

**TAX PLANNING IN NEPALESE PUBLIC CORPORATION
WITH REFERENCE TO D.D.C AND N.E.A.**

**By
AMIT PHUYAL
Shanker Dev Campus
Campus Roll No. 358/062
T.U. Regd. No: 7-1-31-152-2000**

**A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University**



*In partial fulfillment of the requirement for the degree of
Master of Business Studies (MBS)*

**Kathmandu, Nepal
February 2011**

RECOMMENDATION

This is to certify that the thesis

Submitted by:

AMIT PHUYAL

Entitled:

**TAX PLANNING IN NEPALESE PUBLIC CORPORATION
WITH REFERENCE TO DDC AND NEA**

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

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

.....
Prof. Bishweshor Man Shrestha
(Head, Research Department)

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

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By

AMIT PHUYAL

Entitled:

**TAX PLANNING IN NEPALESE PUBLIC CORPORATION
WITH REFERENCE TO DDC AND NEA**

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

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled “**Tax Planning in Nepalese Public Corporation With Reference to D.D.C and N.E.A.**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Prof Dr. Kamal Deep Dhakal** of Shanker Dev Campus, T.U.

.....

AMIT PHUYAL

Shanker Dev Campus

Campus Roll No. 358/062

T.U. Regd. No: 7-1-31-152-2000

ACKNOWLEDGEMENT

This thesis entitled “Tax Planning in Nepalese Public Corporation with reference to D.D.C and NEA” is related to the facilities taken under Income Tax Act. In this study the practice of Tax planning in Nepalese public corporation has been analyzed.

I am very much indebted to my respected teacher and thesis adviser Prof. Dr. Kamal Deep Dhakal for his encouragement in writing this thesis. His kind cooperation in the completion of this thesis is most appreciated. He has greatly helped me in selecting the topic of this study.

I would like to thank my respected brother Mr. Dipendra Pudasaini, Padam Poudel, Manoj Baral for motivating and providing me proper suggestion and help in data collection during the research work. Mr Devendra K.C.,brother, miss Kabita K.C., sister, Giri Prashad Thapa, friend, deserved special thanks for their help in computer typing and sparing their busy computer for me to type.

Thanks also go to all Tax experts, Tax administrators and Tax payers who helped me by filling up questionnaire and providing correct information.

Lastly, but not the least, my parents who helped me in developing my career. I would like to share the credit of my success with them.

Advices, recommendations and suggestions are whole heartedly welcome.

Amit Phuyal

TABLE OF CONTENTS

Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	

Page. No.

CHAPTER – I INTRODUCTION

1.1 Back Ground of the Study	
1.2 A Brief Overview of Nepal Electricity Authority	
1.2.1 Introduction of DDC	
1.3 Statement of the Problem	
1.4 Objective of the Study	
1.5 Significance of the Study	
1.6 Limitation of the study	
1.7 Organization of the Study	

CHAPTER – II CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

2.1 Conceptual Framework	
2.1.1 Different Ways of Minimizing the Tax Liability	
2.1.2 Tax Evasion	
2.1.3 Tax Avoidance	
2.1.4 Tax Delinquency	
2.1.5 Tax Planning	
2.2 Tax Planning for Various Types of Payments and Activities	
2.2.1 Remuneration	

- 2.2.2 Self Employment
- 2.2.3 Capital Structure
- 2.2.4 Depreciation System
- 2.2.5 Location of Industrial Setup
- 2.2.6 Leasing or Buying
- 2.2.7 Timing of Activities
- 2.2.8 Tax Reform in Developing Countries
- 2.2.9 Constraints on Tax Reform
- 2.2.10 Process of Tax Reform

CHAPTER – III RESEARCH METHODOLOGY

- 3.1 Research Design
- 3.2 Source of Data
- 3.3 Population and Sample
- 3.4 Procedures of Data Collection
- 3.5 Procedures of Data Presentation and Analysis

CHAPTER – IV DATA PRESENTATION AND ANALYSIS

- 4.1 Income Tax Payment of NEA and DDC
- 4.2 Contribution of Tax Revenue and Non Tax Revenue in Total Revenue
- 4.3 Income Tax Structure in Nepal.
- 4.4 Role of Income tax in National Economy
- 4.5 Role of Income tax in Total Revenue
- 4.6 Role of Income tax in Total tax Revenue
- 4.7 Contribution of Income tax and Total tax to GDP
- 4.8 Sample Analysis Measurement
 - 4.8.1 Information about the Company
 - 4.8.2 Information about the Respondents
 - 4.8.3 Are you familiar with the term "Tax Planning"?
 - 4.8.4 Reasons for not Applied with tax Planning Concept
 - 4.8.5 To what Extent has tax Planning been Applied in your Corporation?

- 4.8.6 Does your Corporation avail of the Maximum Possible Exemption, Concessions, rebates etc?
- 4.8.7 In your Opinion, is tax Planning Suitable for Minimizing tax Liability?
- 4.8.8 Is tax Planning being Applicable in your Corporation?
- 4.8.9 Do you believe that tax planning is being misused as tax evasion and tax avoidance in Nepal?
- 4.8.10 How would you reduce your tax Liability?**
- 4.8.11 Which Assessment do you use for Submitting the tax Liabilities?
- 4.8.12 How far are you Satisfied with the tax Planning in Respect Strategic Planning?
- 4.8.13 How far are you satisfied with the tax planning in respect of project planning?
- 4.8.14 How far are you Satisfied with the tax Planning in Respect of the Operational Planning?
- 4.8.15 How far are you Satisfied with the tax Planning in Respect of overall Planning?
- 4.8.16 Do you agree with the following?
- 4.8.16.1 Does your Corporation deduct tax at Source?
- 4.8.16.2 Does your company maintain proper books of account?
- 4.8.16.3 Whether your Company is regular in filing income tax return in time?
- 4.8.16.4 Whether income tax is paid by Year Company within the prescribed time limit?
- 4.8.16.5 Whether the provisions relating to penalties and prosecutions are adequate?
- 4.8.17 Do you have Complications in tax Planning in your Corporation?

4.9 Major Findings of the Study

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

5.2 Conclusion

5.3 Recommendation

Bibliography

Appendices

LIST OF TABLES

Table No.	Title	Page
No.		
3.1	List of Sample	
3.2	Sub-Group of Respondents	
4.1	Annual tax payment of DDC	
4.2	Annual tax payment of NEA	
4.3	Contribution of Tax Revenue and Non tax revenue in Total Revenue	
4.4	Income Tax / Total Revenue Ratio	
4.5	Role of Income Tax in Total Tax Revenue	
4.5	Contribution of Total tax and Income tax Revenue to GDP	
4.7	Familiarities with Tax Planning	
4.8	Reason for not Applied with Tax Planning	
4.9	Application of Tax Planning	
4.10	Availability of the maximum Possible Exemption, Concessions	
4.12	Suitability of Tax Planning for Minimizing Tax Liability	
4.12	Application of Tax Planning in your Corporation	
4.13	Misuse of Tax Planning as Tax Evasion and Tax avoidance	
4.14	Strategies for Reducing Tax Liability	
4.15	The Tools of Assessment for Submitting the Tax Liabilities	
4.16	The Result of Satisfaction or Dissatisfaction with the Tax Planning in respect of Strategic planning	
4.17	The Result of Satisfaction or Dissatisfaction with the Tax Planning in respect of project planning	
4.18	The Result of Satisfaction or Dissatisfaction with the Tax Planning in respect of the operational planning	
4.19	The Result of Satisfaction or Dissatisfaction with the Tax Planning in strategic planning	
4.20	The Result of Tax Deduction at Source	

- 4.21 The Result of Maintaining the Proper Books of Account
- 4.22 The Result of the Company in Filing Income Tax Return in Time
- 4.23 The Result of the Payment of Income Tax within the prescribed Time
Limit
- 4.24 The Result of Provisions Relating to Penalties and Prosecutions
Adequate or not could be avoided
- 4.25 The result of how Tax evasion behavior of Nepalese Tax payer
- 4.29 Complication in Tax Planning in the Corporation

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Annual tax Payment of DDC	
4.2	Annual tax payment of NEA	
4.3	Contribution of Tax Revenue and Non Tax revenue in Total Revenue	
4.4	Income Tax / Total Revenue Ratio	
4.5	Role of Income Tax in Total Tax Revenue	
4.6	Contribution of total tax and income tax revenue to GDP	

ABBREVIATIONS

DDC	:	Dairy Development Corporation
GDP	:	Gross Domestic Product
HIID	:	Harvard instituted for international Development
IRD	:	Inland Revenue Department
MST	:	Manufacturing Sales Tax
NEA	:	Nepal Electricity Authority
NG	:	Nepal Government
NLR	:	Nepal Law Review
PAN	:	Permanent Address Number
VAT	:	Value Added Tax
UEDC	:	Organization Economic Developing Communities