

CHAPTER I

INTRODUCTION

1.1 General Background

Nepal is a sovereign and independent nation located on the southern part of the Asian continent. It covers an area of 147,181 square Kilometers and it has about 27 million populations. Nepal has divided into five development regions to ensure successful implementation of balanced economic development activities. In B.S. 2015, Nepal was divided into administrative units called Village Development Committee (VDC) and municipalities. Presently, there are 58 municipalities and 3915 VDCs in Nepal.

Nowadays, the prime concern of every nation of the world is rapid economic development and Nepal is not an exception to this ever-continuing process. For the economic development, government has huge responsibility towards the people. To fulfill the responsibility of government toward the people, government has to spend a lot of money. The responsibilities may be either for security or health or education or other development activities. Government spends a lot of fund for protection of common people and for the creation of various socio-economic infrastructures. There are three types of expenditure, which are incurred by the government i.e.: protection, commercial and public expenditure. If the nation has sufficient fund it will be able to achieve maximum social welfare. For the fulfillment of country's need, government expenditure is increasing day to day.

In each country, government requires sufficient revenues to carry out development plans, to handle day to day administration to maintain peace and security to launch other Public Welfare activities and for the creation of various socioeconomic infrastructure. For these purposes Government revenue from various sources such as grant and assistance, fine and penalties fees, Income tax, custom, excise, duty, VAT, etc. In short words Government collects tax and nontax revenue from various sources.

Tax Revenue is most important sources of Government which incurred income tax, VAT, custom etc. In simple word, a tax is a compulsory charge imposed by the government without any reference to the service rendered to the taxpayer. A tax is not a price paid for goods and services by public authority. In another word, it can be said that a tax is a liability to pay an amount to the government. It is a compulsory contribution to the national revenue from the payers according to law.

A tax is a “compulsory contribution for a person the government to defray express increased in the common interest of all without reference to special benefit conferred” (Saligman, 1998: 153).

“Taxes are general contribution of wealth levied upon person, natural of corporate to defray expenses incurred in conferring common benefits upon the residents of the states” (Plehn, 1995: 245).

Encyclopedia motioned “Taxation is a system used by governments to obtain money from people and organization. The government uses collected revenue to support itself and to provide public services. In its nature, it is relatively permanent and compulsory and does not guarantee and direct relationship between the amount contributed by a citizen and the extent of governmental services provided to him” (Columbia Encyclopedia at cited: K.C., 2006: 2)

From the above definition, it can be conclude that:

- a. A tax is a compulsory levy imposed by the government.
- b. Those who pay tax do not get corresponding benefits from the government.
- c. Tax amount is spent for common interest of the people.
- d. Tax is levied on persons as per the prevailing laws.
- e. Tax is for the ‘public powers’. It has to meet the wants of both central and local governments of the state.
- f. Tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority.

Tax and taxation are not synonymous terms. A tax is a compulsory exaction of money by public authority. For public purposes enforceable by law and is not a payment for service rendered. Thus, tax is a charge by the government on income

or property or expenses of an individual or group of individuals while taxation is a device or process of taxing or imposing tax.

The history of taxation started with the human civilization. It is also associated with the history of rise and fall of civilization. Rosen (2004) claimed that in all civilized societies, a central administration used to collect portions of people's productive output to use as a reserve in hard times in order to provide for the needy and to increase the wealth and power of rulers. Until the modern era, rulers and their administrators would commonly take portions of people's crops with no consideration of costs of farm work. The resources that rulers obtained through taxation allowed them to undertake such activities as building monuments and waging battles. Thus, taxes supported all early civilization, first, in the Middle East, and then around the world.

At the beginning Great Britain is the first country to introduce income tax in the world. The British Government introduced income tax in 1799 in order to generate revenues to finance the war against France. The United Kingdom imposed the income tax regularly from 1960. Income tax was introduced in Switzerland in 1840, Italy in 1864 and Nepal in 1959 .

Historical background of evolution of income tax in Nepal is not long. However, it can be divided into three phase as follows .

a. Ancient Lichhavi:

-) Lichchhavi (Agriculture and business)
-) Ansuvarma (Irrigation and religious tax)
-) Unification (Custom and transit, goods, drugs, herbs, cattle tax etc.)

b. Rana Regime:

-) Land, Custom, Excise, Royalties, Salami (Employment tax) etc.

c. Referendum Onward:

-) Business Profit and Remuneration tax Act, 1960.
-) Nepal income Tax Act, 1962

) Income Tax Act, 1974

) Income Tax Act, 2002

The Nepalese ancient tax system was based on the Vedas, the Smrities and the Puranas. Directives propounded by Manu, Yagnabalka, Chanakya, and Anshubarma guided the taxation system. At that time, the principle of collecting tax from the people was imposition of tax without harming the activities of the people. During the Rana Period (1840-1950), there was no formal provision for taxation. There was not budget system also; land revenue was the only source of direct tax. For the period customs and excise duties were taken as estimation.

The idea of introducing income tax in Nepal originated along with the first 'Budget' on 21st Magh, 2008 B.S. (1952 A.D.). It was actually introduced only in 2017 B.S. When the finance Act, 2016 (1959 A.D.) and Business Profit and Remuneration Tax Act, 2017 B.S. (1960 A.D.) were enacted. It had altogether 22 sections. Business Profits and Remuneration Tax Act, (BPRTA) 2017 B.S. a formal income tax act was enacted in accordance to the provisions of finance act 2016 B.S. for the first time in Nepal. The Business Profit and Remuneration Tax Act, 2017 B.S. defined the terms business, profit, remuneration, company, firm assessment, tax realization tax exempt person, tax exempt area, taxable income tax deduction at source, submission of income statement, rights of the tax officer, method of assessment, payment of tax, fine and penalties, tax officials, secrecy etc.

The Business Profits and Remuneration Tax Act, 2017 B.S. (1960 A.D.) was considered as unclear and narrow and it was replaced by Nepal Income Tax Act, 1962 A.D. (2019 B.S.). This Act had altogether 29 sections. It had defined nine heading of incomes. They were:

- 1) Business;
- 2) Remuneration,
- 3) Profession and vocation;
- 4) Houses, Land Rent:
- 5) Cash or kind investment;

- 6) Agriculture;
- 7) Insurance Business;
- 8) Agency Business; and
- 9) Other Source.

NITA 2019 B.S. defined the terms: taxpayer, Tax officer, Company, Firm, Business, Profit, Remuneration, Profession or Vocation, House and land rent, Cash and kind investment, Agriculture, Assessment, Person couple, Family, Partnership firm, Non-resident, and Temporary resident. In addition it included some new provisions such as methods tax realization, exempt person, tax exempt area, tax deduction at source (only for remuneration) submission of income statement constitution of assessment committee, method tax realization, exempt person, tax exempt area, tax deduction at source (only for remuneration) submission of income statement constitution of assessment committee, method of payment of income tax computation of net income, appeal, secrecy, agreement with foreign country, set off and carry forward of losses, tax base etc. In order to implement the NITA 2019, pre effectively, the government passed income tax Rules 2020 B.S.

The prominent objective of this NITA 2019 B.S. was to reduce unequal distribution of wealth with justice and fairness and to establish behaviour of payment of tax. This act was first amended in 1972 A.D. (2029 B.S.) and remained till 1974 A.D. (2031 B.S.). In 1974, it was replaced by income tax Act, 1974 (2031).

The income Tax Act (ITA) 2031 B.S. was more specific and scientific during that period. It had 66 sections. It defined 5 heading of incomes. They were:

- 1) Agriculture,
- 2) Remuneration,
- 3) Industry, Business, Profession or Vocation,
- 4) House and Land Rent, and
- 5) Other source.

This tax was amended in 1977 (2034), 1979 (2036), 1980 (2037), 1984 (2041), 1985 (2042), 1986 (2043), 1989 (2046) and eighth and last amendment was made in 1992 (2046) to make it more effective, practical and to avoid confusion in terminology. Government of Nepal enacted the income Tax Rules, 1982 (2039) in 1982 in accordance to the authority given under section 65 of the ITA 1974. It added two new provisions of self-assessment and carry forwarding of losses for three years. It clearly defined the terms-Tax, Tax payer; Assessment; Tax officer; income year; Assessment year; Firm, company; Net income, Gross income; Preliminary expenses; person; couple; Family, Director general, Philanthropic work; Temporary resident etc.

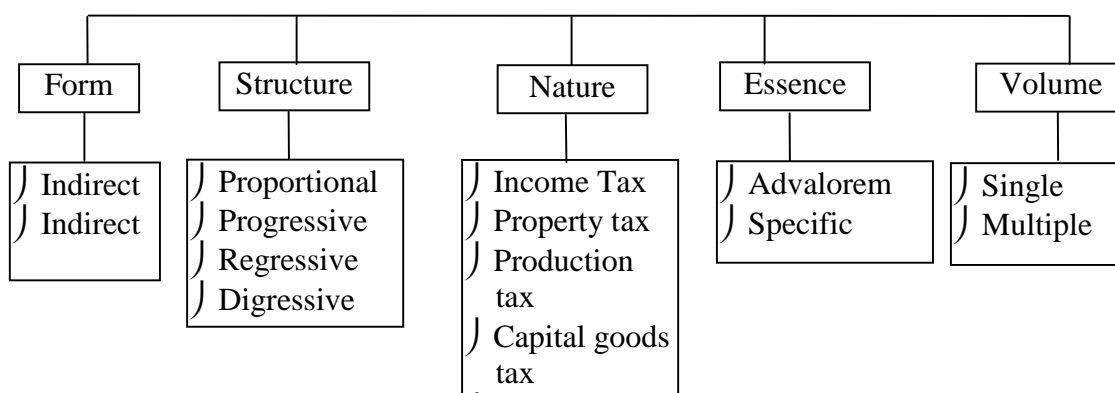
However, this act had some shortcomings. They were: limited tax base, lack of integration, under and vague, willful power, inequitable among taxpayers, unscientific presentation, lack of control in tax evasion and provision of dual appeal.

The ITA 1974 was replaced by income Tax Act 2002 A.D. (2058 B.S.). It came into effect on April 2002 (Chaitra 19, 2058). The Government of Nepal enacted Income Tax Rules 2002 (2059) in 2002 in accordance to the authority given under the ITA 2002. It seeks its objectives in its preamble “In order to enhance revenue mobilization through effective revenue collection process for the economic development of the nation, it was imperative to make the laws on income tax in order to update, amend and integrate them.” It is an integrated income tax Act of Nepal. Thus, the objectives of this tax law are:

- a) to tax all sources of incomes,
- b) to tax according to equity (horizontal and vertical),
- c) to make elastic and productive tax system
- d) to develop extensive, clear, transparent, simple and efficient tax system,
- e) to make reasonable to tax officials,
- f) to develop tax system as a neutral tax and
- g) to stress accounting process and self assessment.

Figure 1.1

Classification of Tax



There are two major types of taxes i.e. direct and indirect tax. The examples of direct tax are income tax, property tax (H and L), vehicle tax, expenditure tax etc. Among these taxes, H and C tax is one of the important taxes, which raise additional resources.

Property tax is a tax collected from the owners of building, land and other taxable property, including business equipment and inventory. Some governments also collect taxes from the owners of such property as stocks and bonds. Property taxes provide much of the income of countries, cities and towns, Local governments. Depend on these taxes to help finance education, police and fire protection, street repair, and other services. Some provincial governments also collect property taxes. In Australia, Ireland, New Zealand, and the United Kingdom, Local property taxes are known as rates. In the mid – 1980's India introduced a tax on land and property. It was based on the government's assessment of the sale value. In the late 1980's, the United Kingdom abolished rates on all but business property. The government of a community sets an annual tax rate to determine each property owner's tax bill. This rate is a percentage of the assessed (estimated) value of the property. In many cases, the assessed worth is less than the property's market value. The major problem with property taxation is that much property is not assessed fairly and uniformly. Another drawback is that assessment and rates change too slowly to keep up with changes in prices. In countries with high rates of inflation assessments have often fallen far behind market values. Some people

oppose property taxes because they believe property ownership is a poor measurement of ability to pay. But others argue that property owners are the people who benefit most from community services, and so they should pay more for these services .

In Nepal property tax performed in fiscal act 2017 B.S. At that time government has authority for collection of property tax act implemented urban house and property and foreign investment. There were difference rules for tax rate. But the property tax act revised in 2019 B.S. Since the period, the property tax system has implemented in urban house and property. Property tax has become the most important single resource of revenues for nation and local governments. In Nepal, government has started to implement of wealth tax in 16 urban areas of the Kingdom from this fiscal year (income tax Act 2047). According to the tax office have a list is being prepared of taxpayers in the Urban areas.

Those with less than (10,00,000) in assets are exempts from the wealth tax. Tax clearance papers from the tax office are required before properties in urban areas can be registered. On the wealth tax list have to get such clearance by they sell their land or houses. In Nepal the first elected government introduced this tax. Property tax was introduced by finance Act, 1959. It was implemented under property tax act in 1960. Due to ineffectiveness in collecting revenue, 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 tax. Initially, it was introduced in Bhaktapur, Biratnager, Birgunj, Nepalgunj, Rajbiraj, Janakpur and Butwal. Later in 1963/64, it was extended to Bhadrapur and in Dharan 1964/65, Bhairahawa, Pokhara, Palpa and Hetauda in 1973/74. The tax was introduced in Bharatpur in 1988/89. The interim government of 2047 again introduced in property tax in 1990 by the finance act in the beginning and by property tax act, 1990, however, it was again replaced by Urban House and Land tax in 1995/96.

After the introduction of Local Self-Governance Act in 2055 B.S., Property tax is given to local bodies, right now, there are two variant of property taxes:

-) House and land tax
-) integrated property taxes.

Local bodies, i.e. VDCs and municipalities have the right to collect property tax where as the right of collecting unified property tax is given to municipalities

The study area of Baglung Municipality

Baglung District is one of the Seventy five District of Nepal. It lies in Dhawalagiri Zone, Western Region of Nepal. It's Shape looks like Nepal. Baglung is a new Municipality which was formed in 1996. It is located in bank of Kali Gandaki River. It is the Headquarters of Baglung District Dhaulagiri Zone. Although the Municipality covers a relatively large area, only 0.3 percent (30.8ha) of the land is covered by housing Settlements. The Majority of the land (61.23 percent) is covered by Forests. This is followed by agriculture (30.23 Percent).

Baglung Municipality at a glance:

Location

Name	: Baglung Municipality
Development region	: Western
Zone	: Dhaulagiri
District	: Baglung
No of wards	: 11
Latitude	: 28 ⁰ 15'' to 28 ⁰ 37'' Northen
Longitude	: 83 ⁰ to 83 ⁰ 36'' Eastern

Border

East	: Kaligandaki River
West	: Pala VDC
South	: Titang VDC
North	: Malika VDC
Total area of Municipality	: 19.23Sq. km

Population

Population plays an important role in the change of socio-economic structure of an area. The growth of the number of people is viewed as a social problem. It

generates a number of problems, which has a multiplier effect on national phenomena. The population of Baglung Municipality has been increasing day to day. The main cause of the population growth in the municipality is migration people migrate in Baglung municipality from the neighboring Village of Baglung District. Baglung Municipality has 11 wards. Its total population is 24436 of which 12293 are males and 12143 are females. The ratio of male and female is 101.20.

Table 1.1
The Population of Baglung Municipality According to Ward-wise

W. no	Male	Female	Total	Total H.H
1	1175	1159	2334	503
2	2331	2294	4625	939
3	1493	1522	3015	587
4	945	963	1908	368
5	1182	1151	2333	419
6	848	858	1706	310
7	934	915	1849	327
8	828	806	1634	342
9	826	813	1639	338
10	830	793	1623	278
11	901	869	1770	344
Total	12293	12143	24436	4755
	* <i>H.H = Household, * W. No = Ward No</i>			

Administration of Baglung Municipality

Baglung Municipality is the small town having 13 wards. Each ward in the municipality has a Board Committee which include 4 members from different political parties and Government Employee. There is the Executive Director and Admin & Planning Officer in the Municipality for Operation of administrative and Development activities of Municipality. Other Government Employee also manages by Government for day to day work of the municipality. Executive Director, Administrative & Planning Officer and other staff are Nepal Government employee. Now a days there is no Political Local authority in local agency so the

mayor have all rights to manage Municipality and take decision of operating and development activities of municipality with co-ordination Board Committee.

Function of Baglung Municipality

The local self governance act 2055 and local self governance rule 2056 have allocated many functions to municipality according to local self governance act 2055, the duty and responsibilities of municipalities are plan, formulation, execution and monitoring of urban development activities as well as day to day administrative operation of the municipality. The basic function of Baglung Municipality is to carry out social programs in the field of public health, sanitation, education and maintenance of public parks and streets, prevention of epidemic diseases, provision of water supply, street light etc. The Baglung municipality has been performing the following functions.

- 1) To discuss and approve the progress report for submission to the town assembly.
- 2) To discuss and approve the budget and proposal for resources mobilization from taxes, none taxed and others submission to the town assembly.
- 3) To carryout sanitation programs in municipality area.
- 4) To arrange the street lights with different wards of municipality.
- 5) To open & operate libraries, reading halls and clubs in the municipality area.
- 6) To make necessary arrangement for providing standard education schools in the municipality area.
- 7) To formulate programs relating to family planning, mother & child welfare, extensive vaccination, nutrition, population education, public health and people participation programs and cause to be implemented the same in the municipality area.
- 8) To launch the programs on municipality level adult education and informal education.
- 9) To protect the forests, vegetation and other natural resources within the municipality.

Budget policy of Baglung Municipality

In the budget making process of Baglung Municipality, there is municipal council. At direction of Executive Director, secretary prepares the annual budget of income & expenditure prior to the beginning of each fiscal year. The Executive Director of municipality presents the annual budget normally in the month of July and after some discussion the budget is approved by the municipal council. In the municipal council various persons like executive directors, administrative & planning officer, ward members and nominated members are also included. There is one advisory committee in the municipality.

The annual total revenue source and annual expenditure pattern of Baglung municipality is defined under the different headings. Following table shows the revenue source and expenditure pattern items.

Sources Revenue and Expenditure

S.N.	Revenue Source	S.N.	Expenditure Pattern
1	Land House tax	1	Social Expenditure
2	Local Tax	2	Capital Expenditure
3	Service Fees	3	Development Expenditure
4	Fine, Penalty & Security hold	4	Interest Refund & Principal
5	Miscellaneous		

Source: City Profile of Baglung 2066 B.S.

1.2 Statement of Problem

In principle, property tax is a tax on an individual's wealth, the value of person's assets both financial (such as stocks and bonds) and real property (such as houses, cars, and artwork). In practice, property taxes are usually more limited. In the United States, state and local governments generally levy property taxes on building such as homes, office buildings, and factories and land. There is no federal property tax. In Nepal, property tax Act, 1991 (PTA, 1991) is only in books, not in practice. However, Nepal has been using house and land rent tax since 2017 B.S.

The property tax is often unpopular among homeowners because houses are not sold too often and governments levy tax on the estimated value of their house. Some people believe that the government sometimes overvalues their houses, which result into unfair high property tax burdens.

Tax evasion is a serious problem in Nepal and seems a national character. Because of this, resources have not been mobilized efficiently and resource gap in increasing each year. The practice of tax evasions in Nepal has resulted in increased burden of indirect tax and unimproved share of direct tax. Poor tax paying habit of Nepalese people and poor recording system of tax office are also the problems of economic development of Nepal. Similarly there is not integrated program for taxpayer's education, assistance, guidance, and counseling. The assessment procedure of house and compound tax is not effective; delay in tax assessment not only reduces the total revenue, but also brings harassment to the taxpayer. Some of the problem of difficulties posed by the implementation of net worth tax may be noted briefly, even though tax act revise (published) in different fiscal year with different rules and act.

House and land revenue administration is managed by the Central Revenue Department under District Land Revenue Office. This house and land tax is collected through "District Land Revenue Office" since Falgun 1, 2052. Land revenue collected through municipalities and VDCs.

For the economic development of the country, contribution of property tax especially house and land tax is more equally important as other taxes. However, there are many problems

involving in property tax among the various problems some are: competent and sound. Revenue administration, lack of information of computerized system lack of trained and skillful personnel's, poor tax pay habit of tax payers, inequality or minimum valuation of house and land for different purposes, corruption and unfair duties and others facilities. However, the problem can be stated in terms of the following questions.

- a. What is the contribution of house and land tax in total revenue of Baglung Municipality?
- b. What is the trend & structure of house and land tax of Baglung Municipality?

- c. What are the emerging problem relating to house & land tax(collection & Paying) in Baglung Municipality?
- d. What are the provision made under the current tax system to collect House and land tax in Baglung Municipality ?
- e. What are the suggestion for effective House and land tax system in Baglung Municipality?

1.3 Objectives of the Study

The general objectives of the study are to evaluate house and land tax of the Baglung Municipality. More precisely, this study includes where about.

- a) To evaluate the contribution of house and land tax in in total revenue of Baglung Municipality.
- b) To analyze the present and future trend and structure of house and land tax of Baglung Municipality.
- c) To identify the problems associated with house and land Tax(collection & Paying) in Baglung Municipality.
- d) To analyze the current provisions regarding House and Land tax in Baglung Municipality.
- e) To provide suggestive package for effective house and land tax system .

1.4 Significance of the Study

Taxation is most effective tool in the hands of Nepal Government to raise finance internally. Taxation is not only the means for raising resources but is may bring about remarkable change in the social and economic structure of the economy as well as change in social attitude of the people. Property tax is one of the important taxes of direct taxes. It helps government to raise revenue, by the help of assets. It is achieving various goals as socio-economic, objectives, can distribute the income equality. Through the instrument of property taxation, the countries can encourage the growth of certain industries, restricts the conspicuous consumption of certain commodities, increase the rate of saving, and regulates the price of commodities.

The process of economic development tends to be accompanied by a boom in real estate and an investment in luxury housing and other forms of assets, which do not contribute to the

production of essential commodities in the urban areas. So, this is respect the unproductive resource towards productive sector. Thus, the policy of imposing tax on property helps to establish the real sector of economy, which could create more employment to the unemployed resources and encourage to the nationals to invest their resources in real estate and other forms of assets on the other hands.

This study will be multi dimensional significance for academics, professionals; tax administrators; taxpayers and general public who wants to understand about the house and land tax. This study is helpful to:

- a. the government of Nepal for raising the fund internally
- b. The people for channeling the attitude towards tax.
- c. The economic development through the saving and investment procedure
- d. Find out the problem of tax and its remedies

1.5 Limitations of the Study

Due to lack of time and other difficulties, the study is limited in Baglung Municipality. In the field of every study, it has some limitations. This study also is not free from limitations. The main limitations are as follows,

- a. This study has performed in limited time and resources.
- b. The data has presented only Baglung Municipality's house and land tax.
- c. Whether the secondary data are sufficient and reliable, i.e. not examined.
- d. The selected sample from various reports and booklets are based on Nepalese context.

1.6 Organization of the Study

This study is organized and decorated in five chapters. Each chapter and unit will be on a prescribed format of thesis writing to the partial fulfillment of MBS program. Each unit gives the clear picture or roadmap of the study.

-) First chapter deals with “introduction of the study”. In this chapter, separate unit for background, significances objective and limitation of the study has mentioned.
-) Second chapter focused “review of literature”. In this chapter, various relevant studies such as different books, journals, article and previous thesis mention has mentioned.
-) Third chapter presented “Research methodology”. In this chapter, research design, sources of the data, method of data collection and analysis has mentioned.
-) Fourth chapter deals with “Presentation and analysis of data”. This chapter is main body of the research in which the collected data has presented by the table and charts and analyzed with various tools.
-) Fifth chapter presented with “Summary Conclusions and Recommendation” of the study.

Besides this, bibliography and appendices were also presented in the last of this study.

CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

Scientific research must be based on past on past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study. Literature review is basically a ‘stock taking’ of available literature in one’s field of research.

There are many researches made in the taxation of Nepalese public enterprises and private enterprises. Most of them have made on the income tax. This study tries to review the relevant literatures in the topic of property tax.

2.2 Conceptual Framework

In each country, government requires sufficient revenues to carry out development plans, to handle day to day administration to maintain peace and security to launch other Public Welfare activities and for the creation of various socioeconomic infrastructure. For these purpose Government revenue from various sources such as grant and assistance, fine and penalties fees, Income tax, custom, excise, duty, VAT, etc. In short word Government collects tax and nontax revenue from various sources.

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House and Land (property) tax is not a new and keen matter for the student of taxation. From the very beginning of the 19th century, economists have been arguing and discussing for and against it. In the modern era, the functions of government have been increasing day by day. The present economic problems of the country including emergency situation may be the main reason behind the raising government every year. Nepal is a small and beautiful country by natural resources. Nepalese economy is passing through the critical phase of low-income level equilibrium trap, high level of poverty and huge resource gap. About 30 percent of people are below the poverty line. These problem can be solved not only by the investment from the private sector but also by the deliberate action of government in the field of transportation, communication power, road, other basis infrastructure and directly productive activities. In the present context, property

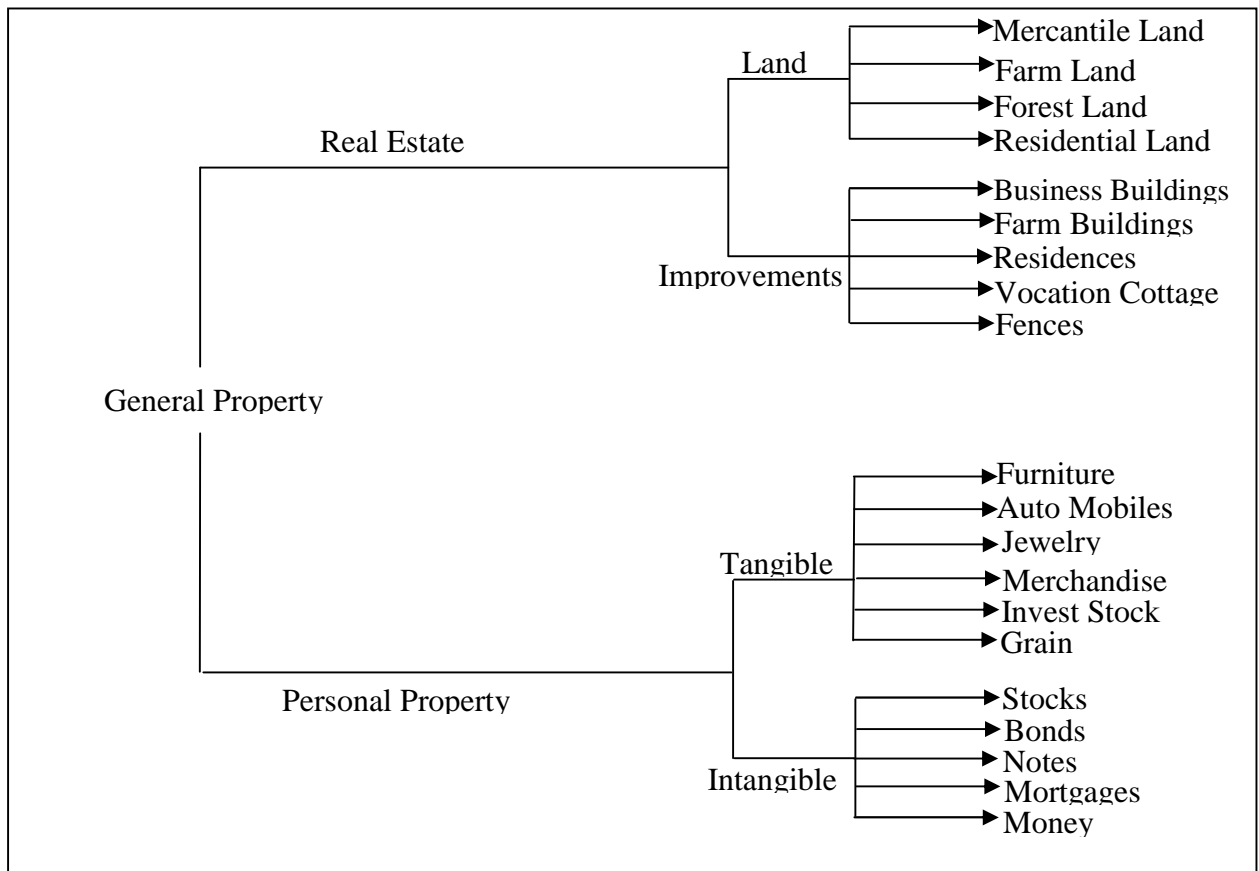
tax occupies one of the most important sources of revenue in our country. Whether it is developed or underdeveloped countries, property tax is regarded as the most important tool for mobilizing internal resources whether the contribution of property tax to the government revenue may be high or low, it has got much more important. House and Land tax is imposed only on House and Land (property) situated at municipality.

2.2.1 Meaning of Property

The term “property” means right to own something e.g. land or a patent. It is a generic term of extensive application and includes everything, which is owned by a person or in which he has a valuable interest. It is a term of wide import and significance every interest, which a person can hold, enjoys or transfers and which has a money value. Property may be movable or immovable. The term a, “immovable property” includes land benefits to arise out of land and things attached to earth like trees and building but does not include standing timber, growing crops or grasses; these can be severed from land. The term “movable property” includes standing timber growing crops and grass. Copyright, patents, right to recover maintenances allowance, royalty, claims/decrees, shares, government securities, debenture was coins currency notes, jewelry, furniture, carpets etc. are examples of movable property .

Legally all property can be divided in two classes personal property and real property. The chart is given below.

Figure 2.1
Items of Property for Tax Purpose



I. Real Property

Real property consists mainly of land and building (or what called improvements on the land). Land and improvement are very important in taxation. Land values and building values are subject to different conditions. Land may increase in value while the building on it is decreasing in value. Different methods are used in evaluating the two kinds of property, for instance, depreciation must be considered in the case of building and but not for valuating land.

II. Personal Property

Personal property can be classified into tangible and intangible. Tangible personal property includes great variety of goods: Merchant's and manufactures stock (inventories), business furniture, fixtures and machinery, tool and pattern rolling, stock of railway, from machinery harvested crops, logs, household, furniture, clothing, Jewelry and other personal effects.

The second category of personal property is intangible property. This class consists, stocks, mortgages, deposits, money and book credit, copyrights and patents, goodwill, franchise value. Intangible property can easily escape taxation whether by migration or by hiding. Many estates classify intangible separately and apply a low flat rate tax to them as a substitute for the general property tax.

2.2.2 General Property Tax

It is a tax on all wealth tangible and intangible which possesses exchange value. The property taxation is the compulsory payment to the public authority, which is based on the capital value of property i.e. building land, vehicle, silver, gold, jewelry, furniture, plant and machinery equipment etc. In law, the courts define property as the right of possession, enjoyment and disposition of all things themselves, which are the subject of ownership. The tax, which is levied on some personal possession, is known as a property tax. So, property taxation has great potentialities of resources mobilization in the developing countries.

2.2.3 History of Property tax

Property tax has its origins in early American history. Initially it was assessed in selected item of property such as land and cattle with different rate imposed on various categories. Thus classified property tax was the main source of revenue to the colonies. During the 18th and 19th centuries a greater variety of property emerged making it difficult to maintain such differentiation. Thus, the tax developed into a general and uniform tax rate. The uniform tax was applied to property independent of from with total property viewed as a general measure of taxable capacity. The approach gave way under the increasing complexity of property the growing property forms. The growing importance of intangible property tax had been supplanted by a much narrower approach. It became a selective tax on real estate and business personality and has remained ever since. Tangible property other than real estate held by persons now largely escapes tax and no attempt is made to reach intangible property. While the share of the property tax in total tax revenue has declined from over 50 percent at the beginning of the century to around 10 percent at present property tax revenue as 1

percent of privately held wealth or as 1 percent in G.N.P has not changed greatly over the last century. It estimated that the revenue wealth ratio has remained at about 1 percent. The share was lower however for municipalities 61 percent which are increasingly, developing additional revenue sources.

Right now, property tax has been the major source of revenue of most of the cities of the world. Property tax gained importance because of the population increase growing urbanization in 1990. By narrowing the tax base to those property, which could be easily discovered improving assessment providing better staff many countries, adopted, property tax in moderate form. At least, in sub-Urban area it is a fairly adequate surrogate for a local income tax since a high relationship has been found between property values and income level. Property taxation has been the major fiscal resource of American local government since 17th century. In 1960 the selected Asian nations, Indonesia, Republic of Korea, Laos and Thailand made only small use of urban property taxation, property taxes are most important in India where as Malaysia, Pakistan and Philippines. They yield less than 20 percent of local revenue.

Argentina local governments, levy earns in tax, which applies, to urban and rural land and improvements on the official value. The general rate is 0.1 percent Buenos Aires however applies progressive rate with a maximum of 1.6 percent of various local governments. There is national tax on the registration of property and local taxes on acquisition. A low 0.3 percent tax applied to land in Korea.

Brazil has power to impose a tax on rural land to ensure uniformity through the country since local government tax urban land at rates that can vary for 0.5 percent to 10 percent Colombia by municipalities. There is national surcharge of 10 percent of the municipal tax.

In Guatemala, a municipal tax on urban property is based on actual or presumed income. There is also a national tax in real property levied on a personal basis on the total official value of the real property of each taxpayer.

The rates range from 0.3 percent to 0.6 percent revenue from property tax in selected developing countries.

Table 2.1
Contribution of property Tax on Total tax revenue

Countries	Tax on Property (in%)
Brazil	2.7
	0.4
Korea	5.5
	3.8
Paraguay	5.9
	5.8
Egypt	14.2
	13.2
Philippines	11.8
	4.4
India	16
	7.8
Nepal	0.14
	0.65

Source: Rajesh Ghalliah, Trend in Taxation in Developing Countries

From this table, property tax contributes very little to the total tax revenue. But, it is an increasing trend. If proper assessment and proper administration is made, it will contribute larger amount revenue to the government.

2.2.4 Role of Property Tax

The property tax is an important sources of local government .But property taxes are not always local taxes. property taxes may depend upon environment in which they are levied and effective for equitable and efficient way to raise revenue .There is complex structure of property taxes around the world .In Germany, two variants of land tax are imposed on four different “base rates” by locally determined ‘leverage factor’.

In most countries taxes on land property are among the oldest forms of all taxes. Central and Eastern Europe ,Asia, Africa and Latin American have the potential contribution of the property tax to the revenue of Urban and rural governments and to more efficient land use. The effort of any property tax depends upon the tax base tax rates and administration. House and land tax can contribute to local government revenues and to more efficiency land use.

Property tax has been different roles they are:

A) as a sources of revenue : The roles of the property tax as a revenue sources are as follows:

-) Property tax is the best minor revenue sources in all countries.
-) Property taxes are important sources of sub national revenue in many Countries and more so in developing than in developed or transition countries.

B) As a Local Tax : The property tax has major part of local government's revenue sources in many Countries, The role of property tax as local revenues are as follows :

-) Taxes are residential real property as essentially taxes on having services that property. Taxes are inherently regressive, since as a rule housing constituents a relatively larger share of consumption for poorer people.
-) Property taxes are essentially a tax on capital that such taxes are inherently progressive, since as a rule income from capital constituents a relatively higher share of income for richer people.
-) The portion of the tax that falls on land as beings paid out of economic rent often consider it to be inherently equitable to tax such "Unearned increments" often from public action.

2.2.5 Characteristics of Property Tax

Property tax is a tax upon all wealth tangible and intangible that possesses exchange value. It is levied according to exchange value, at last in theory and at a common rate for all property in the same district, It is levied and understanding of the nature of property is essential to understanding the tax .

Characteristics of property tax are visibility and inelasticity .The property tax is the levy visible tax. It is paid directly by taxpayers in periodic lump sum payments. The property tax finance se vice such as roads , garbage collection and neighborhood parks . Property tax finances local services promoting public

decisions, good schools , roads and transits etc. The other character of the property tax is :

-) Local property taxes finance services which benefit property values.
-) Tax rates and services levels are decided by local voters.
-) Voters impelled by their sensitivity to property values .
-) Property taxes are based on market value.

Property taxes are levied by local governments. However ,not all taxes on property are levied by government. Local government can do following :

-) Decide to levy the tax.
-) Determine the precise nature of the tax.
-) Establish the base on individual taxpayers.
-) Determine the tax rate and
-) Enforce the tax.

Finally, Property tax is characterized by :

1. Gross property base,
2. Value measure,
3. Uniformity.
4. Universality
5. Impersonality
6. Local collection

2.2.6 Criticism of Property Tax

Criticism of property taxes fall into two classes:-

1-Theoretical Limitations :-

-) A poor measure of ability to pay.
-) A poor measure of benefit received.
-) Property taxation of personal ability.
-) Inconvenience of property tax.
-) Regressively

2-Practical and administrative limitations :-

-) Fractionalized assessments.

-) Inequalities.
-) Competitive undervaluation
-) Evasion
-) Avoidance by migration.
-) Property tax is tolerated

2.2.7 Property Tax in Nepal

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 and foreign investment were taxed at the same rates under property tax Act 2017. Under the provision of property tax act, Nepal framed property tax rules 2017. A separate house and land tax Act, 2019 was enforced and subsequently, house and land tax rules 2020 was then enacted which repeated the existing property tax Act, 2017, Earlier central government used to impose property tax under prevailing Act and rules. After enactment of local self governed Act, 2055, local bodies (i.e. VDS and Municipalities) impose property taxes within their boundary.

Collection, Realization and Refund of Tax

Local self-governance Act 2055 has made the provision for collection, realization and refund of tax separately to the municipalities and VDCs.

I) 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 revenue, land tax, house and land tax, integrated property tax and vehicle tax levy the property taxes.

a. In 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 it's area at the rate approved by the village council, not exceeding the prescribed rate:

- i) **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.
- ii) **Land Revenue (Malpot) or Land Tax:** The VDC may levy land revenue or land tax on the land within its area. However, 25 percent of revenue collected from land revenue or land tax has to be handled over to the District Development Committee (DDC).
- iii) The rate of taxes to be levied by a VDC within its area is prescribed in Annex-4 of Local self Governance Regulation, 2056.

b. In case of Municipality

According to section 136 and 140 of local self Governance Act 2055, the municipality may levy the following property taxes within its jurisdiction:-

- i) **House and Land Tax:** On the basis of the 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.
- ii) **Land Revenue or land tax:** The municipality may impose land revenue and land tax as prescribed on the land within the municipal area.
- iii) **Integrated Property tax:** The municipality may levy an integrated property tax within its jurisdiction at the prescribed rate.

II. 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 following the process as recovery of Arrears as Government dues under 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.

III. 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 concerned person.

IV. Penalties, Actions and Appeals

'Penalty' is a punishment for breach of law where a statute requires any person to do a particular thing and he fails to do so, he renders himself liable to penalty. Action means tax officer has with regard to any taxpayer made dishonest or negligent tax assessment and as a result of which the tax liability of such person has become excessive or reduced, the director shall initiate proceedings for departmental punishment. Similarly when the statute requires any person not to do a particular thing and he does so, he exposes himself to penalty is called appeals.

V. Penalties and Actions

Section 70 and 165 of local self Governance Act 2055 has made the provisions for fine and penalties if any one does not pay any taxes, fees, charges, duties, tariffs and any other amount due and payable under the act, the VDC and municipality penalize the person.

(a) In Case of VDC

According to section 70.2 of local self Governance Act 2055, if any person does not pay the taxes imposed or levied by the village development committee, it may punish such person with a fine of up to Rs. 500 and may stop the service made available by the village development committee in regard to such person.

As per section 70.3 of the act, in case any person commits any act in contravention of the act, of the rules, bye laws or orders made under the act, such person shall be punished with punishment, if any, prescribed elsewhere in the act; and if punishment is not so prescribed, the village development committee may punish such person with a fine up to Rs. 500.

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

(b) In Case of Municipality

According to section 165.2, if any one does not pay the taxes imposed by the municipality, it may take the following actions.

- i) If anyone does not pay the taxes, which may be collected under the act, the municipality may write to the concerned 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 transactions inducing export and import.
- 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 assets of the concerned person the municipality may recover it by auctioning, the person house, land or other assets, if any.
- iii) According to section 165.4, if any one does not pay any taxes under the act, the municipality may stop the service provided by it, in regard to such person.
- iv) In any one commits any action in contravention of the act or the rule by law as or orders 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 a person with a fine of up to Rs. 1000 (Section 165.5).
- v) As per section 165.6, if any one who has already been punished under this section commits the same offence again, the municipality may punish such person with two-fold punishment for each instance.

VI. Appeals

In case any property holder is not satisfied with a punishment imposed by VDC or municipality, the local self-governance Act 2055 has made provisions of appeal against such punishment.

As per section 70.5, any party who is not satisfied with the punishment imposed by the Village Development Committee may appeal to the concerned District court within 35 days from the date of knowledge of such decision.

Similarly, according to section 165.7 any party who is not satisfied with the punishment imposed by the municipality may appeal to the concerned District court within 35 days of the date of knowledge of such decision.

VII. Property not included in Valuation for Tax Purpose

Some of the properties, which cannot be used for valuation, are mentioned in local self-government act. The following properties are not included in valuation for tax proposes:

- a. **Growing crops:** Grass of standing trees on agricultural band, the growing crops grass or standing trees are excluded from the purview of the term of assets.
- b. **Animals:** Any domestic animals such as Buffaloes, Cows, Oxen and others but the act does not clear the types of animals.
 - i) Any agriculture animals such as bullocks, cows and buffaloes.
 - ii) Any performing animals in circus such as chimpanzees, bears, lions, tigers.
 - iii) Any drought or transport: Animals as males or horses.
- c. **Patent or Copyright:** The patent or copyright is exempt from property tax. The patent or copyright is acquired by an assesses under a contract form the original author or the inventor or it is acquired by way or inheritance or otherwise no exemption is allowed in such cases.
- d. Books and equipments for study.
- e. Pots and equipments except valuable metals.
- f. Wearing approval provisions and other clothes for personal or household use of the assesses.
- g. Furniture and equipments (accepts T.V., V.C.D, Deck, refrigerator, washing machines, camera etc), they are exempted for developed countries like India. In the poor society, it is assumed highly luxury goods.
- h. Tools, Machinery and equipments used for professional works.
- i. Simple equipments of decoration of house (except valuable metal equipments).
- j. Singing and dance equipments for dally used.
- k. Equipments for physical education.
- l. Equipments and tools for first aid which are kept in house.
- m. Weapons and tools used for personal safety.
- n. Equipments related to arts and photographs.

According to local self governance act 055/56, the assets exempt from tax is:-

- a. Gold 10 tolas with jewelries
- b. Silver 200 tolas with jewelry
- c. Stock in trade
- d. Invested shares and debentures
- e. Area for house of assesses 300 sq. ft. and Ropanies of Land.

Similarly, according to Local self Governance Act 005/56 section 146, following are rebates:

- a. Goods and equipments for social welfare.
- b. Land owned by farmers
- c. The exemption limit for land are:
 - i) 10 Biga for Terai area
 - ii) 20 Ropanies for Kathmandu Valley
 - iii) 60 Ropanies for other hilly area
- d. The land related to Nepal Government
- e. Land and building for hospital
- f. Education institutions (Non-Profit making)
- g. Land related to non-profit marking organization
- h. Foreign agencies organization

VIII. Types of Property Tax Exemptions

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

- a. Homestead exemption: homestead includes only dwelling occupied by the owner as a residence the site upon which the dwelling is located, and 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 ratio of residential property to total property.

- b. 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.
- c. Exemption to encourage economic activity: Exemption to encourage economic activities are cash bonuses, loans, donations of site and building or their provisions at nominal rentals, guarantees of favorable conditions and soon.
- d. Municipal exemption policies: Municipality also provides exemption to individual to attract the economic activity within the municipality.

IX. Rebates from Property Tax

Rebates from property tax are mentioned in self-government act. From the property tax, the following incomes are rebated.

- a) Loan and debenture taken from registered institutions.
- b) Amount received from life insurance.
- c) Price received from social work.
- d) Amount received from Nagarik Investment.
- e) Amount received from provident fund.
- f) Amount received from personal annuity
- g) Profit or divided received from kingdom's commercial institutions

X. Contribution of House and Land Tax in Public Revenue

Taxes play important role to the economic development of Nepal. It has been used for the achievement of national economic goals. To get knowledge about the taxes, tax structure should be known. Tax structure refers to the level as well as relative importance of various taxes in the composition of total tax revenue of a country.

The incomes of the government through all sources like taxes, fees, fines, penalties, donation etc are called public revenue. Public revenue may be divided into two main heading i.e. (i) Tax revenue (ii) Non tax revenue.

Following table shows the Contribution of House & Land Tax in public revenue

Table 2.2
Contribution of House & Land Tax in public revenue

(Rs. in Crores)

F/Y	Public Revenue	Total Tax Revenue	Non tax revenue	House & Land Tax	H&L tax as % of Total Public revenue
2062/063	7228	5743	1485	218	3.00
2063/064	8772	7113	1659	225	2.57
2064/065	10763	8516	2247	294	2.73
2065/066	14347	11705	2642	522	3.64
2066/067	18295	15630	2665	551	3.01

Source: Economy survey and budget speech-2068, Ministry of Finance

2.2.8 Current Provisions of House and Land Tax in Baglung Municipalities

Baglung Municipality has been followed up the self-Government Act. besides this act, besides this act Baglung municipalities have to work under the current provision as well as their rules and regulations. The current provisions of house and land tax in Baglung municipality area as follows:

I) Necessary documents and duties for submitting required documents

Following documents are required to submit house and land tax return in Baglung municipalities:

- a) Tax Officer holds right for following action if required:
 - i. Necessary examinations and review of statements by tax payer by issuing notice for filling and taking interview.
 - ii. Filed inspection.
- b) If any person has various land and houses. In the metropolitan area, statement should be. Submitted to related ward office of each land and house.
- c) If any couple has separate land and house. Ownership, statement should be submitted jointly.
- d) If there is more than one own, statement should be submitted in the name of any one owner.

- e) People having liability to pay house and land property tax should submit the return as per act.
- f) If there is any increased/decrease in house and land property, it should be reported to the ward office.
- g) Calculated tax as per submitted statement should be deposited in bank account of within 32 days.
- h) The necessary documents are :
 - i) Copy of land ownership certificate - 1
 - ii) Copy of approval of house map - 1
 - iii) Copy of approval of new flat map if any - 1
 - iv) Filed inspection report by technician for house constructed within approval before provision of metropolitan system - 1
 - v) Copy of tax receipt if any submitted to tax office - 1

II) Process of Tax Assessment

To make the taxpayer easier Baglung municipality as provided the certain process of tax assessment. Process of tax assessment covers the process as follows:

- a. Necessary documents should be registered in house and land tax book.
- b. House valuation is done on the basis of size of house, area of land and depreciation rate.
- c. Different types of houses should be evaluated in different ways.
- d. Tax assessment is done on the basis of house and land valuation.
- e. After paying house and land tax, tax clearance certificate should issued and keep the records.

III) Things to be considered in Process of Tax assessment

In the process of tax assessment, some of the rules and regulations should be considered. Things to be considered in process of tax assessment areas on follows:

- a. Finding out actual valuation by total area of house.
- b. Find taxable value on the basis of depreciation, types of house, total valuation, year and rate.
- c. If approval is not taken during house construction, she/he should deposit Rs. 10 per Sq. ft.

- d. Name and types of road should be defined in the map.
- e. Finding out the area of land in Ropani/Biga/Kattha.
- f. Actual valuations are done based on types of land.

IV) Mistake Corrections in the Process of Assessment

If the some mistakes are found in process of assessment taxpayers have right to claim the mistakes corrections. The processes for mistake corrections are as follows:

- a. If the taxpayer complains about tax and valuation of house and land within two years, tax officer can again determine the tax and valuation.
- b. The administration should provide chance of revision about house and land tax if necessary.

V) Rebate for the Payers in Baglung Municipalities

Taxpayers 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:

- a. 10 percent discount for paying tax before last of Sharawan.
- b. No penalty for paying tax unit Ashwin last.

VI) Penalty System of House and Land tax

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:

- a. If any person submits false document invoices or wrong documents till Ashwin or every year, the penalty is Rs. 5000.
- b. If a person does not follow directions of tax officer penalty is Rs. 500.
- c. If any person does not follow rules and regulations regarding paying tax, the penalty is Rs. 1000.
- d. If tax is not deposited within 35 days, 15 percent additional amount per annum shall be charged an assessed tax.

VII) Exemptions of House and Land tax in Baglung Municipalities

- a. House and Land owned by Nepal Government.
- b. House and Land owned by municipalities and District Development Committee.
- c. House and land related to Embassies Diplomatic mission etc.
- d. Land related to auditorium, stadium, garden, airport, part etc.

VIII) Documents required for Property Valuation of in Baglung Municipalities

- | | |
|---|-----|
| a. Application form | - 1 |
| b. Copy of house and land tax clearance certificate | - 1 |
| c. Bill of land tax clearance | - 1 |
| d. Field inspection report of ward office | - 1 |

IX. Methods of valuation in Baglung Municipality

Following table shows the methods of house and land valuation in Baglung Municipality :

Table 2.3

Valuation process of House and Compound in Baglung Municipality

S.N.	Structure of House of Mode of Construction	Valuation of House		
		Average Cost Per Sq. Ft	Dep ⁿ Rate in % Per Year	Total Life in year
A	Green (raw) bricks with mud mortar or made of wood (timber)	Rs. 450	3%	25 year
B	Kiln bricks (or stone) with mud mortar	Rs. 525	2%	30 year
C	Kiln bricks (or stones) with cement mortar	Rs. 575	1%	70 year
D	RCC frame structure	Rs. 635	0.75%	100 year

Source : Baglung Municipality

Note:

- a. House made of green (raw) bricks with mud mortar and thatched roof or house made of bamboo with thatched roof is not valued for the purpose of house and land tax.
- b. Classification of house is green (raw) bricks with mud-mortar. Kiln bricks (stones) with mud mortar, kiln bricks (stones) with cement mortar, R.C.C. frame structure.
- c. The main auditorium of cinema hall is valued by applying a 25 percent discount in previously mentioned rates. It means the main auditorium of a cinema hall is valued at 75 percent of foresaid rates.
- d. Depreciations not deducted in the year of construction of house. For example for a house constructed 5 years ago, depreciation for only four years is deducted.

X. Rate of House and land tax in Baglung Municipality

Following table shows the rate of House and Land tax in Baglung Municipality

Table 2.4
Rate of House and Land Tax in Baglung Municipality

Value of House and Land	Rate in (%)	Amount (in Rs.)
First upto Rs. 10 Lakh	Nil	Nil
Next Rs. 10 Lakh	Rs. 300 (lump Sum)	300
Next Rs. 30 Lakh	0.05%	1500
Next Rs. 50 Lakh	0.25	12500
Next Rs. 1 Crore	0.5%	50000
Remaining any amount	1.5%	50000

Source: Annual record of Baglung Municipality

In table 4.7 rate of tax in rupees 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 upto 10 lakhs, they should not have to pay tax. If one has value of house and land upto 20 lakhs, they must pay Rs. 300. Similarly, one who has value of house and land next upto 1 crore after exemption of Rs. 10 Lakhs, they should have to pay Rs. 50,000.

Note: Valuation of land (compound)

- a. Area of land in Bigha/Ropani/Kattha/Aana.
- b. Valuation of land should be fixed by government for tax purpose, not the market price of the land.
- c. Examples related with property valuation and tax calculation have shown in appendix-I.

XI. Methods of Valuation of Property for tax purpose

There are different methods of valuation. It is based on importance of zonal, commercial area, rate of depreciation and construction year of building. Some methods of property valuation are as follows:

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, gives the capitalized value of the property. This method is useful in those properties which are rented and where the net rent is known.

2-Direct Comparison with the capitalized value

This method is adopted when the rental value is not available. 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 basic of valuation is already known.

3-Valuation based on profit

This 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 basic for determining the value of the property.

5-Development method of valuation

This method is used for those properties in either a developed stage. It is used only in specific cases, e.g. half completed house.

2.3 Review of Earlier Studies

Realizing the scarcity of the reports in Nepalese tax system different scholars writers and institutions was involved in the studies and research of Nepalese tax system and have analyzed it as well as property taxation of Nepal. A brief review of taxation in Nepal is summarized below. The purpose of this review is to bring in light in brief the important work done on property taxation in Nepal.

In 1973, the research officers **Mr. Bhawani Dhungana** and **Mrs. Bina Pradhan** of an institution Center for Economic Development and Administration (CEDA) surveyed the property taxes for the 1st time and performed a general account on the revenue potentiality problem etc and suggestion have made for the prospect and future source for the development and have 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 trend and revenue potentiality of Kathmandu.

In 1974, the Research officers **Mr. Arjun Jung Shah**, **Mr. Narendra Lal Kayastha** and **Mr. Bal Prasad Rai** have analyzed the property tax of five district in the report entitled “Evaluation of Urban Property”. The five districts are Biratnager, Birgunj, Nepalgunj, Bhairahwa and Janakpur. In this report they have analyzed the revenue generation from these districts. They have also deal with housing trend, revenue potentiality valuation procedure of land plinth area rate and building categorization etc.

In 1974, **Narendra Lal Kayastha**, in his thesis entitled “Taxation Income and Property on Nepal” has tried to analyzed 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 administration aspect was also helpful to find out some relative information regarding income tax system of Nepal are income tax evasion at high

level and greater role of indirect tax in tax revenue. These problems are still considered as the major problems in Nepalese income tax system.

In 1978, **Kanka Bhandari** has attempted to point out problem regarding property tax and has suggested to overcome and uplift its share on the revenue side along with social betterment as it being a tax on the social sector.

In 1980s, **Bharat Devkota** has analyzed Urban house and land tax entitled “Nepalma Sahari Ghar Jagga Kar Ear Bisleshan”. He analyzed property tax legal aspect, evaluation procedure house and land, collection of house and land. Tax, tax base, structure of tax rate, revenue potentiality, historical aspect and property tax in different nations along with international aspect.

In 1985, the research officers **Mr. Bhawani Dhungana, Mr. Narendra Kayastha** and **Mr. Bal Prasad Rai** from CEDA have written property taxation along with other taxes.

Dhankal 2001 has presented extended enlarged and modified edition of his book named “Income Tax and House and Compound Tax: Law and Practice”. In this book, he has described the provision made under income tax act the methods of income tax assessment have been described with numerical example. 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.

In 2002, **Malik** published a book named “Nepal Ko Adhunik Aaykar Pranli”. This book is very much useful to anyone who is interested in the subject of taxation. In his book, Malik has explained income tax act 2058 with examples wherever necessary. He has presented the complex act in simple manner so that it will be easy to understand the act. He has shared his expertise in his book. His book is descriptive and analytical. All 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.

In 2006, **Kandel** wrote two books on taxation one book entitled “Tax Laws and Planning” and another “Nepal Ko Bartman Kar Byawastha”. For BBS 3rd year, he has presented practical as well as theoretical aspects on taxation in these books.

In 2006, **Jit Bahadur K.C.** wrote a book “Tax Laws and Tax Planning: Theory and Practice”. This book has shown the historical background of Taxation in Nepal and other country.

In 2005, **Sudip Prasad Timalsina**, in his thesis “taxation in Nepal: Special reference to land revenue has mentioned about importance of land tax in Nepal. He has also cleared explained about the land tax development from ancient to modernize land tax system in Nepal. The major problems existing in Nepalese land tax system identified by him are the inefficient land revenue administration, lack of modern cadastral survey, up to date records, inequality of minimum valuation of land for different purposes, land classification not made on the basis of it’s productivity etc. he has suggested some improvement regarding land tax & administration for the collection of tax in Nepal.

In 2007, **Adhikari, Risshi Ram**, in his 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 enterprise 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.

In 2007, **Prajit Kumar Timilsina**, in his thesis “Taxation in Nepal: Special reference to land revenue and land registration tax, has stated that the problem of systematic record of land registration in Nepal. He has also explained about need of classification of land according to its uses and area. Without the classification of land, the collection of land revenue through such land will be not justifiable and equitable. He has suggested that there is necessary to restructure the policy regarding land registration tax.

CHAPTER III

RESEARCH METHODOLOGY

Research is a systematic method of finding right solution for the problem where as research methodology refers to the various steps under taken a researcher to find the optimum solution. For this study the financial data of the last five-year from the Fiscal Year 2062/63 to 2066/67 has been collected.

Primary as well as secondary data have been used to fulfill the objective of the study. Opinion survey technique has been adopted to collect the primary data about the different aspects of house and land tax. While conducting opinion survey, questionnaires were distributed to different groups who were related to house and land tax. Secondary data are collected from the publication of different offices or organization and records of Baglung Municipality. The collected data are tabulated into the separate format and table. Some statistical tools such as simple average and percentage are made wherever necessary.

3.1 Research Design

Research Design is the Plan and working plan for research work. It includes all steps and process used in research in detail. It is a frame structure of study ,under this structure the study should be fulfill. For achieve the expected objectives used here a systemic way for collection, presentation and analysis of related data. Most of the data are secondary sources and include respondents answer in some related terms also . In this study Historical as well as present data has been collected from the record of Baglung Municipality, after that analyzed these data from different way, taken respondents opinion about research problem, at last find conclusion with recommendation also.

In short. This study includes three types of analysis. There are descriptive, analytical and empirical.

- a. Descriptive research studies involve the systematic collection and presentation of data to give a clear picture of a particular situation. This studies attempt to obtain a complete and accurate description of a situation .For description of selected topic here used different type of Table.

- b. In analytical research information already available and facts has to be used and analyzed these to bring fact-finding. For analysis of House & Land Tax of Baglung Municipality here include Different Chart and Trend line.
- c. The empirical research can be confirmed or disconfirmed. Confirmation of a theory means that we have more confidence in the theory than before confirmation. Theories that are disconfirmed may be modified or discarded entirely. Empirical analysis assures or falsifies theories. If theory is assured, it is more reliable; if theory is falsified it should be discarded. An empirical investigation has been conducted in order to fine out various aspects of house and land tax from the experience of real life situation. The major tool used for this purpose is an opinion questionnaire, which was dispatched to 50 persons representing tax experts, tax officers and taxpayers. The format of questionnaire is in **appendix II**.

This research study attempts to analyze the present house and land tax under the opinion of 50 respondents associated with the house and land tax. Tax payers, tax officer and tax experts are collected through questionnaire. The questionnaire includes the problems of tax administration, weaknesses associated with the current house and land tax, methods of increasing tax-paying habit of the, tax exempted property-controlling tax evasion etc. Similarly, various publications of house and land tax of different organizations are used for this study.

3.2 Populations and Sample

Mainly this study focused on the House and land tax of Baglung Municipality so the related all information are population out of this this study is covered as sample from Fiscal year 2062/063 to 2066/067. In order to benefit this study, The respondents have been divided into 3 groups. The following table shows the groups of respondents and size of sample. Randomly Taken only a few no. of respondents for questionnaire purpose.:

Table 3.1
Group of Respondents

S.N	Group of Respondents	Sample Size
1	Tax experts(A)	4
2	Tax Officers(B)	8
3	Tax payers(C)	38
	Total	50

3.3 Natures and Source of Data

Both Primary as well as secondary data have been collected in order to achieve the real and fact result out of this research. All possible and useful data available have been collected. The major sources of data are as follows:-

a. Primary Source

The primary data are collected from primary sources. The primary sources of data are-

-) The opinion survey through questionnaire,
-) Field visit and information received from the respondents.
-) Some of the information was also collected from interview with the respondents.

b. Secondary Sources

The Secondary data are collected from secondary sources. The secondary sources of data are the information received from books, Journals , article and website concerned with the study. The major sources of secondary data are as follows:

-) Reports and Records of Baglung Municipality of different years.
-) Economic survey of various years, ministry of finance, the Nepal Government
-) Reports and records of Inland Revenue departments.
-) Books related to house and land tax.
-) Thesis and dissertation submitted at Nepal commerce Campus and Central library T.U.

-) Research studies by center for Economic Development and Administration (CEDA) concerning the house and land tax.

3.4 Data Gathering Procedure

Procedure of data gathering is most important part of the research, consists of obtaining information from somebody hand. It is very complicated activities of the entire research process. Frequent visit of Baglung Municipality in order to collect the data, For the entire research process . Frequent visit of Baglung Municipality in order to collect the data, for the purpose of this study to collect the data from officials had made the researcher published and unpublished documents ,books, articles , magazines, website. Audit report and officials records are the main sources of secondary information while the primary sources consisted were interview, dialogues. questionnaire , and informal discussion with the concerned parties.

3.5 Data Processing Procedures and Analysis of Data

For achieve the Objectives following process are used :-

-) Collection of relevant information from primary and secondary sources.
-) Identification of data to fulfill the purpose of study.
-) Classification and tabulation of data.
-) Analysis the data with the help of different tools and way.
-) Drive conclusion, summary , and recommendations on based on data analysis.

For analysis purpose following tools have been used :-

- a. Simple percentage
- b. Simple average
- c. Graphs, charts and diagrams
- d. Other tools
 - ii. Parabolic Trend analysis
 - ii. Empirical analysis

i. Parabolic Trend Analysis

One of the main objectives of the analysis of time series is to forecast future with the help of past and present information. This can be obtained by fitting a properly shown by straight line trend. So in case, we fit second degree (parabolic) trend whose equation is:

$$Y_c = a + bx + cx^2 \dots\dots\dots (i)$$

Where, x = Independent variable

Y_c = Dependent variable

a = Y=Intercept

b = Slope of the regression line (i.e. it measures the change in Y per unit change in x).

Now the value of a, b and c can be found by solving the following normal equations. The equations are constructed by multiplying the equation (i) by ΣX and ΣX^2 for the equation (iii), (iv) and (v) respectively.

$$\Sigma y = Na + b \Sigma x + c \Sigma x^2 \dots\dots\dots (i)$$

$$\Sigma xy = a \Sigma x + b \Sigma x^2 + c \Sigma x^3 \dots\dots\dots (ii)$$

$$\Sigma x^2y = a \Sigma x^2 + b \Sigma x^3 + c \Sigma x^4 \dots\dots\dots (iii)$$

By solving these equations, we can find out the value of a, b and c then put on the values in equation (i) and the trend equation is found when the equation of the trend line is constructed then we should verify the values of independent variables for finding out the future amount of the value. After then the values should be dropped on the diagram for visual map. The presentation is called diagram presentation.

ii. Empirical Analysis

An empirical investigation has been conducted in order to fine out various aspects of house and land tax from the experience of real life situation. The major tool used for this purpose is an opinion questionnaire, which was dispatched to 30 persons representing tax experts, tax officers and taxpayers. The format of questionnaire and the list of respondents are in appendix II and III.

The questionnaire were either asked for a yes/no response or asked form ranking of choices according to number of alternatives where first choices most preference and last choose was least preference. For analysis purpose, choices were assigned weight according to the number of alternatives. If the number of alternatives were four, then the first preferred choice got four points and the last preferred choice got one point. Any alternative, which was not ranked didn't get any point. The total points available to each choice were converted into percentages in reference to the total points available for all choices. The choice with the highest score of percent was ranked as the most important choice and one with the lowest percent being ranked as last choice.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

Taxes plays an important role to the economic development of nation. It has been used for the achievement of national economic goals. House and land tax is the important sources of public revenue.

This Chapter has Present and analysis about the total revenue collected by Baglung Municipality, tax structure, contribution of House and Land tax in total revenue of Baglung Municipality, present and projected future trend of House and land tax, Problem regarding House and Land tax in Baglung Municipality with the help of related data from fiscal year 2062/063 to 066/067.

To achievement the expected Objectives of the study, the collected data has been present by different table ,chart ,and Trend line and include Respondents' view about selected topic also.

4.1 Contribution of house and land tax of the total revenue of Baglung Municipality

This topic has been presented and analysis of relevant data and taken respondents attitude also toward the House and land tax important and it's contribution on public revenue.

4.1.1 Total revenue and House and land tax of Baglung Municipality

Total revenue and House and land tax revenue of Baglung Municipality from fiscal year 2062/063 to 066/067 has been shown in following table and Bar-diagram:

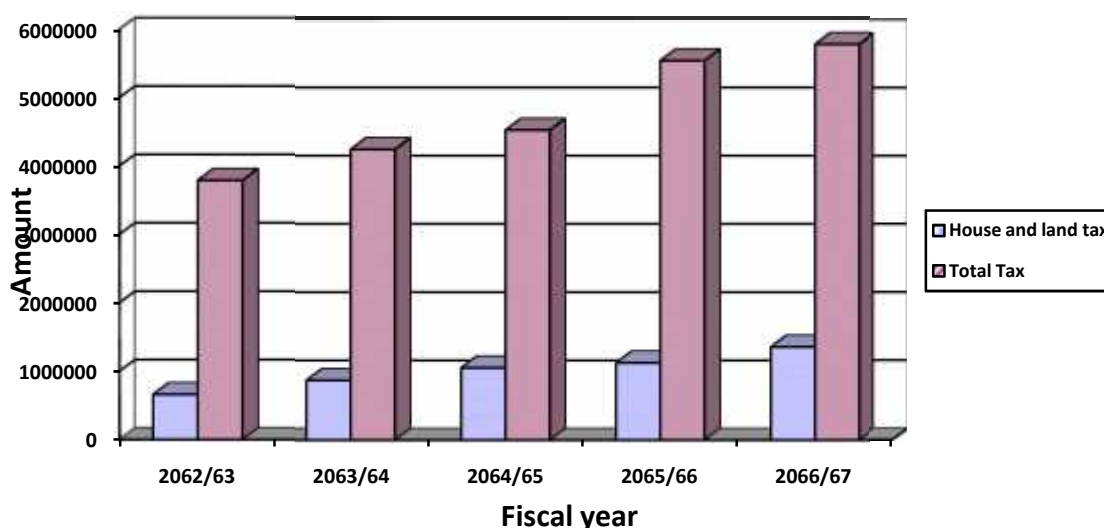
Table 4.1
Total revenue and House and land tax of Baglung Municipality

Fiscal Year	Total revenue (Rs.)	House and Land Tax(Rs.)	% of House and Land Tax
2062/063	37,88,509.20	6,57,890.23	17.37
2063/064	42,59,135.93	8,74,282.35	20.53
2064/065	45,42,678.80	10,57,714.26	23.28
2065/066	55,60,251.10	11,30,856.24	20.34
2066/067	58,01,263.04	13,63,836.20	23.50

Source: Annual reports of Baglung Municipality

Above data can be presented in following bar-diagram also:

Figure 4.1
Contribution of House and Land Tax of the total revenue of Baglung Municipality



As shown in the above table and chart the total revenue as well as House and land tax collected by Municipality are increasing each year which is the positive in the view of public income. Although the both total revenue & house & land tax has been increasing but contribution of House and land tax in total revenue has fluctuating every year. Causes may be the tax evasion, poor taxpaying record

keeping ,delay in tax assessment and collection ,lack of tax consciousness ,poor tax policy etc. The maximum revenue in the F/Y 2066/067 where as the minimum revenue in the F/Y 2062/063 and the contribution of house and land tax also maximum in the fiscal year 2066/067 i.e 23.50% & and minimum in the fiscal year 2062/063 i.e.17.37 % .

4.1.2 Number of H&L tax payer & revenue collection through H&L tax in Baglung Municipality in different F/Y

No. House and tax payer and tax collected amount from F/Y 2062/063 to 066/067 has been presented in following table and trend line:

Table 4.2

No of H&L tax payer & revenue collection through H&L tax in Baglung Municipality

Fiscal Year	House and Land Tax (Rs)	No of H&L tax payers
2062/063	6,57,890.23	288
2063/064	8,74,282.35	328
2064/065	10,57,714.26	405
2065/066	11,30,856.24	498
2066/067	13,63,836.20	650

Source: Annual reports of Baglung Municipality

These data can be shown by following trend line also:

Figure 4.2
Number of House and Land Tax payers in Baglung Municipality

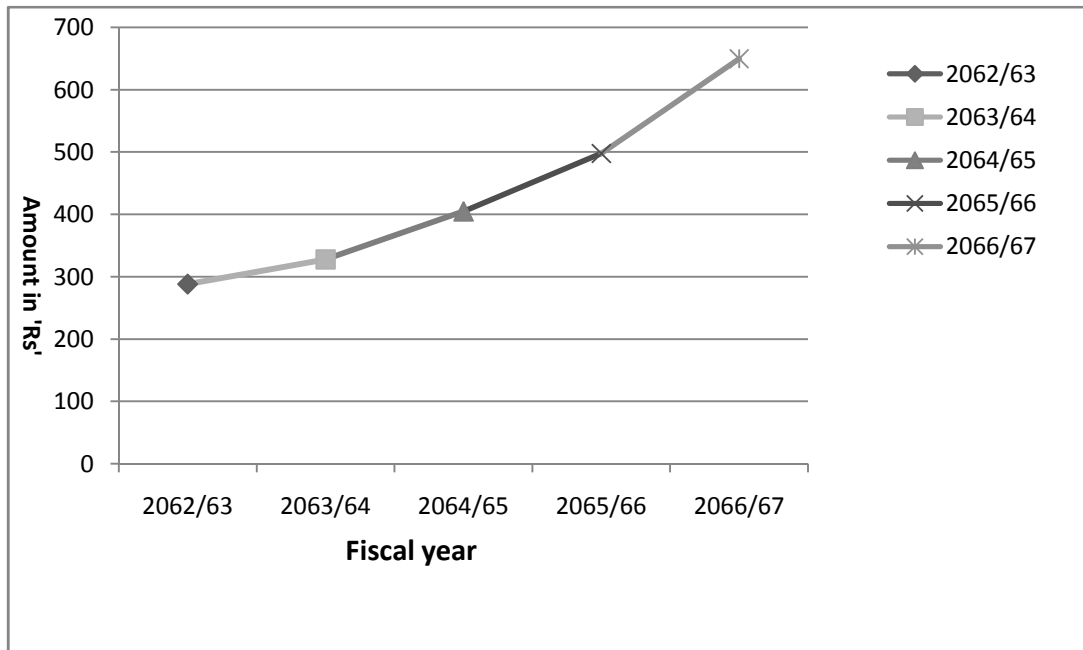
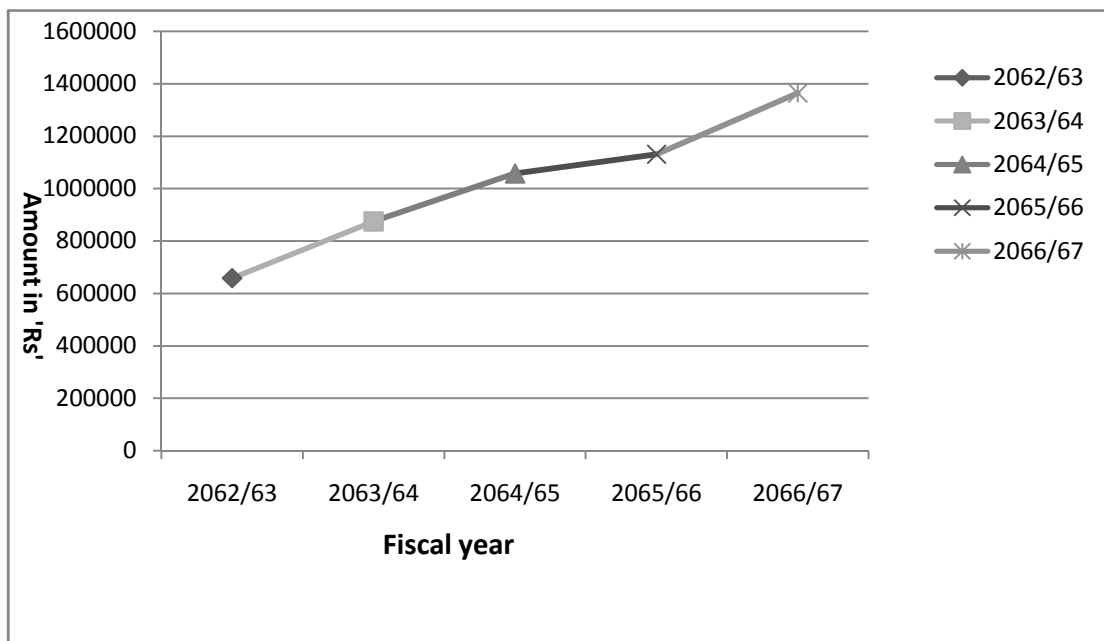


Figure: 4.3
Revenue Collections from House and Land Tax in Baglung Municipality



Above table and trend lines have shown the growing tendency of No. of H&L tax payer and collected tax amount for last 5 years of Baglung Municipality As shown in the table & figure above the no. of tax payer and house and land tax are

increasing each year, which is positive. Migration of public from remote village to Baglung Municipality, increasing the House build trend for family separation purpose, increasing the tax awareness of Public, Tax Administration of Municipality has been improving continuously, provide tax education by different tools from Municipality etc. are the main causes for increasing no. of tax payer and tax paid amount in each year. Both are the no. of tax payer is maximum in fiscal year 2066/067 and minimum in fiscal year 2062/063. In the same way the revenue collection is maximum/minimum in the F.Y 2066/067 and 2066/063 respectively which should be taken as satisfied.

To know the respondents' attitude about contribution of House and land tax in public revenue, some question have been asked to respondents and their attitudes towards the subject are presented here:

4.1.3 House and Land Tax as a suitable Means of Raising internal Resources

In order to know the respondents opinion on the suitability of House and Land Tax in raising internal resources, a question was asked, "In your opinion, is the house and Land tax as a suitable means of raising internal resources?" The responses received from the respondents are tabulated as follow:-

Table 4.3
H & L Tax as a Suitable Means for Raising internal Resources

Response Respondents	Yes		No		Total	
	Number	%	Number	%	Number	%
A	4	100	-	-	4	100
B	8	100	-	-	8	100
C	38	100	-	-	38	100
Total	50	100	-	-	50	100

Source: Opinion Survey 2069

The cent percent of respondents approved the H & L tax as a suitable means of raising internal resources. Hence, it can be concluded that there is no doubt in the suitability of H & L tax raising domestic resources or House & land tax provide a remarkable contribution in internal resources for whole economy as well as for local authority also.

4.1.4 Reasons for the Suitability of H & L Tax in Raising internal Resources

In order to know the reasons of H & L tax as a suitable means for raising internal resources, the next question was asked. “If yes, why it is a suitable mean for raising internal resources?” The responses have been tabulated below.

Table 4.4
Reasons for the Suitability of H & L Tax in Raising Internal Resources

S.N	Reasons	Group(No. of respondents)			Total	%	Rank
		A	B	C			
1	It is harmful to depend fully on external sources	1	4	11	16	32	2
2	Among the internal sources, H & L tax seems to be the most viable method	2	3	18	23	46	1
3	Several limitation of public borrowings	1	1	9	11	22	3
4	Any other	-	-	-	-	-	-
Total		4	8	38	50	100	

Source: Opinion Survey 2069

In the above table, % was calculated according to the total no of respondents chosen each reason. For ranking purpose, % of each reason was matched with each other and assigned 1st rank to the highest % of respondents had been select the IInd reason thus with the help of respondents’ view H &L tax is a suitable internal Public revenue resources because it is a viable method among the internal resources .

4.2Trend & Structure of House and land tax in Baglung Municipality

In this topic presentation and explained about the house and land tax structure of Baglung municipality in different Fiscal year and find out the future trend of House and land tax in Baglung Municipality with the help of past and present data:-

4.2.1 Tax collected by Baglung Municipality in F/Y 2066/067

In Baglung Municipality various types of tax are imposed. The tax imposed and collected by Baglung Municipality in the fiscal year 2066/67 are listed below-

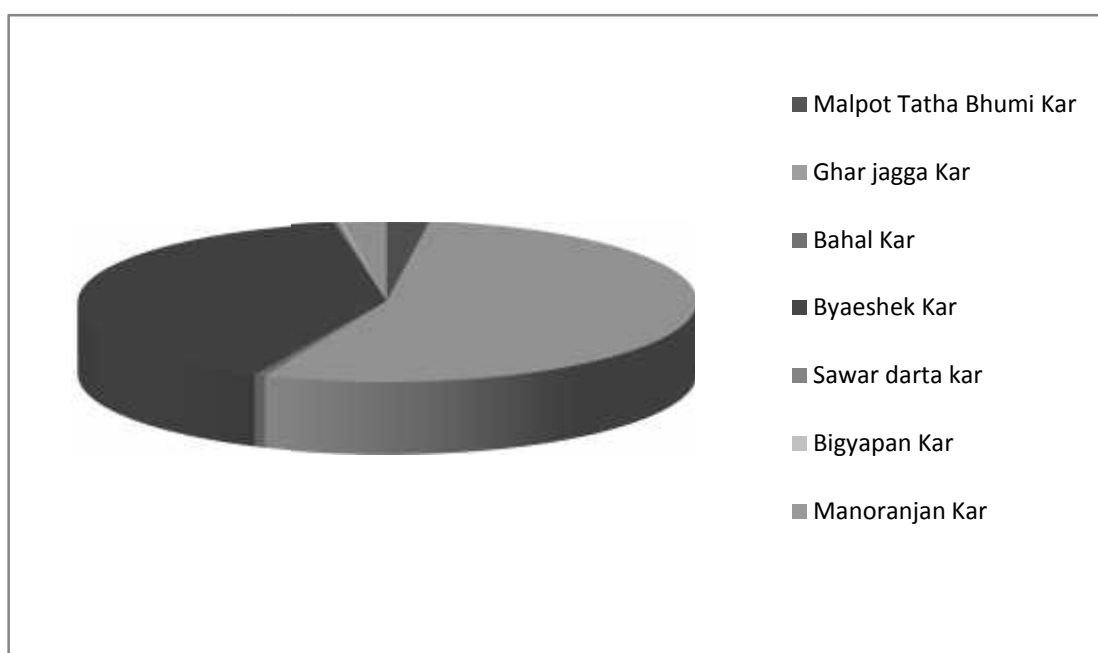
Table 4.5
Tax collection in Baglung Municipality (2066/67)

S.N	Types of Tax	Amount(Rs.)
1.	Malpot Tatha Bhumi Kar	55,814.00
2.	Ghar Jagga Kar	13,63,836.20
3.	Bahal Kar	14,492.80
4.	Byawasye Kar	10,12,493.60
5.	Sawari Kar & Sawari Darta Tatha Barshik Sawari Kar	6,835.00
6.	Bigyapan Kar	4,960.00
7.	Manoranjan Kar	57,644.23

Source: Annual report of Baglung Municipality

Above data should be shown by following pie-chart also:

Figure 4.4
Tax Collections by Baglung Municipality(2066/067)



Above table and figure shows the tax collected by Baglung Municipality in F/Y 2066/067 from various types of taxes. As shown in the table and figure in the structure of tax House and land tax is in the highest portion and advertisement tax is in the lowest portion. It indicates the H&L tax has taken a vital place in tax structure of Baglung Municipality.

4.2.2 Past, present and future trend of House and land tax of Baglung Municipality

For present and analysis of house and land tax trend in Baglung Municipality here used Parabolic (Second Degree) Trend Analysis method:

Parabolic (Second Degree) Trend Analysis

One of the main objectives of the analysis of trend analysis is to forecast future with the help of past and present information. This can be obtained by fitting a properly shown by straight line trend. So in case, we fit second degree (parabolic) trend whose equation is:

$$Y_c = a + bx + cx^2 \dots\dots\dots (i)$$

Where, x = Independent variable

Y_c = Dependent variable

a = Y=Intercept

b = Slope of the regression line (i.e. it measures the change in Y per unit change in x).

Now the value of a, b and c can be found by solving the following normal equations. The equations are constructed by multiplying the equation (i) by Σ , ΣX and ΣX^2 for the equation (iii), (iv) and (v) respectively.

$$\Sigma y = Na + b \Sigma x + c \Sigma x^2 \dots\dots\dots (i)$$

$$\Sigma xy = a \Sigma x + b \Sigma x^2 + c \Sigma x^3 \dots\dots\dots (ii)$$

$$\Sigma x^2y = a \Sigma x^2 + b \Sigma x^3 + c \Sigma x^4 \dots\dots\dots (iii)$$

By solving these equations, we can find out the value of a, b and c then put on the values in equation (i) and the trend equation is found when the equation of the trend line is constructed then we should verify the values of independent variables for finding out the future amount of the value. After then the values should be

dropped on the diagram for visual map. The presentation is called diagram presentation.

The parabolic trend analysis is a reliable source for analyzing the future trend of the available data from which the trend is calculated through the information of past performance. The trend analysis helps to forecast future amount of house and land tax of Baglung Municipality. Forecasted debt suggests to the government for future policy and debt management practices.

Parabolic Trend Analysis for House and Land Tax of Baglung Municipality

Fiscal Year(x)	H & L Tax (y)	X = (Year-2064)]	XY	X²	X³	X⁴	x²y
2062/63	657890.23	-2	-1315780.45	4	-8	16	2631560.92
2063/64	874282.35	1	-874282.35	1	1	1	874282.35
2064/65	1057714.26	0	0	0	0	0	0
2065/66	1130856.24	1	1130856.24	1	1	1	1130856.24
2066/067	1363836.20	2	2727672.40	4	8	16	5455344.80
Total	5084579.28	x=0	xy = 1668465.84	x ² =10	x ³ = 0	x ⁴ = 34	x ² y = 10092044.31

Now, fitting the parabolic (Second degree) trend,

Which equation is : $y = a + bx + cx^2$ (i)

For any given value of independent variables x the estimated value of y denoted by yc given by above equation;

$Yc = a + bx + cx^2$ (ii)

Now, the value of a , b and c can be found by solving the following normal equations. The equations are constructed by multiplying to the equation (i) by , x, and x^2 for equation (iii), (iv) and (v) respectively.

$$y = Na + b \ x + c \ x^2 \text{ (iii)}$$

$$xy = a \ x + b \ x^2 + c \ x^3 \text{ (iv)}$$

$$x^2y = a \ x^2 + b \ x^3 + c \ x^4 \text{ (v)}$$

Where,

$$y = 5084579.28, \quad x = 0, \quad xy = 1668465.84$$

$$x^2 = 10, \quad x^3 = 0, \quad x^4 = 34, \quad x^2y = 10092044.31, \quad N = 5 \text{ years}$$

Now, substituting the values

$$5084579.28 = 5a + 0b + 10c \dots\dots\dots (vi)$$

$$1668465.84 = 0a + 10b + 0c \dots\dots\dots (vii)$$

$$10092044.31 = 10a + 0b + 34c \dots\dots\dots (viii)$$

Calculating value of a, b, c from the above equation then,

$$a = 1027932$$

$$b = 166847$$

$$c = 5508$$

Now, forecasted of total debt the equation under parabolic trend analysis is:

$$Y_c = a + bx + cx^2$$

$$Y = 1027932 + 166847x + 5508x^2$$

The above equation is used to forecast the value of total house and land tax of Baglung municipality for the years 2067, 2068, 2069, 2070, 2071. Here the house and land tax for five years has been estimated below by using parabolic trend analysis. Before making calculation the value of x_2, x_3, x_4, x_5 & x_6 are calculated is follows:

Where,

$$2067(x_2) = 3, \quad 2068(x_3) = 4, \quad 2069(x_4) = 5, \quad 2070(x_5) = 6, \quad 2071(x_6) = 7$$

Now, substituting the value of x on trend line then,

(a) The forecasted house and land tax for 2067 = Rs.1578045

(b) The forecasted house and land tax for 2068 = Rs. 1783448

(c) The forecasted house and land tax for 2069 = Rs.1999867

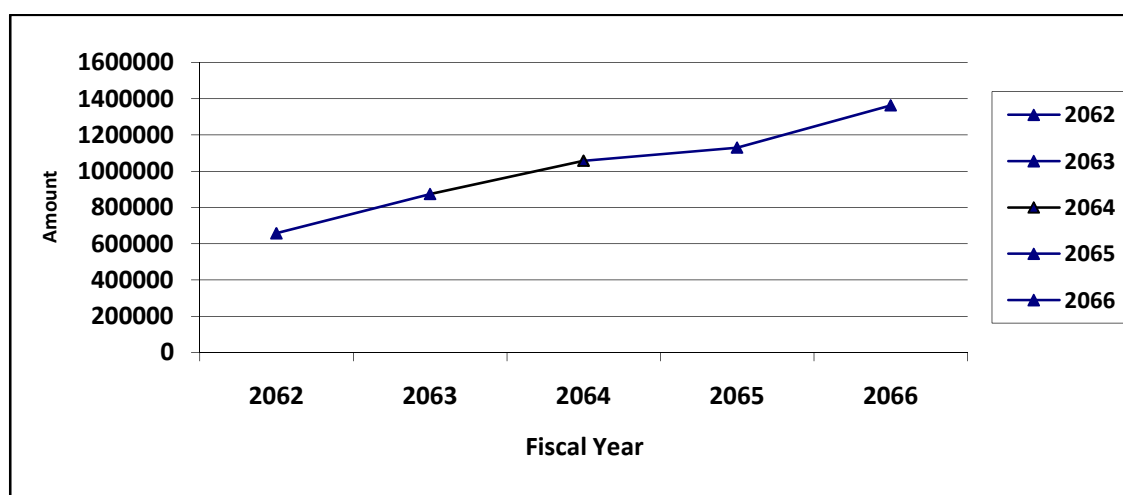
(d) The forecasted house and land tax for 2070 = Rs. 2227302

(e) The forecasted house and land tax for 2071 = Rs.2465753

Table 4.6**Past and present trend line of House and land tax of Baglung Municipality**

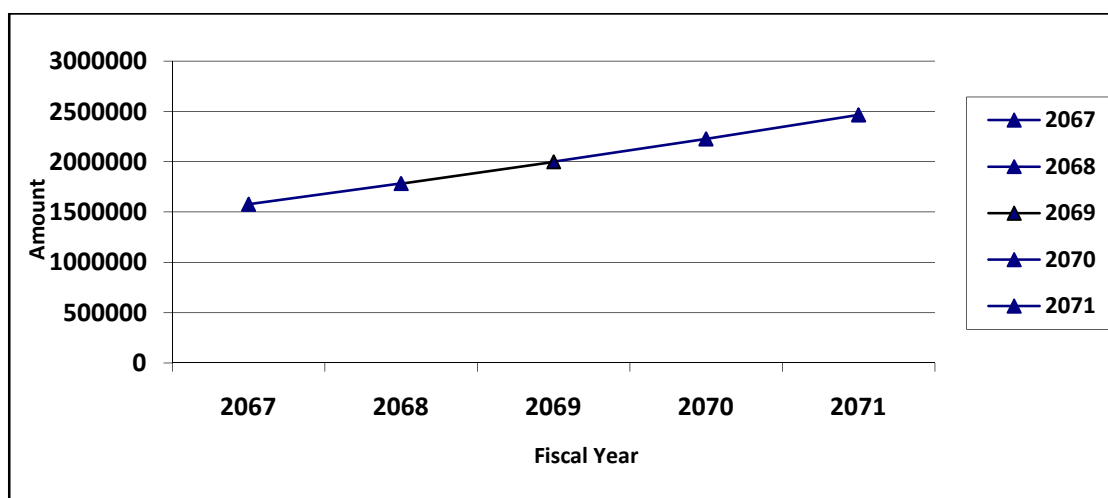
Year	House and Land Tax(Rs.)
2062/063	6,57,890.23
2063/064	8,74,282.35
2064/065	10,57,714.26
2065/066	11,30,856.24
2066/067	13,63,836.20

Source: Annual Report of Baglung Municipality

Figure 4.5**Past and present Trend Line of House and Land Tax of Baglung Municipality****Table 4.7****Future Trend of House and Land Tax of Baglung Municipality**

Year	House and Land Tax (In Rs.)
2067/068	15,78,045.00
2068/069	17,83,448.00
2069/070	19,99,867.00
2070/071	22,27,302.00
2069/072	24,65,753.00

Figure 4.6
Future Trend Line of House and Land Tax of Baglung Municipality



From the above comparative table of house and land tax it is clear that house and land tax is positive trend, it has been increasing each year. Thus this analysis shows that ,if other things remaining same the house and land tax of Baglung municipality in 2071 B.S. will be Rs. 24,65,753 .

4.3 Emerging problem relating to house & land tax (collection & Paying) in Baglung Municipality

There are different problems have existing in Baglung Municipality which become the objections for collect expected amount of revenue through House and land tax. Some problems have been creating by municipality side, some are from public and some are from Government's law & policy also. Tax payer and municipality both are facing different problems. Tax payer are arguing with the valuation ,assessment ,collection and delay performance of municipality. Municipality feeling uneasy to collect H&L tax due to lack of Tax payer's consciousness and encouragement with tax pay.

4.3. 1 Problems for Effective Tax Administration in Baglung Municipality

There exists problem because of the poor taxpayer and lack of tax education. Therefore, the local government would make sure them by teaching tax education.

There are other factors like, delay in assessment and collection. Unnecessary outside 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. Municipality shouldn't keep detail information due to lack of sufficient technical support and enough employee. Public also not supporting to municipality for tax collection still now some household try to evasion also.

4.3.2 Complication in Paying House and Land Tax

In order to know the opinion of respondent's about the complication in paying H & L tax, a question was asked, "Do you have any complications in paying H & L tax?" this subject is specially related with tax payer so questions also asked with respondents Group C (tax payers)only. Their responses are as follows:

Table 4.8
Complication in Paying House and Land Tax

Response Respondents	No. of respondents	Percentage
Yes	25	66
No	13	34
Total	38	100

Source: Opinion Survey 2069

From the above table, 64 percent respondents felt complication on paying tax. The complications expressed by them have been presented in following table.

Table 4.9
Reason for Complications in paying H & L Tax

S.N	Reason	No.of respondents	%	Rank
1	Too much delay in making assessment	12	48	1
2	Administrative harassment	8	32	2
3	Complicated tax laws	5	20	3
4	Others (Pleases Specify)	-		-
	Total	25	100	-

Source: Opinion Survey 2069

It is observed that 48 percent respondents indicated that there is too much delay in making assessment, the concerned officials are not complying their duty properly with the given time. 32 percent of the respondents complained above the administrative harassment on determining tax liability, The reason may be the local governments employees have limited knowledge about the account keeping and assessment rules. 20 percent opinioned that there is complicated tax laws. They complained that the law is not simple to understand. The respondents pointed out that there is complication on valuation methods and valuation of houses.

Besides the above problems, respondents proposed following suggestion for the complication in paying H & L tax.

- a. The language and terms used in tax law are complicated. It should be made easier to calculate and understand.
- b. Government should go at taxpayer's door to collect tax effectively.
- c. Hire the skillful and trained Employee.
- d. Make tax payer friendly tax administration.

4.3.3 Wide spread Evasion as the Major Constraint for the Tax Collection through H & L Tax

To know the respondent's view about the current exemption limit, a question was asked, "Is the Wide spread evasion as the major constraint for the tax collection

through H & L tax do you agree ?” The respondent’ responses is tabulated as follows:

Table 4.10
Wide Spread Evasion as the Major Constraint for the Tax Collection
Thorough H & L Tax

Response Respondent(No)	A	B	C	Total	Percentage
Yes	2	4	23	29	58
No	2	3	9	14	28
I Don’t Know	-	1	6	7	14
Total	4	8	38	50	100

Source: Opinion Survey 2069

From the above table, it is clear that the 58 percent of the respondents were in favor of statement. There are various reasons for wide spread tax evasion .In order to know the main reason for tax evasion the respondent’ provided five reason and asked a question “If yes, what may be the reason for tax evasion?” The responses were as follow:

Table 4.11
Reasons for House and land Tax evasion

S.N	Reasons for tax evasion	Group			Total	%	Rank
		A	B	C			
1	Limited number of rich tax payer			5	5	17.24	3
2	High Tax rate		2		2	6.90	5
3	Poor enforcement of fines and penalties	1		3	4	13.79	4
4	Defecting tax laws		2	5	7	24.14	2
5	Lack of voluntary compliance by tax payers	1		10	11	37.93	1
Total		2	4	23	29	100	

Source: Opinion Survey 2069

From the above table, H & L tax has faced the problems for the tax collection. 37.93 percent of response has indicated the reasons, “Lack of voluntary

compliance by tax payers. It is the highest percent. So, it is 1st position. In this way, option 4 is 2nd position, option 1 is 3rd position, option 3 is 4th position and option 2 is 5th position.

In course of personal discussion with the respondents, some respondents said that ineffective tax administration and unproductive tax rate structure is the problem of wide evasion so they suggested each of the following groups:-

1. Tax Payers

- a. Tax education
- b. Assistance to tax payers
- c. Tax practitioners
- d. Incentive to honest taxpayers

2. Tax Administration

- a. Improvement of tax authority and taxpayers relationship.
- b. Recruitment and training
- c. Motivation of the tax officers.

In this way tax evasion should be reduced.

4.4 Current provision for House and Land tax in Baglung Municipality

The Current provision for House and Land tax collection and administration in Baglung Municipality are mention as follow:

4.4.1 Necessary documents and duties for submitting required documents

Following documents are required to submit house and land tax return in Baglung municipalities:

- If any person has various land and houses. In the metropolitan area, statement should be. Submitted to related ward office of each land and house.
- If any couple has separate land and house. Ownership, statement should be submitted jointly
- .If there is more than one own, statement should be submitted in the name of any one owner.

- People having liability to pay house and land property tax should submit the return as per act.
- If there is any increased/decrease in house and land property, it should be reported to the ward office.
- Calculated tax as per submitted statement should be deposited in bank account of within 32 days.
- The necessary documents are :
 - i) Copy of land ownership certificate - 1
 - ii) Copy of approval of house map - 1
 - iii) Copy of approval of new flat map if any - 1
 - iv) Filed inspection report by technician for house constructed within approval before provision of metropolitan system - 1
 - iv) Copy of tax receipt if any submitted to tax office - 1

4.4.2 Process of Tax Assessment

To make the taxpayer easier Baglung municipality as provided the certain process of tax assessment. Process of tax assessment covers the process as follows:

- Necessary documents should be registered in house and land tax book.
- House valuation is done on the basis of size of house, area of land and depreciation rate.
- Different types of houses should be evaluated in different ways.
- Tax assessment is done on the basis of house and land valuation.
- After paying house and land tax, tax clearance certificate should issued and keep the records.

4.4.3 Things to be considered in Process of Tax assessment

In the process of tax assessment, some of the rules and regulations should be considered. Things to be considered in process of tax assessment areas on follows:

- Finding out actual valuation by total area of house.
- Find taxable value on the basis of depreciation, types of house, total valuation, year and rate.
- If approval is not taken during house construction, she/he should deposit Rs. 10 per Sq. ft.

- Name and types of road should be defined in the map.
- Finding out the area of land in Ropani.
- Actual valuations are done based on types of land.

4.4.4 Mistake Corrections in the Process of Assessment

If the some mistakes are found in process of assessment taxpayers have right to claim the mistakes corrections. The processes for mistake corrections are as follows:

- If the taxpayer complains about tax and valuation of house and land within two years, tax officer can again determine the tax and valuation.
- The administration should provide chance of revision about house and land tax if necessary.

4.4.5 Rebate for the Payers in Baglung Municipalities

Taxpayers 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 percent discount for paying tax before last of Sharawan.
- No penalty for paying tax unit Ashwin last.

4.4.6 Penalty System of House and Land tax

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 wrong documents till Ashwin or every year, the penalty is Rs. 5000.
- If a person does not follow directions of tax officer penalty is Rs. 500.
- If any person does not follow rules and regulations regarding paying tax, the penalty is Rs. 1000.
- If tax is not deposited within 35 days, 15 percent additional amount per annum shall be charged an assessed tax.

4.4.7 Valuation of House and Land for tax purpose

Property tax Act 2047 is being replaced by urban house and compound tax Act 2052. After the introduction of local self governance act in 2055 property tax given to local bodies. Right now, there are two variant of property taxes house and land tax and unified (integrated) property tax. Local bodies, VDCs and municipalities have the right to collect property tax where as the right collecting unified property tax is given to municipalities. Since now Baglung Municipality has following House & land tax system .

Following tables shows the methods of house and land valuation in Baglung Municipality

Table 4.12

Valuation process of House and Compound in Baglung Municipality

S.N.	Structure of House of Mode of Construction	Valuation of House		
		Average Cost Per Sq. Ft	Dep ⁿ Rate in % Per Year	Total Life in year
A	Green (raw) bricks with mud mortar or made of wood (timber)	Rs. 450	3%	25 year
B	Kiln bricks (or stone) with mud mortar	Rs. 525	2%	30 year
C	Kiln bricks (or stones) with cement mortar	Rs. 575	1%	70 year
D	RCC frame structure	Rs. 635	0.75%	100 year

Source :Baglung Municipality

Note:

- e. House made of green (raw) bricks with mud mortar and thatched roof or house made of bamboo with thatched roof is not valued for the purpose of house and land tax.
- f. Classification of house is green (raw) bricks with mud-mortar. Kiln bricks (stones) with mud mortar, kiln bricks (stones) with cement mortar, R.C.C. frame structure.

- g. The main auditorium of cinema hall is valued by applying a 25 percent discount in previously mentioned rates. It means the main auditorium of a cinema hall is valued at 75 percent of foresaid rates.
- h. Depreciations not deducted in the year of construction of house. For example for a house constructed 5 years ago, depreciation for only four years is deducted.

4.4.8 Rate of House and land tax in Baglung Municipality

Following table shows the rate of House and Land tax in Baglung Municipality

Table 4.13
Rate of House and Land Tax in Baglung Municipality

Value of House and Land	Rate in (%)	Amount (in Rs.)
First upto Rs. 10 Lakh	Nil	Nil
Next Rs. 10 Lakh	Rs. 300 (lump Sum)	300
Next Rs. 30 Lakh	0.05%	1500
Next Rs. 50 Lakh	0.25	12500
Next Rs. 1 Crore	0.5%	50000
Remaining any amount	1.5%	50000

Source: Baglung Municipality

In table 4.7 rate of tax in rupees 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 upto 10 lakhs, they should not have to pay tax. If one has value of house and land upto 20 lakhs, they must pay Rs. 300. Similarly, one who has value of house and land next upto 1 crore after exemption of Rs. 10 Lakhs, they should have to pay Rs. 50,000.

Note: Valuation of land (compound)

- d. Area of land in Bigha/Ropani/Kattha/Aana.
- e. Valuation of land should be fixed by government for tax purpose, not the market price of the land.
- f. Examples related with property valuation and tax calculation have shown in appendix-I.

4.4.9 Documents required for Property Valuation

- | | |
|---|-----|
| 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 |

4.4.10 Property not included in Valuation for the Tax Purpose

Some of the properties, which cannot be used for valuation, are mentioned in local self-government act. The following properties are not included in valuation for tax purposes:

- o. **Growing crops:** Grass of standing trees on agricultural band, the growing crops grass or standing trees are excluded from the purview of the term of assets.
- p. **Animals:** Any domestic animals such as Buffaloes, Cows, Oxen and others but the act does not clear the types of animals.
 - iv) Any agriculture animals such as bullocks, cows and buffaloes.
 - v) Any performing animals in circus such as chimpanzees, bears, lions, tigers.
 - vi) Any drought or transport: Animals as males or horses.
- q. **Patent or Copyright:** The patent or copyright is exempt from property tax. The patent or copyright is acquired by an assesses under a contract from the original author or the inventor or it is acquired by way or inheritance or otherwise no exemption is allowed in such cases.
- r. Books and equipments for study.
- s. Pots and equipments except valuable metals.
- t. Wearing approval provisions and other clothes for personal or household use of the assesses.
- u. Furniture and equipments (accepts T.V., V.C.D, Deck, refrigerator, washing machines, camera etc), they are exempted for developed countries like India. In the poor society, it is assumed highly luxury goods.
- v. Tools, Machinery and equipments used for professional works.
- w. Simple equipments of decoration of house (except valuable metal equipments).
- x. Singing and dance equipments for dally used.
- y. Equipments for physical education.
- z. Equipments and tools for first aid which are kept in house.

- aa. Weapons and tools used for personal safety.
- bb. Equipments related to arts and photographs.

According to local self governance act 055/56, the assets exempt from tax is:-

- f. Gold 10 tolas with jewelries
- g. Silver 200 tolas with jewelry
- h. Stock in trade
- i. Invested shares and debentures
- j. Area for house of assesses 300 sq. ft. and Ropanies of Land.

Similarly, according to Local self Governance Act 005/56 section 146, following are rebates:

- i. Goods and equipments for social welfare.
- j. Land owned by farmers
- k. The exemption limit for land are:
 - v) 10 Biga for Terai area
 - vi) 20 Ropanies for Kathmandu Valley
 - vii) 60 Ropanies for other hilly area
- l. The land related to Nepal Government
- m. Land and building for hospital
- n. Education institutions (Non-Profit making)
- o. Land related to non-profit marking organization
- p. Foreign agencies organization

4.4.11 Exemption for Urban House and Land Tax

It is said that the urban H & L tax is to be implemented if the value of property is higher than Rs. 10 Lakhs.

Exemption from House & Land Tax:

- a. House and land owned by Nepal Government (GON)
- b. House and land related to government hospital
- c. Land owned by Guthi
- d. House and land related to not for profit educational institution and house and land related to public enterprises.
- e. House and land related to not for profit institution.

- f. Land related to drinking water reservoir, pond, electricity house crematorium, airport, Bus Park, Stadium, garden, park etc.
- g. House and land related to embassies, diplomatic mission etc.

4.4.12 Methods of Valuation of Property

There are different methods of valuation. It is based on importance of zonal, commercial area, rate of depreciation and construction year of building. Some methods of property valuation are as follows:

1-Rental Method

In this method, the net income from rent is found by deducing all outgoing money from the rent. A suitable rate of interest, as prevailing in the market is assumed and the year's purchase, gives the capitalized value of the property. This method is useful in those properties which are rented and where the net rent is known.

2-Direct Comparison with the capitalized value

This method is adopted when the rental value is not available. 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 basic of valuation is already known.

3-Valuation based on profit

This 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 basic for determining the value of the property.

5-Development method of valuation

This method is used for those properties in either a developed stage. It is used only in specific cases, e.g. half completed house.

4.4.13 Attitude towards the provision related property valuation method

To know the respondent's view about the different valuation methods, a question was asked, "Which Property Valuation Method you suggest for H&L tax calculation?" The responses were as follows:

Table 4.14
Attitude towards the property Valuation methods

S.N	Methods	Group(No of respondents)			Total	%	Rank
		A	B	C			
1	According to base of value fixed by municipality	1	1	5	6	12	4
2	According to division of town area	2	4	16	22	44	1
3	According to value fixed by Gov. land revenue Office		1	11	12	24	2
4	According to market price	1	2	6	9	18	3
Total		4	8	38	50	100	

Source: Opinion Survey 2069

From the above table, 44 percent of respondents suggest for division of town area method. So it is the 1st position. 24 percent of response has devoted the value fixed by the Government of Nepal (GON) Land Revenue Office. percent of response that the valuation method is suitable for market value, 18 percent market price is based on debate customer to customers in different place to place 12 percent of response has devoted the value fixed by municipality committee. It is the last position.

4.4.14 Attitude towards the Valuation rate of House

To know the respondent's view about the current valuation rate of house, a question was asked, "Do you agree with current valuation rate of house?" The responses were as follows:

Table 4.15
Valuation Rate of House

Response Respondents(No)	A	B	C	Total	Percentage
Yes	3	6	25	34	68
No	1	2	13	16	32
Total	4	8	38	50	100.00

Source: Opinion Survey 2069

In about table, 68 percent of responses have positive view regarding the valuation chart. They approve with valuation of house. But 32 percent of respondents replied negatively. It means that 32 percent did not agree with the current valuation rate of house and they did not accept it. They were given the suggested rate as follows:

Suggested Average Valuation Rate
(Tax Experts)

Types of House	Average Cost Per sq. ft	Depreciation Rate Per Year %	Total Life in Years
Partly kiln bricks and partly green (raw) bricks with mud-mortar or made of wood (timber)	Rs. 500	3	25
Kiln bricks (stones) with mud mortar	Rs. 550	3	30
Kiln bricks (stones) with cement mortar	Rs. 600	2	70
RCC frame structure	Rs. 650	1	100

Source: Opinion Survey 2069

Suggested Average Valuation Rate

(Tax Officer)

Types of House	Average Cost Per sq. ft	Depreciation Rate Per Year %	Total Life in Years
Partly kiln bricks and partly green (raw) bricks with mud-mortar or made of wood (timber)	Rs.450	3	25
Kiln bricks (stones) with mud mortar	Rs. 550	2.5	30
Kiln bricks (stones) with cement mortar	Rs. 600	2	70
RCC frame structure	Rs. 625	1	100

Source: Opinion Survey 2069

Suggested Average Valuation Rate

(Tax payer)

Types of House	Average Cost Per sq. ft	Depreciation Rate Per Year %	Total Life in Years
Partly kiln bricks and partly green (raw) bricks with mud-mortar or made of wood (timber)	Rs. 320	5	25
Kiln bricks (stones) with mud mortar	Rs. 450	3	30
Kiln bricks (stones) with cement mortar	Rs. 500	2	70
RCC frame structure	Rs. 600	1	100

Source: Opinion Survey 2069

Besides the above suggested rate, some of respondents proposed following suggested rate:

- a. It should be different accordingly the cost (making) prices in the various areas.
- b. Based on market rate.
- c. The valuation of municipality committee is unjustifiable for the land valuation, depreciation and valuation of house (*Source: Opinion Survey 2069*)

4.4.15 Attitude towards Exemption Limit

In order to know the respondents view about the current exemption limit, a question was asked, “Do you agree with present rate of H&L tax exemption limit?” The responses were as follows:-

Table 4.16
Exemption Limit

Response Respondents	A	B	C	Total	Percentage
Yes	3	5	24	32	64
No	1	3	14	18	36
Total	4	8	38	50	100

Source: Opinion Survey 2069

From the above table, it is clear that the current H & L tax exemption limit acceptable to 64 percent of the respondents or they were in the favor of this exemption limit. Whereas 36 percent of the respondents were against this limit.

4.4.16 Suggested Exemption Limit

Respondents who were against this exemption limit gave suggested limit which are as follows:

Table 4.17
Suggested Limit of H & L Tax

Present Limit	Suggested Limit		
	Tax Expert	Tax Officers	Tax payer
Exemption upto 10 lakh Nil	Upto 20 Lakh	Upto 15 Lakh	Exempt upto 20 Lakh
On the 1 st 10 lakh Rs 300	Rs. 200	Rs. 200	1 st 10 Lakh upto 200
Next upto 30 Lakhs 0.05%	0.03%	0.02%	Next upto 0.033%
Next upto 50 Lakh 0.25%	0.15%	0.20%	Next upto 0.2%
Next upto 1 Crore 0.50%	0.35%	0.40%	Next upto 0.3%
More than 1 Crore 1.50%	1%	1%	1%

Source: Opinion Survey 2069

4.4.17 Attitude Regarding the provision for H&L tax of Local Self Government Act

Earlier the property taxes were imposed by the central government. After the introduction of Local Self Governance Act in 1999, property tax (H & L) is given to local bodies, Right now, there are two variant of property taxes- H & L tax and unified property tax, local bodies, i.e. VDCs and municipalities have the right to collect H & L tax where as the right of collecting unified property tax is given to municipalities. To know the opinion of Local Self-Governance Act 1999, the question was asked, “In your opinion, are the provisions of collecting property tax made under the Local Self Governance Act sufficient in all respect?” The response as given below;

Table 4.18
Sufficient of Local Self-Governance Act

Response	A	B	C	Total	Percentage
Yes	3	4	20	27	54
No	1	4	13	18	36
I Don't Know	-	-	5	5	10
Total	4	8	38	50	100.00

Source: Opinion Survey 2069

From the above table, it is clear the 54 percent of respondents accepted the provision of collection property tax made under the Local Self-Governance Act sufficient in all respect. It is an effective measure in motivating and encouraging taxpayers in the payment of tax . In the same way, 36 percent of respondents were against this statement & 10 percent of Respondents are unknown with the provision of H&L tax under the local self Government Act.

Respondents, who were against the statement, were asked a question, “If no, in which aspect the improvements are needed?”

with the help of respondents’ attitude towards the improvements factor, following suggestions should be mention:

- a. The evaluation should be fair and practical.
- b. To make knowledge of taxpaying to the citizen in simple way.
- c. The tax collection rate should be fixed, no discretionary.
- d. The tax collectors should be gentle to the public.
- e. Valuation of property is must to be a transparent (Transparency must be essential) and build the public awareness.
- f. To give tax education.
- g. To collect advice from taxpayers.
- h. The Local Self-Governance Act should clearly define the differences in the roles between local bodies and tax officers.
- i. Billing system.
- j. Rebate (Poush end) not suitable.
- k. It does not reflect the way and procedures of easing understanding for general people so improve it.
- l. Simplification of Local Self-Governance Act.
- m. Corruption must be avoided.
- n. Adopt public, private partnership programmed for collected
- o. New trends should be adjusted for tax rate revise.

4.5 Efficiency of Tax Administration

For perform the tax related work like- property valuation ,assessment of tax amount, tax collection, record keeping, preparing required reports and tax

management, municipality hire some employee. With these staffs municipality has been performing the daily as well as administrative work regarding tax .

4.5.1 Attitude towards the efficiency of tax Administration in Baglung Municipality

To know whether tax administration of Baglung Municipality is efficient, a question was asked “Do you think tax administration in Baglung Municipality is efficient?” The respondents’ response has presented as follows:

Table 4.19
Efficiency of Tax Administration in Baglung Municipality

Response Respondents	A	B	C	Total	Percentage
Yes	1	6	4	11	22
No	3	2	19	24	48
I Don't Know	-	-	15	15	30
Total	4	8	38	50	100

Source: Opinion Survey 2069

Above table shows that 48 percent of responses complained that tax administration is not efficient , 22 percent of respondents showed tax administration is efficient. However, 30 percent showed their non-acquaintance on it.

4.5.2 Reasons for Inefficiency of tax administration in Baglung Municipality

To know the reasons for not having tax administration efficient, a question was asked “If not, what may be the problems? The respondents replies were as follows:

Table 4.20
Reason for inefficiency of tax Administration in Baglung Municipality

	Problems	Group(no. of respondents)			Total	%	Rank
		A	B	C			
1	Delay in assessment and collection	1		10	11	45.83	1
2	Wide spread tax evasion and tax avoidance		2	4	6	25	2
3	Poor taxpayers compliance due to non-tax education	1		3	4	16.67	3
4	Failure to locate new taxpayer			2	2	8.33	4
5	Unnecessary outside pressure	1			1	4.17	5
	Total	3	2	19	24	100	

Source: Opinion Survey 2069

It is observed that the main problem in the administration is delay assessment and collection, which occupies 1st rank with 45.83 percent, 25 percent followed by wide spread tax evasion and tax avoidance, 16.67 percent followed by poor taxpayers compliance due to on tax education failure to locate new taxpayers, 8.33 percent and unnecessary outside pressure, 4.17 percent. There are other factors that make less efficient are lack of professional skill in tax personnel, and lack of incentives to tax personnel.

4.5.3 Suggestion for effective tax administration

From the above description of efficiency of tax administration in Baglung Municipality, following suggestion are to be recommended:

- a. Improvement of tax authority and taxpayers relationship.
- b. Recruitment and training.
- c. Make outside pressure free tax administration .

- d. Manage modern equipment for smooth operation for daily work and record keeping.

4.5.4 Increment of a tax paying Habit

Tax paying habit of public is the essential of an effective tax system. The Nepalese taxpayers do not have the habit of tax paying. Most of the taxpayers avoid tax. Tax payer's service and assistance in tax office can go a long way in creating the tax consciousness in public. To know the opinion of respondents on the methods of increment of taxpaying habit, a question was asked, "What are your suggestions for the increment of taxpaying habit of the Nepalese people?" The responses have been tabulated as follows:

Table 4.21
Suggestion of Increment of a Taxpaying Habit

S.N	Suggestions	Group			Total	%	Rank
		A	B	C			
1	Simplifications of H & L tax	1	1	7	9	18	3
2	Tax education		3	9	12	24	2
3	Incentive to regular tax payers	2	2	12	16	32	1
4	Better public relation by tax officers			7	7	14	4
5	Heavy fines and penalty the defective tax payers	1	2	3	6	12	5
	Total	4	12	38	50	100	

Source: Opinion Survey 2069

From the above table, 32 percent of respondents suggested that incentive to regular taxpayers should be provided the private sectors need certain incentive rules for it's proper functioning. 24 percent of respondents suggested to provide tax education . Most of taxpayers don't have the concept of tax, so, the local government should be provided tax education and how to keep accounting system Similarly, 18 percent of respondent's opinion has denoted the simplification of property tax assessment procedures. There are not certain rules for assessment, So

it should be made clear and certain rules. 14 percent of respondent's opinion has argued for better public relation that, public reactions by tax officers but on the basis of their ability-to-pay, there is not good relationship between the taxpayer and the public authority. 12 percent of respondent's response that there are a lot of tax avoidance and evasion. So it should be implemented of heavy fines and penalties' of defective taxpayers.

The other suggestions should be mention for increment of tax paying habit are bellows:

- a. Simplification of tax laws.
- b. Better information system between taxpayers to tax officers.
- c. More investigation and reconciliation of bills and documents of taxpayers.
- d. Informing taxpayers through various media such as radio, T.V. and newspaper about the tax policies.
- e. Have to control corruptions and train employees. (End of corruption practices).
- f. Tax policy should be included in the different level of study.

Thus it can be concluded, from the above results, which in the opinion of the respondent's taxpaying habit can be increased through tax education and incentive to regular taxpayers.

4.6 Major Findings of the Study

The study has focused the contribution of H&L tax ,it's provision ,related problem and effectiveness in Baglung Municipality. Major Findings from this study have presented here.

According to the secondary data presentation the major finding are as follows :

- Baglung Municipality collect House and land tax in the base of Local self Governments Act 2055 and rules 2056.Since now there is not expose unified property tax system.
- The study shows that the total revenue as well H&L tax revenue of Baglung Municipality has been increasing each year but contribution of

House and Land tax has been fluctuating. The maximum contribution is in F/Y 2066/067 i.e.23.50 % and minimum in F/Y 2062/063 i.e.17.37.

- With House and land tax amount, the no. of House and land tax payer also increasing every year.
- Analysis of trend value of House & Land Tax shows the positive trend. From the trend analysis of data from F/Y 2062/063 to 066/067,if other things will be remaining same ,Baglung municipality will collected Rs.24,65,753 revenue through the House and land tax in 2071/072.
- A person should not have to pay tax up to property having value of 10 lakhs. Then pay to in next 10 lakhs Rs.300,then in next 0.05%,then in next 50 lakhs 0.25%,then in next crore 0.5% and in remaining part of property 1.5 %.
- House made of green (raw) bricks with mud-mortar and thatched roof or house made of bamboo or wood with thatched roof, which is not valued for the purpose of house and land tax.
- The main auditorium of cinema hall is valued by applying a 25 percent discount in aforesaid rates. It means the main auditorium of a cinema hall is valued at 75 percent of aforesaid rates.
- In case of destroyed or demolished house, the value of destroyed or demolished portion is deducted for the purpose of valuation of physical structure.
- Government valuation of land should be used for tax purposes not the market price of the land.
- In each and every property tax acts, some properties are free from tax. These properties are called tax-exempted property. Basically, such exemptions are provided to government properties related to religious and educational institutions, properties of diplomatic mission etc.

On the basis of the empirical analysis some of the major finding should be mention as bellow:

- It is cent percent true that the House & Land tax is suitable means for raising internal resources. As direct tax have strategic important and best sources of

tax revenue, the suitability of H & L tax cannot be ignored in course of raising internal resources

- The problem tax evasion is inefficient tax administration
- The present rate and exemption limit of House and Land tax are medium
- There is no certain rule to certify valuation of gold, silver, equipment and goods
- The main suitable method of valuation of H & L tax,
 - i. According to division of town area.
 - ii. According to value fixed by GON land revenue office.
- The main problems of tax administration are delay in assessment and collection, wide spread tax evasion and tax avoidance and poor taxpayers' compliance due to non-tax education
- The improvement of tax administration is tax education to tax payers, decentralization of authority and simplification of tax laws and policies
- Tax education gives incentive to regular taxpayers and simplification of property (H & L) tax assessment procedures can help to increment of tax paying habit
- The improvement of LSG Act are:
 - i. LSG Act should clearly define the difference in the roles between local bodies and tax officers.
 - ii. Billing system
 - iii. Adopt public, private and partnership sector for collection.
 - iv. New trends should be adjusted for tax rate revise.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

There are various developing countries in the world among them Nepal is one. It is suffering from economic disaster. Above 80 percent of the total population lives in rural areas and almost all of these people are adopting their profession as agriculture. So, Nepalese economy is mainly based on agriculture. There are two levels of governments one central and other Local Governments. Districts Development Committee, Municipality and Village Development Committee represent the local governments. Still now, there are 75 DDC, 58 Municipalities and 3915 VDC.

To increase the government revenue Nepalese government is trying to extend money or valuable contribution from people through taxation. Government is increasing the area of revenue in these days, like Income tax, property tax, business tax, rent tax etc, among them House and land tax is the important resources of Government revenue.

Nowadays the Nepal Government is heading towards the federal republic country. Economic freedom is the most important condition to get success for this purpose. Especially local government should be independent economically, technically and politically. In this connection the internal source of revenue is more reliable source for the successful operation of any government body. For this purpose the government has to formulate effective and result oriented rules and regulation to collect tax. Effective rules and regulation are not only important to increase revenue but also effective implementation is also equally important.

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 and foreign investment were taxed at the same rates under property tax Act 2017. Under the provision of property tax act, Nepal framed property tax rules 2017. A separate house and land

tax Act, 2019 was enforced and subsequently, house and land tax rules 2020 was then enacted which repeated the existing property tax Act, 2017, Earlier central government used to impose property tax under prevailing Act and rules. After enactment of local self governed Act, 2055, local bodies (i.e. VDS and Municipalities) impose property taxes within their boundary.

Property tax is generally mobilized for the benefit of public in the local community. There are basically two types of property taxes given to VDC and Municipality. House and land tax and unified property tax. This study mainly focus about the contribution, problem provision, Effectiveness related with house and land tax in Baglung Municipality.

The Local governments act 2055 and rules 2056 govern the existing structure and operation of the municipalities taxes. These laws allow the Municipality to levy property tax locally.

In light of this study, The total revenue as well as revenue through House and land tax in Baglung municipality has been increasing each year since last 5 year. As mention above data total revenue of the municipality is Rs.58,01,263.04 and in which House and land tax contribute 23.50 % or Rs.13,63,836.20 .The No. of House and land tax payer also increasing each year. If other things will be remaining same Municipality should be collect Rs.24,65,753 revenue through House and land tax. In this study period ,it was found that collection policy of local tax of Baglung Municipality suffered by different problems and weakness such as lack of data base system, organization structure, resources and trained employee, tax assessment technology and procedure, awareness of tax policy to tax payers, effective master plan etc.

5.2 Conclusion

Nepal is one of the least developed countries suffering from chronic social and economics diseases. She is not being able to collect necessary government revenue to cure such disease. Due to poor performance on internal revenue collection and mobilization, she has still depended on internal revenue collection and mobilization; and she has still depended on foreign grants and loans as well. The

dependence is increasing which is not desirable for any economy. Thus, remedy should be made in due time by the country to run in the path of economic development.

To increase the government revenue, GON is trying to extract money or valuable contribution from people through taxation. House & land tax is the important resources of government revenue. In Nepal, the history of House & Land tax is not so long. It started only on 2019/20 B.S. House & Land tax in Nepal even with general and uniform rule falls for short of justifying itself as a good tax. Its contribution to government revenue is not regarded satisfactory in comparison to other taxes of GON. Its contribution of the revenue structure of the country is negligible due to various reasons as mentioned below:

- Most of the people are not aware of property tax. Due to lack of tax education property holder are deprived from right of paying tax. If they are informed effectively about the property tax ,can expect the increase in tax volume as well as paying property tax timely.
- The methods of assessment and valuation of house & Land tax many loopholes. Because of this weakness many tax payers escape from paying tax. Due to such weakness, many people of the municipality area are not increment habit of paying house and land tax though they own large property. So, there should be rules for checking.
- In the administrative aspect, there are a lot of weakness for efficient administration, and collection of this tax. There must be high degree of honesty and morality.

The available resources in the country, which are collected through the foreign and domestic sources and large profit margins in the urban areas is diverted and invested towards real state and luxury housing in Nepal. As stated above, the investment in such sector creates a boom in the economy. Consumption of luxury goods may increase as a result of which the economy is pushed into high inflation. So in this respect, proportional tax on property (H & L) an equitable and justifiable manner will help discourage the investment in real estate in equitable

and justifiable manner will help, discourage the investment in real estate and reduce the consumption of luxury goods as well. Such reduction of investment in unproductive sector of the available resources will tend to diversify into productive sector of an economy. The revenue administration in Nepal is weak because of lack of the tax policies with a clear direction and consistency, lack of information and records, lack of trained staff and heavy dependence on technical staff, lack of proper accounting and auditing system in general for business firms. However, House & Land tax laws and administration in Nepal are to be deeply scrutinized but not properly implemented. Manpower development planning within the administration is desired for the efficiency of tax personnel side by side. Tax education packages are to be made and initiated hence tax administration and tax compliance could be improved.

Although the total revenue as well as House and land tax collection trend and no. House and land tax payer are nearly satisfactory increasing, but due to lack of enough employee and technical support Baglung Municipality couldn't collect the sufficient expected revenue through House and land tax. Public also not satisfied with tax administration of Baglung Municipality they argue with assessment, collection, and some are with valuation system also. By the causes of Municipality's resources problem and update record keeping, lack of tax education and consciousness and efficient fine and penalties system tax evasion problem also existing in Baglung Municipality.

If the problem relating to House & Land tax in Baglung Municipality can be solved and resources are effectively utilized then only the prospects of revenue collection from House & Land tax will be brought.

5.3 Recommendations

House and land tax is the important internal resources of every nation. The growing need of resources for economic development House and land tax should contribute a large volume if effectively manage it. This is only possible if local authority i.e. VDC & Municipality should effectively collect revenue through H&L tax. But Local authority has been facing a lot of problem and tax payer also

feeling uneasy, they aren't sufficient satisfied with current tax system and it's administration.

In the light of this study which mainly based on Baglung Municipality, following suggestion should be recommended for the sound and effective House and land tax system:

- Revenue collection through House and land tax of municipality has been increasing but not sufficient due to different problems and weakness of Municipality side and public side also. The greatest problem of the House & Land tax is the lack of tax consciousness and in many cases complete evasion of the taxes also .So, Municipality should organize different tax pay encourage program , establish a effective penalty and fine system, and improvements it's own operating system and technical aspect also.
- In Baglung Municipality ,there is a problem existing in the valuation of property and assessment of tax ,municipality should improve it with the help of hire trainee employee.
- Tax rebate should be provided to the taxpayer who submits the true property statement with in the specified period of time.
- Filed visit should be done to collect actual information of Property.
- Due to lack of proper record keeping system and prepare enough report, shouldn't have receipt detail information about past revenue status thus Municipality should keep the systematic record .
- Public are not sufficient satisfied with the tax administration of Municipality so should start door service also.
- With the help of different interaction program, Municipality should establish co-ordination with public which help to easily tax collection.
- Municipality should be able to make sure tax payer that they are paying the tax for the sake of nation and also convince that they are doing their duty.

- In local authorities should be made the provision of tax policy as to provide incentive, reward and prize who pay tax as regular barriers and whose contribution has highest in the composition of taxpayer's portfolio.
- Municipality should made tax payer friendly environment in door and out door of municipality office.
- It will be best, if tax payer can be feel direct benefit from their tax paid amount.

With the help of above mentioned suggestive points, we can says that House and land tax plays a vital role in economic development of nation, but it should only give a expected contribution if tax payer will take a positive attitude towards tax . So, Central Government as well as Local Authority should lunch various tax payers encourage programs and arrange a effective tax management system. If the Municipality follow above suggestion ,it should be able to achieve the expected objectives related with House and tax. .

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APPENDIX I

Examples of house and land valuation and tax calculation:

Q.N. 1) Mr. Shishir has a house in Baglung municipality. He furnishes the following details of his house and land.

Mode of Construction	– R.C.C. Frame structure
Area covered by house	– 4000 sq. ft.
Land and compound area occupied	– 2 Ropani
Year of completion of house	– Ashadh 30, 2052
Government's valuation of land per Ropani is	Rs 2000000.
However, the current market price per Ropani is	Rs. 2500000

Reqd.

- a) Valuation of Property
- b) Tax Liability

Solution:

- a) Solution of property of Mr. Shishir Sharma for the for the assessment year 2066/67

Particulars	Amount (Rs)
Valuation of house R.C.C. Frame structure 4000 Sq. Ft x Rs. 635 per Sq. ft	2540000
Less: Depreciation 0.75% x 15 years i.e. 11.25% of 2540000	285750
Net value of House (A)	2254250
Valuation of land and compound: Rs. 2000000 per Ropani x 2 Ropani	4000000
Value of land and compound (B)	4000000
Total Value of Property (A+B)	6254250

b) Computation of tax liability

First Rs. 1000000	NIL
Next Rs. 1000000	Rs 300
Next Rs. 3000000 @ 0.05	Rs 1500
Next Rs. 1254250 @ 0.25%	Rs 3135.62
Tax Liability	Rs 4935.62

Q.N. 2 Mr Shrestha is an owner of a cinema hall located at Baglung. He furnishes the following details of his cinema hall for the purpose of property tax computation.

Mode of Construction	– R.C.C. frame structure
Total area of the house	– 10000 sq. ft
Land and compound of house	– 8 Ropani
Year of construction	– 2052/53 B.S.

Government Valuation of Land per Ropani is Rs. 5,00,000
Assume: Forty percent of house is used for main auditorium

Reqd:

- a) Valuation of house and Land
- b) Tax liability

Solution:

- a) **Valuation of house and land and compound of Mr. Shrestha (Cinema hall owner) for the assessment year 2066/67**

Particulars	Amount (Rs)
Valuation of houses (RCC frame structure)	
Main auditorium (40% of 10000) i.e. 4000 Sq.ft x Rs 476.25 per sq. ft*	1905000
Remaining part of the house 60% of 10000 i.e. 6000 sq ft x Rs 635 per sq. ft	3810000
	5715000
Less: Depreciation (0.75% x 14 yrs) (i.e. 10.5% of 5715000)	600075
Net value of House (A)	5114925
Valuation of land and compound	
Rs. 500000 per Ropani x 8 Ropani	4000000
Value of Land compound (B)	4000000
Total value of house and land and compound (A+B)	9114925

- b) **Computation of tax liability**

First Rs. 1000000	NIL
Next Rs. 1000000	Rs 300
Next Rs 3000000 @ 0.05%	Rs 1500
Next 4114925 @ 0.25%	Rs 10287.31

***Working Note:**

- 1) For the main auditorium of cinema hall 25% concession is given on the average cost per sq. ft. average cost per sq.ft = Rs. 635, less 25% discount = Rs 158.75, Average cost per sq.ft = Rs. 476.25

APPENDIX II

Questionnaire

Name of the :

Designation:

Office/organization:

Occupation:

(Please tick your answer in the following, if the question provided, 2 or more alternative answer please choose one alternatives.)

1. Is House and Land Tax suitable means of raising domestics resources, Do you Agree?

- a) Yes b) No c) I Don't Know

2.If yes, why is it suitable means for raising domestic resources :

- a) It is harmful to depend fully on external sources.
 b) Among the internal source, House and Land taxation seems be the most viable method.
 c) Several Limitations of Public borrowings.
 d) Any other (Please, Specify)

3.Did you Have complication in paying H & L tax?

- a) Yes b) No

4.If yes, What is the reason?

- a)To much delay in making assessment
 b)Administrative harassment
 c)Complicated tax laws
 d)Others (Please specify)

5.Wide spread evasion as the major constraint for the tax collection thought H & L tax. Do you agree with this statement?

- a) Yes b) No c) I don't Know

6.If yes, What may be reason ?

- a) Limited number of rich taxpayer
 b) High tax rate
 c) Poor enforcement of fines and penalties
 d) Defective tax laws
 e) Lack of voluntary compliance by taxpayers

7.Which methods you suggest for valuation of property ?

- a) According to base of value fixed by municipality committee.
 b) According to division to town area.
 c) According to value fixed by the Government of Nepal land revenue office.
 According to market price.

8.Do you agree with current valuation rate of house?

- a) Yes b) No

9.If no, please suggest the rate of depreciation and valuation of house.

S.N	Types of House	Average Cost Per. Sq.Ft	Depreciation Rate per year %	Total Life in Years
A	Green (raw) brick with mud-mortar or made of wood (timber)	Rs. 450	3	25
B	Kiln bricks (stones) with mud mortar	Rs. 525	2	30
C	Kiln bricks (stones) with cement mortar	Rs. 575	1	70
D	RCC structure suggested frame rate:	Rs. 635	0.75	100

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10. Do you agree with present rate of H&L tax exemption limit?

a) Positive b) Negative

11. If negative, what is your suggestion?

Present Limit	Suggested Limit
Exemption upto 10 Lakh Rs. 300	()
On the 1 st 10 Lakh 0.05%	()
Next upto 30 Lakh 0.25%	()
Next upto 1 Crore 0.50%	()
More than 1 Crore 1.5%	()

12. Are the provisions of collecting property tax made under the Local Self Governance Act sufficient in all respect?

a) Yes b) No c) I don't Know

13. Do you think tax administration in Baglung Municipality is efficient?

a) Yes b) No c) I don't know

14. If not, what may be the reasons ?

- Delay in assessment and collection.
- Wide spread tax evasion and tax avoidance.
- Poor tax payer's compliance due to non-tax education.
- Failure to located new taxpayers.
- Unnecessary outside pressure.

15. What is your suggestion for the increment of the tax paying habit of Nepalese people?

- Simplification of Tax law and policy.
- Tax education
- Incentive to regular taxpayers.
- Better public relation by tax officers
- Heavy fines and penalty to the defective taxpayer

“Thank You for cooperation”