CHAPTER–I

INTRODUCTION

1.1 Background of the Study

Tax is any compulsory levy form individuals, households and firm to central or local government. It is simply a liability to pay an amount to the government. It is a compulsory contribution from the tax payer. Tax is computed and paid as prescribed in the law. Findlays Shrra defined tax as a compulsory contribution to public authorities to meet the general expenses of the government which have been incurred for the public good and without reference to special benefits.

To pay administrative expenses to the government or to do development works, it needs huge amount of money called revenue. The revenue comes from different sources: Grants administration incomes, business incomes, investment incomes, agriculture incomes and different types of taxation. Administrative income, business incomes, investment income and agriculture income are non tax revenues. The basic objective of the government is not collect non tax revenue but the non tax revenue comes automatically while performing many other works. The example of such types of revenue are grants of from government or agencies, registration fees, fines and penalties charges for postage, electricity, water etc.

According to Professor Plehn "Texas are general contributions of wealth received upon persons, natural or corporate to defray expenses incurred in conforming common benefits upon the residents of states."

From the above statement, every state needs sources of revenue. Another source of revenue is the tax revenue. Customs duty, excise duty, value added tax, corporate and personal tax, land and tax are some examples of the tax revenues. The government always wants to collect these types of tax. The term "tax" can be categorized into two ways: direct tax and indirect tax. Income tax, property tax , expenditure tax, gift tax, interest tax, death tax, contract tax, vehicle tax are some example of direct tax. Indirect taxes are value added tax, sales tax, entertainment tax, passenger tax, hotel tax, import duty, export duty, excise duty etc.

1.2 Introduction of the Study Area

The tradition of tax has been stated very late in the context of Nepal. During the Lichavi and Malla Periods, the main source of government revenue was land revenue and land registration tax. At that time water revenue, religion tax and purification of caste were the major sources of tax. These taxes were fulfilled in the form of goods, cash and labors too. Due to vast ability in tax procession, there were many changes occurring time to time. At that time, there were no systems of income tax. There were increments in the expenditure for administration, developmental wars and even for the armies.

To accept the desired amount of taxes from public was one of the regulations of present government. Mainly, these taxes were collected from Royal place, central government and local administration, and all in the forms of goods and cash. The main sources of revenue were timber export, land revenue custom duty and excise duty etc. Land taxation has been one of the important historical sources of government revenue. The land revenue administration is managed by central land revenue Department under which 66 district land revenue offices have been practiced, where the cadastral survey has already been completed, While in the remaining 9 districts, where the cadastral survey is yet to be completed.

The land revenue was collected through land revenue office, which ultimately collected through "mukhiyas" and "talukdars" as commission agents. It is to be remembered that the land reform programme(2001) brought some vital charges with respect to abolition of "zamindari" system and some land revenue like "birta" and "kipat" as well. A provision was also made to guarantee the security of tenant's right. An attempt has been done to systemize the land records according to modern system of cadastral survey. During this process, several acts relating to land came into existence such as; Land Measurement Act, Land Act, Birta Abolition Act, Land Administration Act, Land Revenue Act.

Land revenue, once the major source of government revenue during 2017, has recently only the nominal contribution to the state exchanger. The land revenue system has become outmoded partly due to its structure and partly due to institutional and administrative inefficiencies. Thus, reduction of institutional

and administrative inefficiencies, land revenue collection is now being done through concerned village development committees (VDC's) and municipalities since 1st Falgun 2052 B.S. as per the Local Self Governance Act 2055. 25% of the total collection is to be deposited into the fund of district development committees (DDC's) and 75% into VDC's fund for local development activities.

1.3 Statement of the Problem

There are so many problems involved in land revenue administration. The problem is due to lack of modern cadastral survey and up to date records. Land classification was not made on the basis of its productivity. Lack of physical infrastructure computerized system and other facilities, lack of voluntary compliance on the part of tax payers, non uniform assessment region, lack of appropriate criteria to determine small and large tax payers, lack of encouragement to delinquent tax-payers and under payment to taxes, inequality of minimum valuation of land for different purposes, lack ,of trained and educated manpower, undesirable postings and transfers of personnel management, corruption and unfair duties are familiar problems reacted with land revenue administration.

The following statement of the problems can be stated:

a) What is the contribution of land revenue in the entire Government revenue?

b) It also considers the land registration mechanism in Nepal

1.4 Objectives of the Study

The main objectives of the study will be as follows

1. To study and explore the detail information about land revenue and land registration tax.
2. To study and evaluate the contribution of the Land revenue in Nepal.
3. To identify and analyze the problems of land revenue and registration Tax.
4. To provide necessary suggestions to improve Land revenue registration Procedure on the basis of study findings.

1.5 Significance of the Study

Land revenue has played a vital role in financing the government activities. Because of this fact, our country must give necessary attention towards the good policy of land revenue system. This may be a proper tool of development beside revenue collection. Studies of land revenue bear a broad national perspective and the planners and searchers can receive useful insight into the problem form this study. Moreover, the persons involved directly and indirectly with land revenue are influenced by the government policies and programmes. A proper study of the historical process, which has shaped over land revenue, has its strong relationship with changes in the policy measure through time. This study is therefore is an attempt to understand the reality of our specific role of land revenue and its most important aspects. Every job has its own importance such as we can deal some importance towards the study. They are as follows;

1. It helps to high light the problems regarding the land revenue and land registration above given are the main importance or significance of the study.
2. It helps to know about the government activities towards land revenue and land registration.
3. It helps to study properly about the historical process which has shaped over land revenue and also about its strong relationship with changes in the policy measure through time.

1.6 Limitations of the Study

The study will be based on land revenue administration in Nepalese context. It is not complete study of land revenue system and registration system in Nepal. So, the limitations of this study are as follows:

1. It is based on land revenue administration of Nepal only.
2. Secondary date for the analysis have been used rigorously with the support of primary data
3. Some data and dependent upon verbal information which may not be sufficient for the purpose for research better for future response.
4. Lack of appropriate criteria to determine small and marginal tax payers.
5. Lack of trained and educated manpower.

6. Time constraint and financial crunch.

7. Questionnaires are filled up from the respondents of Kathmandu valley only which does not cover the contribution land revenue as a whole.

8. Due to Lack of modern survey using modern technology the record provided may not provide sufficient or reliable information

1.7 Organization of the Study

The study will be organized according to the prescribed format. In five chapters. The first chapter of the thesis Includes general background, historical background, statement of the problem, objectives of the study, significance of the study and, limitations of the study.

The second chapter of the study is literature review. It discusses about the review of supportive texts and previous related researches. In also includes the findings the actual information and reality about the land revenue and registration in Nepal.

This is the third chapter which includes research design, data collection procedure and data analysis tools. Research design is the guide line of the research. Research design is based on primary date as well as secondary data.

The fourth Chapter deals with the Presentation analysis and interpretation of data. To analyze the data, various tables, figures and statistical tools are used. It is the actual information about the thesis.

It is the fifth and last chapter of the thesis in which result of study, summary, conclusion and recommendations are included.

CHAPTER-II
RESEARCH METHODOLOGY

2.1 Background

This chapter is devoted to the research methodology applied in the study to achieve the goals. Both primary and secondary sources of data were used in the study. Opinion survey technique was adopted while collecting primary data. Questionnaires were distributed to income tax experts and employees so as to know their opinion towards various aspects of income from resident person.

Economic survey was used as the major source of secondary data. Different statistical tools were used as the major source of secondary data. Different statistical tools were used to analyze the data. In this study mean and correlation has been used to analyze the collected data.

2.2 Research Design

The overall plan of any proposed activity can be seen in design of the study. Research design is the guide line of the research. It implies the procedure, technique and overall frame work of the study. Basically the data and information of the study are concerned with past phenomenon of the performance. Thus, it can be also regarded as historical research design. After the collection of past data and experiences, this study analyzed and described its own procedure. Therefore this study also followed an analytical as well as descriptive research design.

2.3 Source of Information for the Study

The information is basically based on the field work procedure. Mainly two important primary sources as well as secondary sources were taken during the study. Primary sources were used for primary data and secondary sources will be used for secondary data.

ﾞ **Primary Data**

Primary data are original data generated by researcher for the Preparation of thesis. The field work procedure were adopted to prepare thesis report on a direct visit to the land revenue office, the researcher used questionnaires method to collect primary data. First few days were given to understand the various departments, officials and their timing of work.

ﾞ **Secondary Data**

Secondary data were used in the form of published data. However the unpublished data as the records, reports, statistics gathered or compiled by others prior to our study were also used Magazine and papers were also

consulted for detail information as well as different publications of central bureau of statistics (CBS).

2.4 Selection of the Respondents

After a careful study of the subject a set of questionnaire was developed and distributed to two respondent groups' viz, tax experts and employees. Tax experts comprises of chartered accountants, lawyers, professor and policy makers of ministry. Employees comprises of employees of government organizations and other private organizations.

2.5 Data Collection Procedure

Primary data were collected with the help of questionnaire method. But mostly used data were secondary data which were collected from secondary sources, is mentioned above.

2.6 Population and Sample

All the experts and tax payers in Nepal were considered as total population. Out of them, the experts and taxpayers in Kathmandu valley were considered as target sample. The denominations of the respondents are about 120, they are tax experts and Landowners.

2.7 Nature and Sources of Data

Both primary and secondary data were used in the study. The primary data were the opinion of experts and employees regarding employment tax. Primary data were obtained through questionnaire method followed in most cases face to face interview/discussions with the selected persons included in the purposive sample. The secondary sources of data were the statistic relating to tax published by the Government of Nepal. They are obtained from Economic Survey, bulletins etc.

2.8 Weighted of the Choice

The questionnaire asked for either to give yes/no response or give their opinions. Respondents were also given alternatives to rank. In this case, the first

preferred choice got the highest point and the last preferred choice got the lowest point. The total points got by each alternative were converted in to percentage of total points available to the all alternatives. The alternative with the highest percentage was ranked as most important and the alternative with the lowest percentage was ranked as the least important. For example, if there were five point's alternatives, the most important ranked by the respondents got five points and the least important alternatives ranked by the respondents got one point. The alternative, which was not ranked, does not get points.

2.9 Tools Used

This research contains different tools for analysis and interpretation. All those data which were collected from secondary sources were tabulated and then converted into separate format in systematic manner. Various tables were used according to the subject matter. The financial analytical tools were used for the quantitative analysis of secondary as well as primary data are as follows.

Mean

The sum of the entire observation is divided by the number of observation is called mean.

Coefficient of Correlation

Correlation analysis refers to the statistical technique, which measures the degree of relationship or associations between the variables. To put it differently, it helps in analyzing the co variation of two or more variables. It is to be noted that a high degree of correlation between two variables doesn't always necessarily imply that changes in one variation cause changes in the other.

There are two methods for calculating correlation coefficient. They are (a) Karl Person's Correlation Coefficient and (b) Spearman's Rank Correlation Coefficient. Basically, Karl Pearson's Correlation Coefficient is used for quantitatively measured data where as spearman's rank correlation coefficient is used for qualitative measured data.

Interpretation of Correlation Coefficient (r)

(a) The value of 'r' lies between +1.00 to -1.00

(b) When r=+1, there is a positively perfect correlation between the two variables.

(c) When r=-1, there is a negatively perfect correlation between the two variables.

(d) When r=0, the variables are uncorrelated i.e., increase or decrease in one variable results no impact on another variable and vice-versa.

(e) When r= approximate 1 (between 0.70 & 0.99), then there is positively high degree correlation.

(f) When r= approximate -1 (between -0.70 & -0.99), there is negatively high degree correlation.

TAXATION POLICY IN NEPAL: WITH SPECIAL REFERENCE TO LAND REVENUE AND LAND REGISTRATION TAX

A THESIS PROPOSAL

Submitted by

Nir Prasad Subedi

T. U. Registration No: 7-2-325-108-2004

Campus Roll No: 597/064

Exam Roll No: 390153/066

Submitted to

Shanker Dev Campus

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirements for Degree of

Master of Business Studies (M.B.S)

New Baneshwor, Kathmandu

September, 2011

BIBLIOGRAPHY

Banerjee, S. (2058). **New Business Dictionary**, New Delhi: Oxford & IBH Publishing Co. Ltd.

Bastola, K..N. (2053). **Taxation in Nepal**: Special Reference to Revenue System, New Delhi: R.D. Publications Pvt. Ltd.

Bhattarai, I. & Koirala, G.P. (2061). **Tax Laws and Tax Planning**. Kathmandu: Aamita Books and Stationary.

Bhattarai., Gyaneshwor (2060). **Encyclopedia General Knowledge and Social Studies**, Kathmandu: Ashish Pustak Bhandar.

Chaudhary, M.N. (2057). **Agricultural Taxation and Economic Development in Nepal.** Kathmandu, 2060.

Melford,J.B.(1966). **Taxation in Nepal**: The Present System and Recommendations for Reform, Kathmandu.

Pokhrel, B (2048). **Land Revenue Administration in Nepal**, Delhi: Common Wealth Publishers.

Pradhan, N (2036). **A Study on Agricultural Land Tax in Nepal.** Kathmandu: Tribhuvan University Library.

Prest, A.R. (1995). **Public Finance in Developing Countries, London**: Butler &- Tanner Ltd.

Rai,Dhana H (2034). **Land Tax as a Source of Revenue for Economic Development of Nepal**, Kathmandu: Tribhuwan University, Central Library.

Regmi, M. C. (2035). **Land Tenure and Taxation in Nepal,** Kathmandu: Ratna Pustak Bhandar.

Shrama, P.K. & Silwal, D.P. (2055). **Text Book of Business Statistics**. Kathmandu: Taleju Prakashan.

Wolff, K. & Pant, P.R. (2062). **Social Science Research and Thesis Writing** Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.