise Duty	14
2.4 Base of Excise Taxation	15
2.4.1 Sumptuary Excise	15
2.4.2 Luxury Excise	15
2.4.3 Benefit Excise	15
2.4.4 Diversionary Excise	16
2.5 Historical Development of Excise Taxation in Global Prospective	16
2.6 Historical Development of Excise Duty in Context of Nepal	20

2.7 Excise Duty Act, 2015	22
2.8 Excise Duty Rule, 2019	22
2.9. Provisions Made In Excise Act 2058 B.S.	23
2.9.1. Definition	23
2.9.2 Imposition of Excise Duty	25
2.9.3 Recovering Excise Duty	25
2.9.4. Appointment or Designation of Excise Duty Officers	25
2.9.5. Jurisdiction Area of Excise Duty Officers	26
2.9.6. Price Determinations of Excisable Goods and Services	26
2.9.7 The Need to Take License	26
2.9.8 Provision Related to the License	27
2.9.9 Cancellation Of License	27
2.9.10 Investigation to be Carried if Substantial Basis Found	27
2.9.11 The Possibility To Investigate, Seize or Arrest	28
2.9.12. Information Regarding the Offence	29
2.9.13 Rewards	30
2.9.14 Penalties or Punishments to those with Holding Information and Assistance	30
2.9.15 Punishments	31
2.9.16 Freezing, Auctioning or Selling of Assets	32
2.9.17 Jurisdiction Equivalent to that of the Court	
2.9.18 Appeal	32
2.9.19 Authority Cannot Be Delegated	32
2.9.20 Conditions under Which the Action to Confiscate is Stalled	33
2.9.21 Pending Amount to Be Recovered As Per the Government Pending Amount	33
2.9.22 Provision for Review	33
2.9.23 Tax Related Provisions will be based on this Act	34
2.9.24 The Right to Formulate Right	34

2.9.25 Cancellation and Addition	34
2.10 Review of Previous Studies	34
2.10.1 Review of Books	34
2.10.2 Review of Research Report and Articles	37
2.10.3 Review of Thesis	38
2.11 Research Gap	41

CHAPTER – III RESEARCH METHODOLOGY

3.1 Introduction	43
3.2 Research Design	43
3.3 Population and Sampling	43
3.4 Nature and Source of Data	44
3.4.1 Sources of Primary Data	44
3.4.2 Sources of Secondary Data	44
3.5 Procedure of Data Collection	45
3.6 Procedure of Data Analysis	45

CHAPTER – IV DATA PRESENTATION AND ANALYSIS

4.1 Tax Structure of Nepal	46
4.1.1 Composition of Total Revenue	46
4.1.2 Composition of Total Tax Revenue	47
4.1.3 Composition of Indirect Tax	49
4.1.4 Composition of Direct Tax	50
4.1.5 Contribution of Total Revenue, Total Tax Revenue, Direct Tax Revenue and Indirect Tax Revenue on GDP	52
4.1.6 Resource Gap in Nepal	53
4.1.7 The Rate of Excise Duty	56
4.1.8 Production Trend of the Excisable Products in Selected years	59

4.1.9 Excise Duty Collection	60
4.1.10 Excise Duty Structure	61
4.1.11 Cost of Collection Revenue	62
4.1.12 Specific Vis-a-Vis Advalorem Tax	63
4.1.13 Revenue Implication of Multilateral, Regional and Bilateral Agreements	64
4.1.13.1 WTO	64
4.1.13.2 BIMST-EC	66
4.1.13.3 SAFTA	67
4.1.13.4 Bilateral Agreements	68
4.2 Analysis of Empirical Study	69
4.2.1 Excise Duty as a Suitable Means of Raising Government Revenue	70
4.2.2 Attitude towards Tax Education	71
4.2.3 Specific Objectives to impose or levy Excise Duty in the production and Consumption of Cigarette/Liquor/Beers	72
4.2.4 The Core Policies of Excise Duty	73
4.2.5 Growth in Excise Collection Needs	74
4.2.6 Victims of Increment in the price of Tobacco/Cigarette/Beer	75
4.2.7 Problems in Excise Duties in Nepal	76
4.2.8 Poor Excise Duty paying habits among Nepalese Manufacturing Firms and Industries	77
4.2.9 Excise Duty Administration of Nepal	79
4.2.10 Contribution of Excise Duty to Government Revenue	80
4.2.11 Attitude towards Excise Rule 2059	82
4.2.12 Attitudes towards Excise Evasion	83
4.2.13 Causes of Leakages of Excise Duty	84
4.2.14 Implementation of Excise Rule 2059	86
4.2.15 Corrupt Practice in Excise Duty Administration	86
4.2.16 Future prospects to increase the contribution of Excise	

Duty on Government Revenue	89
4.3 Major Findings	90
4.3.1 Findings of Empirical Study	91
CHAPTER – V	SUMMARY, CONCLUSION AND RECOMMENDATIONS
5.1 Summary	93
5.2 Conclusions	105
5.3 Recommendations	109
Bibliography	
Appendix	

LIST OF TABLES

Table No.	Title	Page No.
3.1	Group of Respondents and Sample Size	44
4.1	Composition of Total Revenue	46
4.2	Composition of Total Tax Revenue	48
4.3	Composition of Indirect Tax Revenue	50
4.4	Composition of Direct Tax Revenue	51
4.5	Contribution of Total Tax Revenue, Total tax Revenue, Direct Tax Revenue, Direct Tax Revenue and Indirect Tax Revenue on GDP	52
4.6	Overall Resource Gap in Nepal	54
4.7	Excise Duty of Cigarette	57
4.8	Excise Duty of Molasses	57
4.9	Excise Rate of Liquors	58
4.10	Production Trend of the Excisable Products in Selected Years	59
4.11	Excise Duty Collection	60
4.12	Structure of Excise Duty	62
4.13	Comparison of Expenditure to Revenue	63
4.14	Major commitments in the process of Accession of Nepal to WTO	65
4.15	Group of Respondents and Sample Size	70
4.16	Excise Duty as a Suitable Means of Raising Government Revenue	71
4.17	Attitude towards Well Knowledge about Tax Education	71
4.18	Specific Objectives to Impose or Levy Excise Duty in the Production and Consumption of Cigarette /Liquor/Beers	72
4.19	The Core Policies of Excise Duty	74
4.20	Growth in Excise Collection Needs	74
4.21	Victims of Increment in the price of Tobacco/Cigarette/Beer	75

4.22	Problems of Excise Duty in Nepal	76
4.23	Major Causes of Problems in Excise Duties in Nepal	77
4.24	Existence of Poor Tax Paying Habit	78
4.24	Major Causes of Poor Excise Duty Paying Habits	78
4.25	Attitudes towards Effective Excise Duty Administration in Nepal	79
4.26	Causes of Inefficient Excise Duty Administration Of Nepal	80
4.27	Satisfactory Contribution of Excise Duty to Government Revenue	81
4.28	Major Causes of Unsatisfactory Contribution of Excise Duties to Government Revenue	82
4.29	Attitude towards Excise Rule 20598	36
4.30	Does This Policy Increase The Excise Collection?	83
4.31	Attitude towards Excise Evasion	84
4.32	Causes of Leakage of Excise Duty	85
4.33	Implementation of Excise Rule 2059	86
4.34	Corrupt, Practice in Nepalese Excise Duty Administration	87
4.35	Major Causes of Corrupt Practice in Excise Duty Administration	87
4.36	Suggestions to Minimize the Corrupt Practice	88

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Chart Showing Composition of Total Revenue	47
4.2	Contribution of Direct and Indirect Tax Revenue on Total Tax Revenue	49
4.3	Overall Resource Gap in Nepal	55

ABBREVIATIONS

A.D	Anno Domini (After the birth of Jesus Christ)
B.S	Bikram Sambat
BIMST-EC	Bay of Bengal Initiatives for Multi-Sectoral Technical and Economical Co-Operation Free Trade Area
CBS	Central Bureau of Statistics
CEDA	Center for Economic Development and Administration
CITR	Corporate Income Tax Revenue
Co.	Company
e.g.	Example
Etc.	Etcetera
FY	Fiscal Year
GDP	Gross Domestic Product
Govt.	Government
i.e.	That is
IRD	Inland Revenue Department
IRO	Internal Revenue Office
ITA	Income Tax Act
Ltd.	Limited
LTO	Large Tax Payer's Office
MBS	Masters of Business Studies
METR	Marginal Effective Tax Revenue
MOF	Ministry of Finance
NRB	Nepal Rastra Bank
NTC	Nepal Telecommunication Association
ODCs	Other Duty Charges
S.No.	Serial number

SAARC	South Asian Association for Regional Co-operation
SAFTA	South Asian Free Trade Area
T.U.	Tribhuvan University
VAT	Valued Added Tax
WTO	World Trade Organization
WWW	World Wide Web