

**CONTRIBUTION OF EXCISE DUTY TO INDIRECT TAX  
REVENUE OF NEPAL  
(With Special Reference to Tobacco and Liquor Products)**

**A Thesis**

**Submitted**

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### **Certification of Authorship**

I certified that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information source and literature used are indicated in the reference section of the thesis.

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## RECOMMENDATION LETTER

It is certified that this thesis entitled **Contribution of Excise Duty to Indirect Tax Revenue of Nepal** submitted by **Ishor Prasad Bhattarai** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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## **APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled 'Contribution of Excise Duty to Indirect Tax Revenue of Nepal' presented by Ishor Prasad Bhattarai, a candidate for **Master of Business Studies (MBS)** and conducted the Viva-Voice examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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## ABSTRACTS

*Governments in most developing nation heavily rely on tax revenue to sponsor government expenditure, and Nepal is not an exception. Accumulation of funds to cover government spending is the primary purpose of taxation. This study seeks to analyze the trend and position of excise duty on liquor and tobacco products to generate government revenue.*

*Out of 54 excisable products tobacco and liquor were chosen for the study and secondary data from year 2064/65 to 2073/74 were considered to analyze the trend and position of excise duty. Descriptive analysis, percentage, graphs and diagrams, trend analysis and correlation analysis were used to perform the data analysis. Significance was tested at 1% level.*

*The percentage analysis of government revenue indicates that the percentage contribution of tax revenue is in increasing trend and that of non-tax revenue is in decreasing trend. The analysis shows that VAT occupies major portion in indirect tax as custom duty and excise duty are second and third source respectively. The contribution of excise duty in indirect tax and total tax revenue is increased remarkably over the year. Excise duty from tobacco and liquor products occupies 48.21 percent of excise duty and it is in increasing trend every year.*

*The trend value of revenue from excise duty is positive and trend lines are going up right. From the trend analysis of revenue from liquor and tobacco products, revenue growth rate of liquor product is higher than that of tobacco products. There is high degree of positive correlation of excise duty with both indirect tax and total tax revenue. Both the tobacco and liquor product have strong positive correlation with excise duty as well as indirect tax and total tax revenue. The study suggests focusing and giving more priority on excise duty could enhance the revenue raising potential of excise duty and other duties in Nepal.*

**Key words:** *tax revenue collection, tobacco excise duty, liquor excise duty, time series, Nepalese economy, Nepal*

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**ABBREVIATIONS**

AVG	: Average
FY	: Fiscal Year
GDP	: Gross Domestic Products
IRD	: Inland Revenue Department
MBS	: Masters in Business Studies
MOF	: Ministry of Finance
N	: Number of Observation
OECD	: Organization for Economic Co-operation and Development
PTAYE	: Pay-Tax-As-You-Earn
SPSS	: Statistical Package for Social Science
US	: United States
VAT	: Value Added Tax
WTO	: World Trade Organization
%	: Percentage