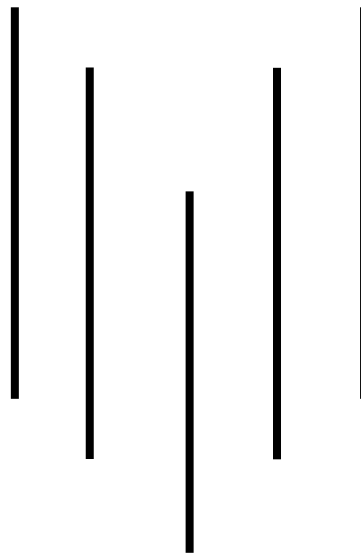


# **CONTRIBUTION OF JOINT VENTURE BANKS TO CORPORATE INCOME TAX OF NEPAL**

*Submitted By:*  
**Usha Pokharel**  
**SHANKER DEV CAMPUS**  
**T.U. Regd. No 7-2-242-222-2002**  
**Campus Roll No. 23/062**

*A thesis submitted to:*  
**Office of the Dean**  
**Faculty of Management**  
**Tribhuvan University**



*In partial fulfillment of the requirements for the Degree of*  
**Master of Business Studies (M.B.S.)**  
**Kathmandu, Nepal**  
**June, 2010**

## **RECOMMENDATION**

**This is to certify that the thesis**

**Submitted by:**

**USHA POKHAREL**

**Entitled:**

**CONTRIBUTION OF JOINT VENTURE BANKS TO  
CORPORATE INCOME TAX OF NEPAL**

*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. K.D. Dhakal**  
**(Supervisor)**

.....

**Prof. Bisheshwor  
Man Shrestha**  
**(Head, Research Department)**

.....

**Prof. Dr. K.D Dhakal**  
**(Campus Chief)**

## **VIVA-VOCE SHEET**

**We have conducted the viva-voce of the thesis**

**Submitted by  
Usha Pokharel**

**Entitled**

**Contribution of Joint Venture Banks to Corporate Income Tax of Nepal**

And found the thesis to be the original work of the student and written in according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Degree of Master's in Business Studies (MBS)

**Viva – Voce Committee:**

Head, Research Department:

\_\_\_\_\_

Member (Thesis Supervisor):

\_\_\_\_\_

Member (External Expert):

Date: \_\_\_\_\_

\_\_\_\_\_

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “*Contribution of Joint Venture Banks to Corporate Income Tax of Nepal*” submitted to Shankar Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements of the Master’s Degree of Business Study under the supervision of Dr. Kamal Deep Dhakal.

**Date: June 2010**

-----

**Usha Pokharel**

**T.U. Regd No. 7-2-242-222-2002**

**Campus Role No. 23/062**

## **ACKNOWLEDGEMENT**

First of all, I would like to thank Tribhuvan University for giving chance to prepare the thesis for a partial requirement to the fulfillment of MBS program held under Tribhuvan University.

I express my deep gratitude to my supervisor Prof. Dr. Kamal Deep Dhakal for his patient and continuous guidance with valuable comments and kind support to me all way through this thesis.

This research work has also enhanced the practical experience and practical knowledge of research work. So I am very much thankful to library staff member of Shanker Dev Campus, who provided me the necessary data and information, have helped us to prepare this thesis and I would like to express my sincere thanks to staff members of each joint venture banks for their kind help, suggestions and active cooperation.

At last but not least, my paramount dedication is to my family members/ my own official staffs & other friends who have been continuous source of sustain for me while in during the tribulation of this research work.

I have tried to cover all the possible are that I felt, important to sum up the **“Contribution of Joint Venture Banks to Corporate Income Tax of Nepal”**. I am hopeful that this task will be helpful to the students of business studies & to those who want to make further researchers under this topic.

**Usha Pokharel**

# **TABLE OF CONTENTS**

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

## **CHAPTER-I**

### **INTRODUCTION**

1.1 Background of the study	1
1.2. Introduction of bank	5
1.2.1 Origin & History of Bank	6
1.2.2 History & Background of Banking in Nepal	8
1.2.3 Introduction of Commercial Banks in Nepal	11
1.2.3.1 Growth of Commercial Banks in Nepal	11
1.2.4 Function of Commercial Banks	13
1.2.5 Introduction of Joint Venture Banks & its role in Nepal	14
1.3 Statement of the problem	21
1.4 Objective of the Study	22
1.5 Significance of the study	23
1.6 Limitations of the study	23
1.7 Organization of the study	23

## **CHAPTER II**

### **CONCEPTUAL FRAME WORK AND REVIEW OF LITERATURE**

2.1 Conceptual framework	25
2.1.1 Meaning of Tax	26
2.1.2 Objectives of tax	28
2.1.3 Meaning of Taxation	31
2.1.4 Canons of Taxation	32
2.1.5 Income Tax	34
2.1.6 Evolution of Income Tax	35
2.1.7 Income tax in International Context	36
2.1.8 Income Tax in Modern Nepal	37
2.2 Tax Rates for Individual & Family	41
2.2.1 Corporate Income Tax Rates	41
2.3 Review of Related studies	42
2.3.1 Review of Books & Articles	42
2.3.2 Review of Thesis	44
2.4 Research gap	46

## **CHAPTER – III**

### **RESEARCH METHODOLOGY**

3.1 Research Design	47
3.2 Sources of data	47
3.3 Population & Sample	49
3.4 Data analysis procedure	49
3.5 Period covered	49
3.6 Presentation and Analytical Tools	50

## **CHAPTER-IV**

### **PRESENTATION AND ANALYSIS OF DATA**

4.1 Situation of Tax Payer in Nepal	51
4.2 Total Revenue of the Government	53
4.2.1 Structure of Revenue Mobilization in the fiscal year 2008/09	54
4.2.2 Composition of Government Revenue in Nepal under Various Heads	55
4.3 Contribution of Tax Revenue to the Total Revenue	57
4.4 Importance of Total Revenue and Total Tax Revenue in GDP	58
4.5 Role of Income Tax in Total Revenue	61
4.6 Comparative Study of Composition of Income Tax	61
4.6.1 Composition of Income Tax in the Fiscal Year 2008/09	64
4.6.2 Contribution of Corporate Income Tax to Total Income Tax	65
4.7 Income tax collection from Joint Venture Banks in Nepal	66
4.7.1 Contribution of Joint Venture Banks in Total Revenue of Nepal	68
4.7.2 Contribution of Joint Venture Banks in Total Tax Revenue of Nepal	69
4.7.3 Contribution of Joint Venture Banks in Total Income Tax Revenue of Nepal	70
4.7.4 Contribution of Joint Venture Banks in Corporate Income Tax Revenue of Nepal	71
4.8 Empirical Investigation	73
4.8.1 Income Tax as Suitable Means of Raising Domestic Resources	73
4.8.2 Present Revenue collection of the government is satisfactory or not	74
4.8.3 Suitable Tax Rate in Nepal	74
4.8.4 Status Tax Collection system of Nepal	75
4.8.5 Habit of Nepalese taxpayers for tax paying	75
4.8.6 Reasons to dislike of paying tax to govt.	75
4.8.7 Suggestions for increasing tax paying habit of Nepalese people	76



4.8.8 Attitude towards Tax Evasion in Nepal	77
4.8.9 Income tax system of Nepal is efficient or not	77
4.8.10 Major problems of income tax management in Nepal.	78
4.8.11 Effectiveness of income tax administration to impose fines & penalties	78
4.8.12 Idea for making income tax management more efficient	78
4.8.13 Effectiveness of tax in reducing the gap between rich & poor	78
4.8.14 Most Important Factors effectiveness in Tax system of Nepal	79
4.8.15 Corruptions in tax administration of Nepal	79
4.8.16 Problems faced by JVBs	79
4.8.17 Foreign investment of JVBs in Nepal	80
4.8.18 Consideration factors to increase Income tax from JVBs	80
4.9 Major Findings	80
4.9.1 Major findings of the study from the empirical analysis	80
4.9.2 Major findings of the study from the secondary data analysis	81

## **CHAPTER– V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

5.1 Summary	83
5.2 Conclusion	84
5.3 Recommendation	86

### **BIBLIOGRAPHY**

### **APPENDIX**

## **List of Tables**

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Situation of Tax Payer in Nepal	52
4.2	Total Revenue of the Government	53
4.3	Structure of Revenue Mobilization in the fiscal year 2008/09	54
4.4	Composition of Government Revenue in Nepal under Various Heads	56
4.5	Contribution of Tax Revenue to the Total Revenue	57
4.6	Importance of Total Revenue, Total Tax Revenue in GDP	59
4.7	Role of Income Tax in Total Revenue	60
4.8	Comparative Study of Composition of Income Tax	62
4.9	Composition of Income Tax in the Fiscal Year 2008/09	64
4. 10	Contribution of Corporate Income Tax to Total Income Tax	65
4.11.	Income Tax paid by the Joint Venture Banks	67
4.12	Contribution of Joint Venture Banks in Total Revenue of Nepal	68
4.13	Contribution of Joint Venture Banks in Total Tax Revenue of Nepal	69
4.14	Contribution of Joint Venture Banks in Total Income Tax Revenue of Nepal	70
4.15	Contribution of Joint Venture Banks in Corporate Income Tax Revenue of Nepal	72
4.16	Income Tax as Suitable Means of Raising Domestic Resources	73
4.17	Present Revenue collection of the government is satisfactory or not	74
4.18	Suitable Tax Rate in Nepal	74
4.19	Status Tax Collection system of Nepal	75
4.20	Habit of Nepalese taxpayers for tax paying	75
4.21	Reasons for people or organizations for dislike of paying tax to govt.	76

4.22	Suggestions for increasing tax paying habit of Nepalese people	76
4.23	Attitude towards Tax Evasion in Nepal	77
4.24	Income tax system of Nepal is efficient or not	77
4.25	Reasons for income tax of Nepal is not efficient	78
4.26	Effectiveness of tax in reducing the gap between rich and poor	79
4.27	Problems faced by JVBs.	79
4.28	Consideration factors to increase Income tax from JVBs	80

## **List of Figures**

<b>Figure No.</b>	<b>Figure Title</b>	<b>Page No.</b>
4.1	Situation of Tax Payer in Nepal	52
4.2	Total Revenue of the Government	53
4.3	Structure of Revenue Mobilization in the fiscal year 2008/09	54
4.4	Composition of Government Revenue in Nepal under Various Heads	56
4.5	Contribution of Tax Revenue to the Total Revenue	57
4.6	Importance of Total Revenue, Total Tax Revenue in GDP	59
4.7	Role of Income Tax in Total Revenue	61
4.8	Comparative Study of Composition of Income Tax	63
4.9	Composition of Income Tax in the Fiscal Year 2008/09	64
4.10	Contribution of Corporate Income Tax to Total Income Tax	66
4.11.	Income Tax paid by the Joint Venture Banks	68
4.12	Contribution of Joint Venture Banks to Total Revenue of Nepal	69
4.13	Contribution of Joint Venture Banks to Total Tax Revenue of Nepal	70
4.14	Contribution of Joint Venture Banks to Total Income Tax Revenue of Nepal	71
4.15	Contribution of Joint Venture Banks to Corporate Income Tax of Nepal	72

## ABBREVIATIONS

A.D	Anne Domino
ATM	Automatic Teller Machine
BOT	Balance of Trade
CIT	Corporate Income Tax
CA	Constitution Assembly
Dr.	Doctor
EBL	Everest Bank Ltd.
Etc	Etcetera
F.Y	Fiscal Year
GDP	Gross domestic Product
Govt.	Government
HBI	Himalayan Bank ltd.
HMRC	Her Majesty's Revenue and Customs
i.e.	That is
IMF	International Monetary Fund
IRD	Internal Revenue Department
IRS	Internal Revenue Service
IT	Income Tax
ITA	Income Tax Act
JVBs	Joint Venture Banks
LoI	Letter of Intent
Ltd.	Limited
MBA	Masters in Business Administration
MBS	Masters in Business Studies
MOF	Ministry of Finance
NABII	Nepal Arab Bank Limited
NB	Nepal Bangladesh
NBL	Nepal Bank Limited

NGOs	Non Government Organizations
NMB	Nepal Merchant Bank
NRB	Nepal Rastra Bank
Org <sup>n</sup>	Organization
PAN	Permanent Account Number
SBI	State of Bank India
SCBL	Standard Chartered Bank Ltd.
TR	Total Revenue
T.U.	Tribhuvan University
TIT	Total Income Tax
UK	United of Kingdom
VAT	Value Added Tax
WB	World Bank
www	World Wide Web