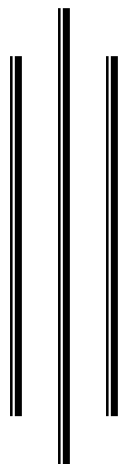


Annual Progress Report F/Y 1999/2000



**His Majesty's Government
Ministry of Finance,
Department of Taxation,
Lazimpat, Kathmandu (NEPAL)**

Forewords

Department of Taxation, from its inception in 1960 A. D., has chiefly being responsible for the administration of direct taxes. Though in the fiscal year 1999/2000 the Department did not have to collect Air Flight Taxes, it could still maintain a share of 23.5 percent in the total tax revenue. The Department did administer the Urban House and Land Tax also in this fiscal year, but from F/Y 2000/2001, it has the sole responsibility of administration of Income Taxes. The tax administration is facing new challenges because of intensity of economic development and liberalisation process going on in the Nepalese Economy.

The tax administration is able to provide effective and efficient services, provided the available resources are effectively used for the development of the organisation. We are committed towards our future directions, which we have mentioned in our, mission, vision, norms and values.

Since last year we have started to publish Annual Progress Report of the Department from previous year. I request all readers of this report to furnish us with their valuable suggestions on the presentation or contents of this report to improve it in future. This report is also available on our website www.dot.gov.np.

I would like to thank all officers and staff of the Department and the tax officers and the staff of the Tax Offices who are wholly devoted to accomplish the targets and objectives of the Department. At the same time my sincere thanks go to Mr. Ran Bahadur Shrestha, Director, Mr. Shadananda Gurung and Mr. Mohan Babu Adhikari, Section Officers and Mr. Shyam Rijal, Computer Operator for their special favour to get this progress report prepared.

Vidyadhar Mallik
Director General
Department of Taxation

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A Glimpse of the Achievements of the Department

- The Department collected Rs. 7927.5 millions during F/Y 1999/2000 which is 102 percent of the given target and 121.6 percent of the collection of F/Y 1998/99.
- The department had a share of 23.5 percent in total tax revenue.
- The contribution of Direct taxes in the total tax revenue reached 25.8 percent while the share of Income tax in the total direct taxes reached 86.8 percent.
- The ratio of income tax collection to the GDP improved up to 1.96 percent from the previous year's ratio of 1.81 percent.
- 8921 new taxpayers were added in this year bringing the cumulative figure of the taxpayers up to 200085 (including income tax and urban house and land tax).
- 62423 income returns and 46936 Urban House and Land tax returns have been settled during this fiscal year.

Achievement Indicators of the Department

(A) Registration

Total Taxpayers Number

- Registered Tax Payers (Including Companies and firms) – 137486
 - Salary earners (Those who were assessed by Tax Office) – 8398
 - House Rent Taxpayers (Those who were assessed by TO)– 9843
 - Urban House and Land Taxpayers – 44358
- Total: 200085**

- Number of Taxpayers who pay more than 80% of the income tax revenue : 994

(B) Tax Collection

- Tax withheld at source : Rs. 440 millions
 - Tax paid by the taxpayers as self assessed : Rs. 4080 Millions
- (Current year taxes paid in instalments: Rs. 3320 Millions)
- Tax amounts demanded by TOs in this year: Rs. 1490 Millions
 - Carry over of tax demands from previous year: Rs. 3380 Millions
 - Demand Adjustments (because of prepaid or doubly paid nature): Rs. .530 millions
 - Collections out of Demands: Rs. 290 millions

- (C) Tax Arrears: Rs. 4050 Millions
- (D) Tax Amount in Appeals: Rs. 2220 Millions
- (E) Indicators for Effectiveness :
- Collection in comparison to target: 102 percent
 - Income tax collection in comparison to GDP: 1.96 percent
 - Income returns filed in comparison to registered taxpayers: 62025/137486(45 percent)
 - Arrears Collected: Rs. 86 Millions
 - Tax Returns settled: 82 percent.
- (F) Indicators of Efficiency :
- Number of registered Taxpayers per employee of the DOT : Approx. 300
 - Collection of taxes per Rupee of administrative Cost: Rs. 147 .

1. Mission

Collect tax revenue by providing fair efficient and effective services in economic way to the taxpayers in accordance with the revenue mobilization policies of His Majesty's Government.

2. Vision

Augment revenue collection from fair, efficient and effective Income Tax system.

3. Our Norms and Values

- Fair and equal treatment to all,
- Work with self-respect without any sort of fear, panic and prejudice in any circumstances,
- Be sensitive to provide services as per the demand of change,
- Be careful towards building professionalism and efficiency in work performance,
- Be devoted towards continuous pursue of new and latest methods to increase the quality of service and to apply them in practice, and
- Work jointly with team spirit by extending mutual cooperation and respect for achieving the goal of the Organization.

4. The Goal

Increase the tax revenue from Income Taxes by an annual increment of 0.2 percent in ratio of GDP.

5. Our Commitment towards Service

- It is our commitment to provide high quality service to the taxpayers.
- We are committed to serve the taxpayers with politeness.
- We assure that we make tax assessment with fair and best judgment through our efficient manpower.
- We are constantly aware of the need for the reform in tax administration and are committed to simplify the procedural requirements for the tax payers.
- We shall arrange to disseminate complete and clear information to the taxpayers that helps them settle tax liability.
- We are committed to make the tax paying procedure more simple and convenient.

6. Arrangements for the delivery of Services

The Department has 40 tax offices in field level including two unit offices all over the kingdom for achieving the goals and objectives of the Department. Altogether 684 personnel are being involved in the Department and in the Offices under the Department. This number of employee is the sum of Gazetted rank - 98, Non-gazetted rank - 326 and 260 without rank.

7. Arrangements made for different type of Taxpayers including small Taxpayers

We are providing the following services as per the commitment made by tax administration to give taxpayer-oriented quality service taking the convenience and interest of the taxpayers into consideration.

(a) Small Taxpayers Service

- Small taxpayers, with a business less than Rs. 1 million or a net income of less than Rs. 100,000/- can pay presumptive tax of Rs.2000/ in Metropolitan and Sub-Metropolitan Cities; Rs. 1,500/ in Municipality and Rs. 1000/ elsewhere. They can pay their tax either directly to the concerned tax office or deposit with the bank. Except otherwise proved from the records maintained for tax purpose, the presumptive tax paid by the small taxpayers shall be deemed to have been made final tax assessment and the evidence of tax paid by them shall be treated as equivalent to the tax clearance certificate. It is our expectation that this provision will relief the taxpayers from the intricacy of their time to time contact with the tax office.

(b) Self Assessment System:

- Self assessment system was introduced in Nepal during fiscal year 1992/93. All Companies registered under the Company Act and the taxpayers with an annual turnover of more than Rs. 10 millions are compulsorily required to file their income returns on self assessment basis. According to this system, all taxpayers with an annual turnover of more than Rs. 2.5 millions need to get their income returns tax-audited by the registered tax auditors. It is hoped that both the accountability and the self compliance will be enhanced by this arrangement.
- It is very essential to scrutinize the income returns produced in the self assessment system, and through proper auditing and enforcement, punish effectively the tax evaders or abettors. A

process of sampling and audit of the self-assessment income returns have been established and an "Experts Committee" have been formed to audit the large taxpayers' returns, of a size of Rs. 100 millions of turnover or Rs. 10 millions of net income or more.

(c) Service Delivery in the Districts without Tax Offices :

- The taxpayers, other than importers and exporters, can renew their income tax registration certificates at the District Treasury Offices by settling their previous year's liabilities, if they feel to do so. Similarly, the small taxpayers and the public vehicle-owners, who fall under the presumptive tax category, can get their tax-clearance certificates, by paying such presumptive taxes.

(d) Information at the Web-site:

- Taxpayer service and information desks have been established in all tax offices to provide the required information to the taxpayers. The Department has made arrangements to make available all the legislation, formats, reports and relevant information to the public at its Web-site www.dot.gov.np. The Department also publishes different manuals, reports and statistical yearbook to make the public aware of different Acts and Rules on Income Tax, Departmental Rulings and the Progress Reports. Following booklets were published during this fiscal year.

- ❖ Salary Tax Deduction Guidelines
- ❖ Internal Circulars, 1999/2000

- A continuous process of dialogue and interactions have been initiated both at the central and field level to increase the cooperation and trust between the tax administration and the Taxpayers. We aim at making our administration "Taxpayer Service Oriented" by solving the taxpayers' problems through mutual discussions.

8. Review of Operation:

a. Review of Tax Collection:

The payment of tax on the current year basis in three installments was introduced in the fiscal year 1998/1999 although 50% of the installments were sufficient on that year but this system was fully introduced in the 1999/2000. In this year, the growth of collections over the given targets were 102.10 percent, 131.29 percent and 142.68 percent on House Rent, Interest and Vehicle Tax respectively. It seems that the significant increase

on Vehicle Tax is due to the change in Vehicle numbering system. The collection of Urban House and Land Tax has decreased in comparison to previous year.

The total target of the Department of Taxation was Rs. 7.77 billions and the collection was Rs. 7.92 billions in the fiscal year (F.Y.) 1999/2000. The collection on the basis of target is 102 percent in this fiscal year whether it was 102.5 in the previous fiscal year 1998/1999. The collection on the basis of targets of fiscal years 1998/1999 and 1999/2000 are about the same but the collection in the F.Y. 1999/2000 was increased by 21.6 percent in comparison to previous year.

b. Number of Taxpayers, Return of Income and its Clearance:

Total number of taxpayers has reached 200085 by the fiscal year 1999/2000. This figure is found to be increased by 8921 (5 percent) than of fiscal year 1998/99. Out of these, the number of taxpayer under all tax heads other than house and land tax is found to be increased in the fiscal year 1999/2000 as compared to the fiscal year 1998/99. During the fiscal year 1998/1999, the total number of returns filed was 129043 which has reached 133577 in this fiscal year with a growth of 3.5 percent. 106166 returns were settled during the fiscal year 1998/1999 whereas the number of returns settled has reached 109359 during this fiscal year with a growth of 3 percent and 24218 returns have been carried for fiscal year 2000/2001. Similarly, 89 percent, 32 percent and 20 percent of the returns filed but laying pending in the tax offices have been settled on part of income tax, house rent tax and house-land tax respectively. Rs. 1450 millions of tax is found to be assessed out of the pending returns which happens to be 18.3 percent of the total collection of the fiscal year 1999/2000. Similarly, 91 percent of the returns filed during this fiscal year have been cleared assessing Rs. 2220 millions of tax.

c. Appeal Cases:

Returns under appeal during fiscal year 1999/2000 was 3064 including 2716 carried from the fiscal year 1998/1999 and an addition of this fiscal year. Out of these, 258 returns have been cleared and 2806 have been carried for fiscal year 2000/2001. Tax amount covered by the returns under appeal was Rs. 1981 millions up to the previous fiscal year which reached Rs. 2555 millions in this fiscal year including the addition of Rs. 574 millions of this fiscal year. Out of this, Rs. 327 millions have been settled and approximately Rs. 2228 millions have been carried for the fiscal year 2000/2001.

9. Provisions Relating to Tax Facilities:

- For encouraging export business, export income is taxed only at the rate of 40 percent of the effective tax rate but the tax amount shall not exceed 0.5 percent of total turnover and the domestic manufacturers who sell their products to the projects operating under bilateral or multilateral foreign aid through international competitive bidding so as to earn foreign currency shall also be entitled to enjoy this facility.
- Tax exemption limits for an individual and a couple have been increased from Rs. 50,000/- to 55,000/- and Rs. 60,000/- to 75,000/- respectively. This provision will encourage the saving from the people having limited income.
- The provision has been made as to refund the excess tax amount to the advance tax payer within a period of 6 months from the date of assessment. In failure of timely refund, an interest at the rate of 15 percent annual shall be provided for the days counted as delayed. It is believed that this provision will encourage the taxpayers to pay remarkable amount of tax in advance.

10. New Tax Proposals (F/Y2000/2001)

- ◆ Surcharge (additional tax) previously levied at the rate of 30 percent and 5 percent for nonresidents and residents respectively has been dropped, which will ultimately encourage the foreign investment.
- ◆ Small Taxpayers Income Assessment Committee has been dissolved and a new presumptive tax system has been introduced with a view to facilitating the small taxpayers for settling their tax matters.
- ◆ Provision for Hearing Taxpayers' Complaints:
- ◆ Anyone, who finds that the tax officials have not acted or behaved as was expected can file a complaint to central monitoring unit of Ministry of Finance and Department of Taxation.
- ◆ Provision for Pay as You Earn:

Provision of installment payment of current year's tax in the manner mentioned below has been continued for all taxpayers other than small tax payers with an objective of facilitating the easy payment of tax by the taxpayers and the timely realization of tax by His Majesty's Government.

By the end of Poush	40 percent
By the end of Chaitra	30 percent
By the end of Ashadh	30 percent

◆ Expert's Committee and Joint Tax Audit Team:

An expert's committee comprising of tax officials having specialized knowledge of the related field has been formed under the Department of Taxation with a view to audit and scrutinize the complicated and sophisticated returns of income resulting from advancement in information technology; the technicalities of record keeping by large taxpayers; and the complications and varieties of skill and efficiency appeared in the field of tax planning. Similarly, a provision of auditing a taxpayer's transaction from both the income tax and VAT aspects by a joint team has been made with an objective of facilitating taxpayers by reducing formalities. During the previous fiscal year, 64 returns of income were selected for investigation by the committee out of which 41 returns were scrutinized and 34 were assessed encompassing the assessment of Rs. 930 millions of tax. In this way the function of clearance of the tax returns is being enhanced by the Department.

◆ Provision of Tax on potential income based on proxy indicators of Expenditure (Two out of Six):

During the previous years, expected tax amount were not found to be collected under the scheme of 'Two out of Six'. Looking back to the past experience, this scheme has been slightly amended as to demand only the return of income from those who meet any two out of six criteria. The scheme has been introduced so as to bring the large number of potential taxpayers into the tax net who are most likely to escape tax in the context of the economy like ours where the majority of economic activities are being conducted in the informal sector

11. Other Activities of this Fiscal Year:

• *Drafting of New Income Tax Act.*

A draft of Income Tax Bill, 2057 has been prepared and will be tabled to the forthcoming session of the Parliament. The draft aims at broadening tax base by updating and integrating the income tax system; making it effective by introducing a full-fledged self assessment system; ensuring the rights of the taxpayers; controlling tax evasion and accelerating revenue mobilization by developing a just and scientific tax system where a fair, simple and transparent tax administration exists.

- *Avoidance of Double Taxation Treaty:*

It is our plan to gradually remove the conditions of double taxation on income and capital and to promote cross boarder investment and trade by concluding a treaty for avoidance of double taxation with the countries of our economic interest. During this fiscal year, a treaty for avoidance of double taxation has been concluded with the Republic of Mauritius. A second round negotiation has been conducted and the draft treaty has been initialled with South Korea. A first round negotiation has been conducted with Pakistan and Austria during this fiscal year.

- *First SAARC Meeting on Avoidance of Double Taxation*

A Nepalese delegation led by the Director General of the Department of Taxation has participated in the first SAARC meeting on avoidance of double taxation held in Islamabad, Pakistan on 5-7 August, 1999. This meeting was conducted with an objective to raise the cooperation among the South Asian Countries' Tax administrations in the areas of technical assistance, mutual information exchange and different aspects of tax policy.

This meeting had also the objective to analyze the possibilities of regional agreement regarding avoidance of double taxation between South Asian Nations. After studying various aspects, this meeting had concluded to organize the second round meeting in Nepal, the country where the head quarter of SAARC secretariat is situated.

Income Tax Administration Consolidation Project- ITAC

According to the agreement between HMG and GTZ (German Govt.), this project, since some years, is working in modifying and improving the structure of Income tax administration, its management and also timely improvement of income tax laws. It has also contributed in the development of manpower.

This project has developed a software for the purpose of registration of the tax payers and is developing another software for tax collection purpose. It has started not only the networking of computers for interrelations and information exchange between the Department of Taxation (DOT) and different district tax offices but also the computerization of all the activities of the Department of Taxation.

This project has also targeted to install a software for collection of taxes as **collection module** in all the Income tax offices and Value Added Tax offices of the country.

- April 2000: Study tour of Asian countries by Nepalese tax officers.
- From 28 February to 10 April, 2000: New employees of Kathmandu Tax Payers Service Center (**KTSC**) were trained in three different groups in the following subject matter.
- Establishment of Kathmandu Tax Payers Service Center (**KTSC**).

This **KTSC** is established for the purpose of providing computerized Income tax registration certificate from one window in a simple and easy way and also to provide permanent account number (PAN) which is necessary to use as a permanent account number for income tax offices, VAT offices and customs offices. This center has also made a provision to obtain permanent account number for the persons (tax payers) who have to deduct the tax at source.

12. Manpower Development

Manpower has its crucial role in achieving the goals of organizations. Without effective and proper mobilization of manpower, the aims and objectives of any organization is not fulfilled. For this purpose it is necessary to organize and perform needful training programs in time. Manpower development is also vital to understand and to cope with present changing global situations and also to provide better services in a competitive way.

The following local level and overseas trainings, workshops and seminars were conducted for making efficient and strong tax administration in this fiscal year.

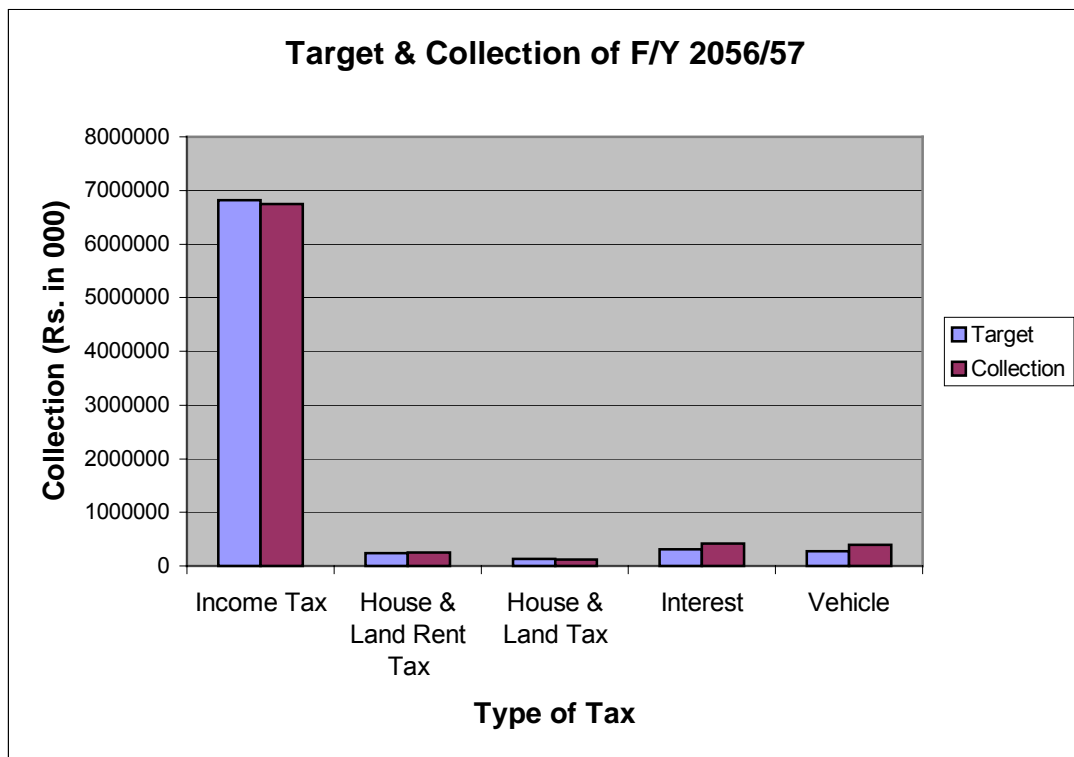
1. 2056/12/10 to 5 weeks training: 5 persons: Revenue Administration Training Center.
2. 31st January to 11th February, 2000: Mr. Tek Bahadur Khatri & Mr. Madhur Prasad Shrestha – Completed training organized by academy of Customs, Excise & Narcotics, India.
3. In service training started from 2056\10\17: 7 officers completed this training from Nepal Administration Staff College(NASC).
4. Training for Trainer's Course: Started from 2056\11\9: 6 officers completed this training from NASC.
.2056\8\8 to 2 weeks: 8 officers completed this training from NASC.

5. Mediation, Negotiation & Coordination training: September 27th October 1st, 2000: 1 officer completed this training.
6. Seminar on Avoidance of Double Taxation Treaty of South Asian Countries, organized in Srilanka from January 13th to 20th, 2000: 2 officers (under Secretary) participated in this seminar.
7. Computer training organized in New Delhi, India, from January 9th to 17th, 2000: 1 officer, and 1 computer operator attended the course.
8. Local level institutional development training –one week : 1 officer took part in the training program.
9. **Training & seminars conducted by Income tax Administration Consolidation Project:**
 - Basic Accounting Training for Tax Inspectors from 2056\7\8 to 19th – 18 Assistants
 - Basic Accounting Training for Tax officers – 14 officers
 - Basic Accounting Training for Tax Inspectors- 13 Assistants.
 - Study Tour- Singapore, Sri Lanka & Thailand from January 23-31, 2000: 6 officers
 - Study Tour to Germany & Netherlands from April 1st to 13th, 2000: 1 Director General , 2 officers
 - Introductory Meeting on Proposed Income Tax Act 2057 from 11th to 19th June, 2000. (2 days)- was conducted in Hotel Blue Star.
 - Introductory Meeting on Proposed Income Tax Act from June 28th - July 3rd, 2000- at Pokhara, Birgung & Biratnagar.
 - Study Tour to Germany, Denmark from February 23rd to March 3rd, 2000- officers of DOT
 - Training on Data Base Management System on New Delhi, India from January 10th to February 4, 2000- Rabindra Shrestha & S.Timilsina.
 - Legislation Meeting on 27th December, 1999.
 - Legislation Meeting on September 23rd to 24th, 1999.

13. Target and Collection of the Fiscal Year 1999/2000

The Department of Taxation was given a target of Rs. 7.77 billion for the Fiscal 1999/2000. The collection outpaced the target by 2 percent and stood at Rs.7.928 billion. Compared to the last Fiscal Year's collection of Rs. 6.512 billion (excluding Airport Tax), collection in this Fiscal Year has been increased by 21.60 percent.

In terms of tax wise collection, the Department has been able to collect 99 percent of the Income Tax. House rent and Interest Tax collection reached at 102 percent and 131 percent respectively while the collection of the House and Land Tax remained at 91 percent of the target.



The responsibility of collecting Vehicles Tax lies with the 12 Zonal Transport Offices scattered throughout the country. The target for the Fiscal Year was Rs.280 millions. The collection again outpaced by 43 percent and stood at Rs.399.5 millions.

14. Operating Expenditure

For the Fiscal Year 1999/2000, a sum of Rs. 54.1 million under the Regular Budget and Rs. 19.1 million under the Development Budget of His Majesty's Government was allocated for the Department as well as Tax Offices. In this Fiscal Year, Re. 1 of the administrative costs contributed towards the revenue

collection Rs. 147. A further detail of the operating expenditure is given as follows.

Year	General Expenses (Rs. Million)	Growth Rate	Development Expenses (Rs. Million)	Growth Rate	Collection as up
054/55	440	11%	41	(-36)	117
055/56	495	12.5%	112	173	132
056/57	541	9.3%	191	70.5	147

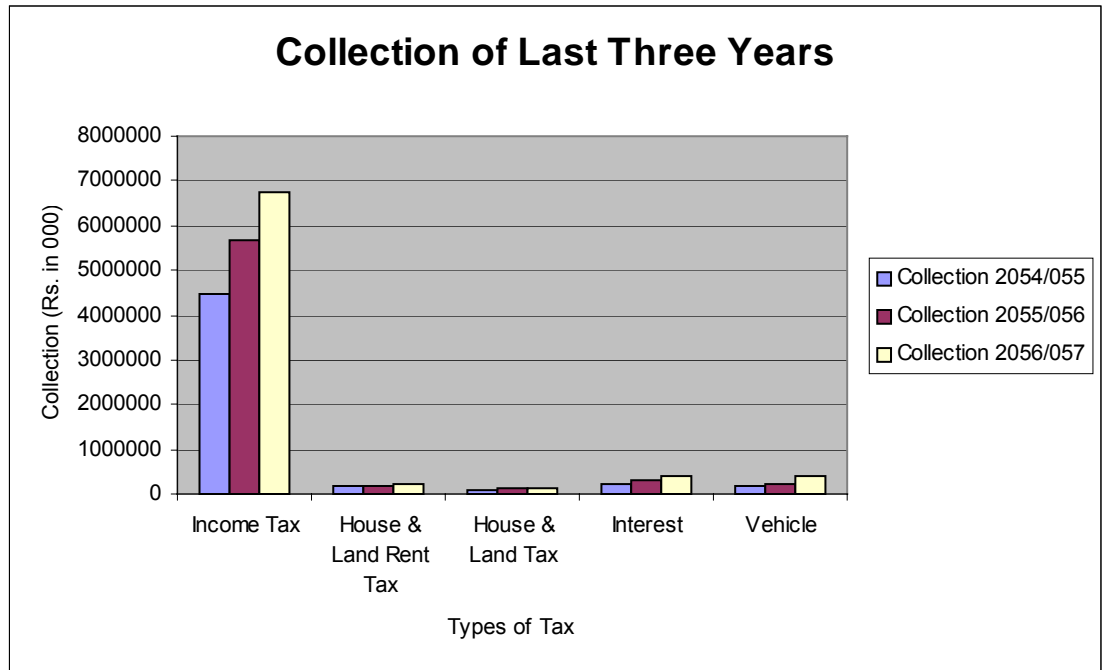
15. Ratio of the Income Tax to the Gross Domestic Product (GDP)

The ratios of the Income Tax compared with the Gross Domestic Product and total revenue collection improved in this Fiscal Year and reached at 1.96 percent and 17.2 percent respectively.

Fiscal Year	Income Tax	Percentage on G.D.P	Percentage on Total Revenue
054/55	4877226	1.62	14.8
055/56	6180824	1.81	16.6
056/57	7412354	1.96	17.2

16. Collection in the Last Three Years.

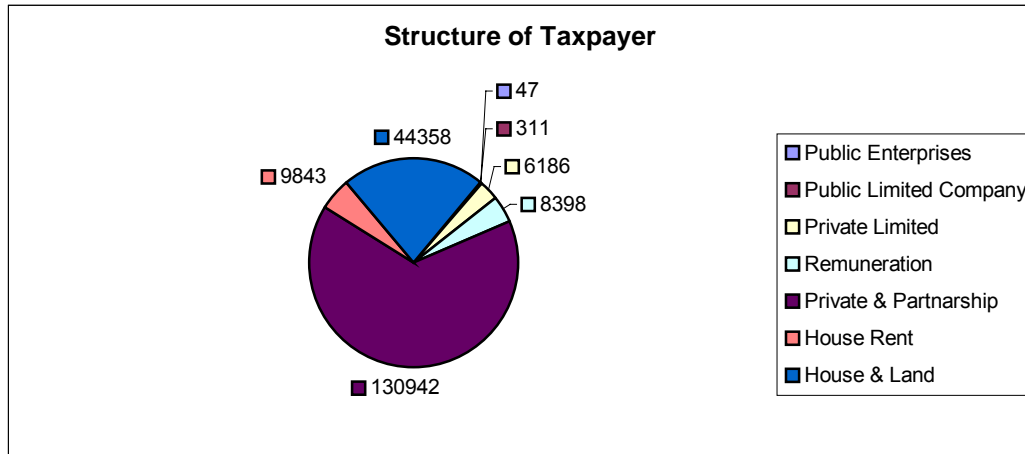
In the Fiscal Year under review, a sum of Rs. 7.528 billion was collected as Income, House Rent, House and Land and the Interest Tax. Compared to the collection in the Fiscal Year 1997/1998 and 1998/1999, this years' collection was increased by 51 percent and 19.49 percent respectively.



In terms of Income Tax, Fiscal Year 1999/2000 collection stood at Rs. 6.75 billion a 50 percent increase compared to the Fiscal year 1997/1998 and 19 percent compared to the Fiscal year 1998/1999. The House Rent Tax collection reached at Rs. 245 million which is 35 percent higher than the collection of Fiscal year 1997/1998 and 24 percent higher than the collection made in the Fiscal year 1998/1999. The collection of the Urban House and Land Tax remained at Rs. 115 million and decreased by 3 percent compared to the Fiscal Year 1998/1999 and increased by 5 percent in comparison to F/Y 1997/1998. The Interest Tax collection stood at Rs.415 million- a 101 percent increase in comparison to the Fiscal Year 1997/1998 and 33 percent increase in comparison to the Fiscal Year 1998/1999. Similarly, the collection of the Vehicle Tax from various Zonal Transport Offices has been recorded at Rs. 399 million that is 130 percent higher than the collection of Fiscal Year 1997/1998 and 83 percent higher than the collection made in the Fiscal year 1998/1999.

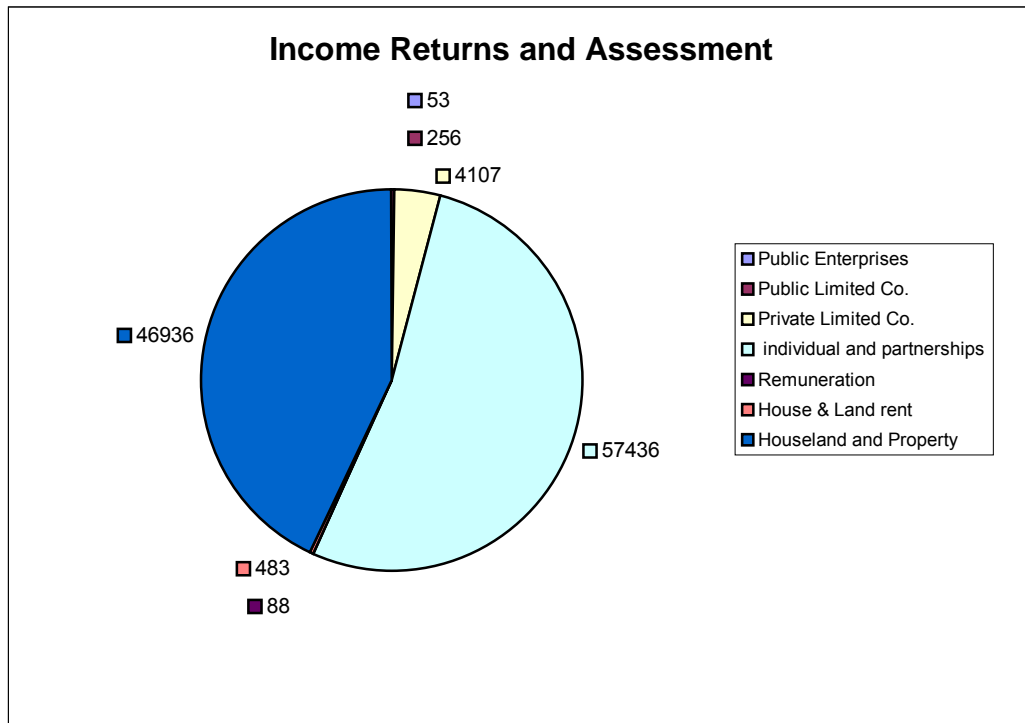
17. Number of Taxpayers

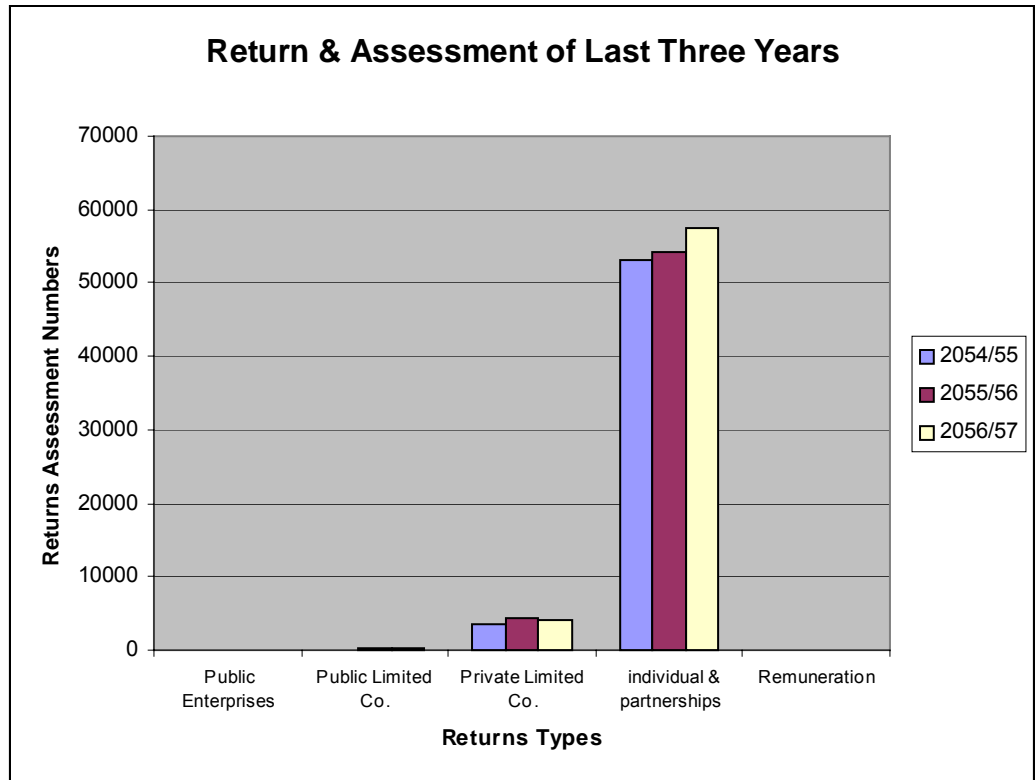
Taxpayers registered with 40 Tax Offices under the Department of Taxation totaled 200 thousand plus. Amongst the registered 47 are Public enterprises, 311 Public Limited Companies, 6186 Private Limited companies 8398 Salary earners, 130942 Proprietorships as well as Partnerships, 9843 house rent earners 44358 Urban House and Land taxpayers.



18. Receipts and Assessment of the Tax Returns.

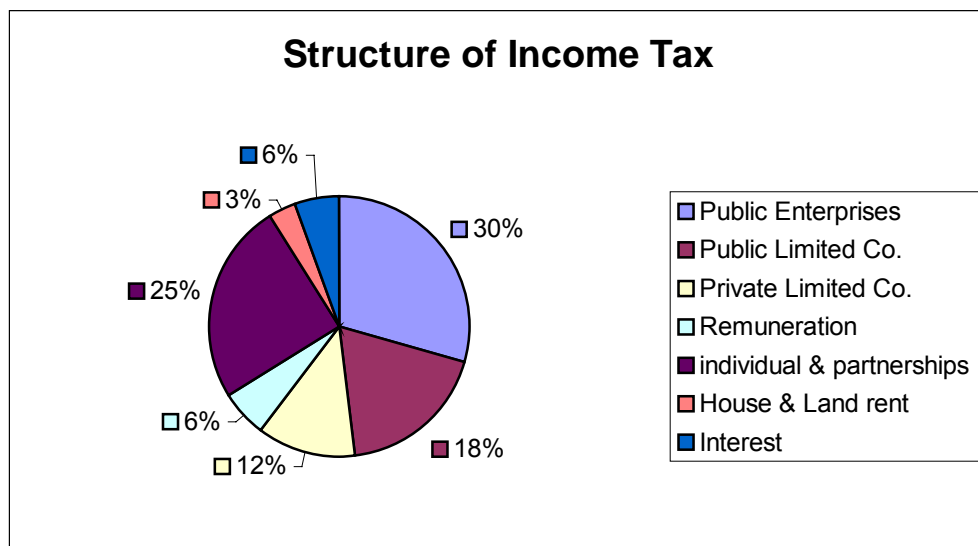
The number of Tax Returns submitted in the Fiscal Year 1999/2000 was 62.1 thousands which is only 43 percent of the Taxpayer registered with various Tax Offices at the end of the year i.e. 2000 July. 91 percent or some 61.9 tax returns were assessed during this Fiscal Year. Similarly, 483 or 51 percent out of 943 tax Returns under House Rent and 46.9 thousands or 73 percent out of 64.6 thousands Tax Returns under Urban House and Land Tax were also assessed during this Fiscal Year.





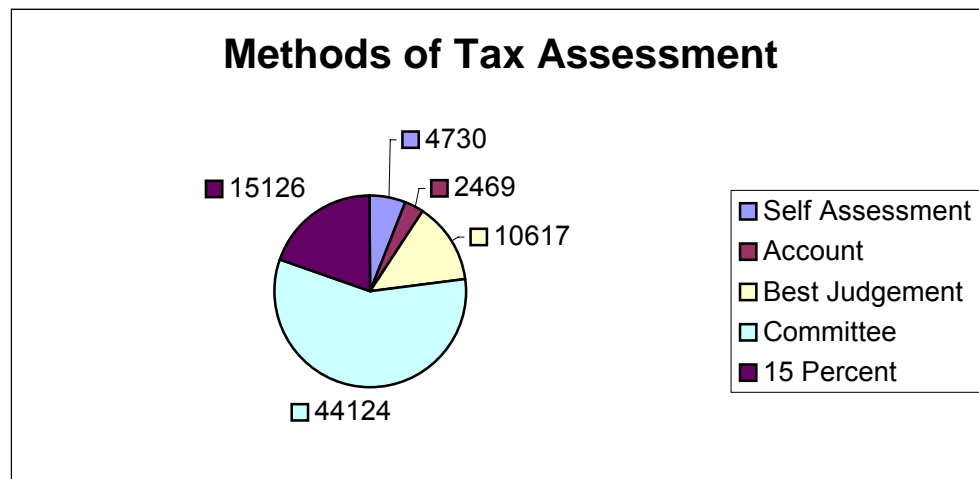
19. Structure of the Income Tax

The contribution of the Income Tax to the Direct Taxes has been recorded at 91 percent in the Fiscal year 1999/2000. The contribution of the Proprietorships as well as Partnerships, Public Enterprises, Public Limited Companies, Private Limited Companies, Remuneration, Interest and the House rent is 25 percent, 30 percent, 18 percent, 12 percent, 6 percent, 6 percent and 3 percent respectively.



20. Types of Tax Assessment.

Among the Tax Returns assessed during the Fiscal Year under review, 71 percent were under Small Tax Payers, 17 percent under Best Judgment, 4 percent under Accounts and the remaining 8 percent under Self-assessment categories.



21. Appeals

The number of appeals against the assessment orders of the various Tax Offices at the end of the Fiscal Year 1998/1999 was 2716. 348 more appeals were made during the Fiscal Year 1999/2000 totaling the number of appeals at 3064. The number of appeals yet to be listened or the arrears for the next Fiscal Year 2000/2001 is 2806.

22. Arrears

Tax Returns not assessed yet stood at 24 thousands – 6 thousands under Income Tax and remaining 18 thousands under House and Land Tax. Accumulation of the Tax Returns at the end of the Fiscal Year was 134 thousands while the number of assessments made during the fiscal year were 109 thousands.

Similarly, cumulative arrears of the assessed tax, that is yet to be collected, remained Rs. 4.4 billion including fees and penalties of Rs.169 million. Out of these arrears Rs. 2.2 billions belongs to the appeals against the assessment order of the various Tax Offices.

23. Irregularities

During the Fiscal Year 1999/2000, the cumulative irregularities reported by the Office of the Auditor General reached at Rs.1.81 billion – this included arrears of Rs. 360 million of the Fiscal Year 1997/1998, Rs.989 million of

the Fiscal Year 1998/1999. Rs. 167 million or 20.26 percent of the arrears was settled during this Fiscal Year. The Tax Office in Narayanghat cleared 53.37 percent of outstanding irregularities whereas the clearance by the Tax Offices Baglung, Palpa, Rajapur, Tanahu, Surkhet and Damak was none.

**Annex-1
Personnel List**

Tax Department

Title	<u>Class</u>	No.
Director General	Gaggetted I class	1
Deputy Director General	Gaggetted I class	1
Chartered Accountant	Gaggetted I class	1
Director	Gaggetted II class	4
Senior Lawyer	Gaggetted II class	1
Section Officer	Gaggetted III class	10
Account Officer	Gaggetted III class	1
Lawyer	Gaggetted III class	1
Nayab Subba	Non-Gaggetted I class	25
Computer Operator	Non-Gaggetted I class	2
Accountant	Non-Gaggetted I class	3
Kharidar	Non Gaggetted II class	10
Sub-Accountant	Non- Gaggetted II class	1
Ass. Data Prep. Supervisor	Non- Gaggetted II class	2
Typiests		5
Driver		3
Peon		12
Sweeper		1
	Total	84

Field Offices:

Title	Class	No.
Chief Tax Officer	Gaggetted II class	23
Tax Officer	Gaggetted III class	53
Computer Engineer	Gaggetted III class	1
Assistant Engineer	Gaggetted III class	1
Tax Inspector	Non-Gaggetted I class	104
Accountant	Non-Gaggetted I class	11
Overseer	Non-Gaggetted I class	1
Computer Operator	Non-Gaggetted I class	11
Kharidar	Non Gaggetted II class	117
Sub-Accountant	Non- Gaggetted II class	27
Ass. Data Prep. Supervisor	Non- Gaggetted II class	8
Typiests		35
Driver		25
Peon		179
	Total	600

Annex-2
Target & Collection of F/Y 2056/057

(E18Rs.000)

S.No.	Type of Taxes	Target	Collection	Percentage of Collection
1	Income Tax	6812775	6751958	99
2	House & Land Rent Tax	240225	245258	102
3	House & Land Tax	127400	115712	91
4	Interest	316200	415138	131
5	Vehicle	280000	399496	143
	Total	7776600	7927562	102

Annex-3
Collection of Last Three Years

(Rs.000)

S.No.	Type of Taxes	Collection		
		2054/055	2055/056	2056/057
1	Income Tax	4488692	5670624	6751958
2	House & Land Rent Tax	181875	198287	245258
3	House & Land Tax	109901	119475	115712
4	Interest	206659	311913	415138
5	Vehicle	174027	218429	399496
	Total	5161154	6518728	7927562

Annex-4
Number of Taxpayers

S.No.	Type of Taxpayers	Up to 2056 Ashad	Up to 2057 Ashad	Remarks
1	Public Enterprises	44	47	
2	Public Limited Co.	292	311	
3	Private Limited Co.	5751	6186	
4	Remuneration	8227	8398	
5	Individual and partnerships	123216	130942	
6	House & Land rent tax	9048	9843	
7	House and Land tax	44586	44358	
	Total	191164	200085	

(Annex-5)

Income Returns & Assessment

S. No.	Type of Taxpayers	Last year (2055/56) returns	Returns received this year (2056/57)	Total Returns	Assessment	Returns carried to next year
1	Public Enterprises	73	46	119	53	66
2	Public Limited Co.	232	255	487	256	231
3	Private Limited Co.	1680	4069	5749	4107	1642
4	Individual and partnerships	3768	57655	61423	57436	3987
5	Remuneration	73	155	228	88	140
6	House & Land rent tax	403	540	943	483	460
7	House and land tax	16648	47980	64628	46936	17692
	Total	22877	110700	133577	109359	24218

Annex- 6

Assessment figures of last three years

S. No	Type of Taxpayers	2054/55	2055/56	2056/57
1	Public Enterprises	8	47	53
2	Public Limited Co.	134	224	256
3	Private Limited Co.	3515	4225	4107
4	Individual and partnerships	53070	54079	57436
5	Remuneration			88
	Total	56727	58575	61940

Annex-7
Structure of Collection of Income Tax

(Rs. in 000)

S.No.	Type of Income Tax	054/55			055/56			056/57			Percentage of growth on last year
		Target	Collection	Percentage of Collection	Target	Collection	Percentage of Collection	Target	Collection	Percentage of Collection	
A.	Corporate Income Tax	2910000	2934182	100.8309966	3320000	3506541	105.6187048	4564615	4470667	97.94181985	127.4950728
1	Public Enterprises	1150000	1314011	114.2618261	1330000	1575387	118.4501504	1765370	2190276	124.0689487	139.030981
2	Public Limited Co.	960000	926699	96.53114583	1040000	1131202	108.7694231	1441170	1367525	94.88991583	120.8913174
3	Private Limited Co.	800000	693472	86.684	950000	799952	84.20547368	1358075	912866	67.21764262	114.1150969
B.	Individual Income Tax	1530000	1540960	100.7163399	1920000	2164083	112.7126563	2248160	2281291	101.473694	105.4160584
4	Remuneration	180000	303739	168.7438889	350000	386147	110.3277143	432410	438879	101.4960339	113.6559393
5	Income Tax from individual and partnerships	1350000	1237221	91.646	1570000	1777936	113.2443312	1815750	1842412	101.468374	103.6264522
C.	Others	310000	388534	125.3335484	540000	510200	94.48148148	556425	660396	118.6855371	129.4386515
6	House & Land rent tax	150000	181875	121.25	250000	198287	79.3148	240225	245258	102.0951192	123.6883911
7	Interest	160000	206659	129.161875	290000	311913	107.5562069	316200	415138	131.2896901	133.0941641
	Total Income Tax	4750000	4863676	102.3931789	5780000	6180824	106.9346713	7369200	7412354	100.5855995	119.9250132

Collection from individual and partnerships firm includes Rs.251761 thousand from Custom & Transport Management offices Rs.190428 and Rs.442189 respectively as a Advance Income Tax.

Annex-8
Method of Income Assessment

S.No.	Method of Income Assessment	054/55	055/56	056/57
1	Self Assessment	2936	4178	4730
2	Account	2471	3001	2469
3	Best Judgement	9638	10385	10617
4	Committee	37432	36405	28998
5	Presumptive (15%)	4248	4606	15126
Total		56725	58575	61940

Annex-9
Income Assessment on the basis of Net Income Level
(Rs. in 000)

S.No.	Level of Net Income	Number of returns	Tax amount	
1	Up to 1 hundred thousand	51615	141584	
2	1 hundred thousand-up to 2 hundred thousand	5902	119035	
3	2 hundred thousand-up to 5 hundred thousand	2548	174462	
4	5 hundred thousand-up to 1 million	881	165202	
5	1 million and above	994	3478313	
Total		61940	4078596	

Annex-10
Collection of current year (three installment tax)

**(Rs. in
000)**

S.No	Months	No. of Taxpayers	Amount	Remarks
1	Poush end	2665	1098485	
2	Chaitra ,,	2609	842359	
3	Ashadh ,,	3686	1387297	
Total		8960	3328141	

Annex-11
Appeals
Fiscal Year 2056/057

(Rs. in 000)

Account's readings	Tax Headings	No. of Appeal				Amount involved in appeal				Remarks
		Brought down from last year	This year addition	Settlement on this year	Carried forward for next year	Amount brought down from last year	This year addition in amount	Settlement amount on this year	Amount carried forward for next year	
1.1.3.00	Income Tax	2696	336	254	2778	1981125	570647	326674	2225098	
1.1.3.10	Corporate Income Tax	990	229	74	1145	1333454	534612	265384	1602682	
1.1.3.11	Public Enterprises	17	3	2	18	596091	48189	171168	473112	
1.1.3.12	Public Limited Co.	153	104	22	235	227221	220929	46866	401284	
1.1.3.13	Private Limited Co.	820	122	50	892	510142	265494	47350	728286	
1.1.3.20	Individual and partnerships	1706	107	180	1633	647671	36035	61290	622416	
1.1.3.21	Remuneration	12	0	0	12	30626	0	0	30626	
1.1.3.22	Income from Industry trade and vocation	1694	107	180	1621	617045	36035	61290	591790	
	a.private	1681	103	179	1605	613507	34544	60235	587816	
	b.partnership	13	4	1	16	3538	1491	1055	3974	
1.1.3.30	House & Land rent tax	3	11	0	14	277	1399	0	1676	
1.1.4.40	House & Land tax	17	1	4	14	328	1615	60	1883	
1.1.3.40	Interest	0	0	0	0	0	0	0	0	
1.1.2.50	Vehicle Tax	0	0	0	0	0	0	0	0	
	Total	2716	348	258	2806	1981730	573661	326734	2228657	

Annex 12

Details of Gross income Net income and tax according to Transaction

F/Y 2056/57

(Rs. in 000)

S.no.	Types of Business	Total no.	Total Tax	Remarks
1	Industries	9423	733610	
2	Financial Institutions	166	253319	
3	Export and Imports	1514	461994	
4	Contract Business	783	103947	
5	Hotel Business	1789	161225	
6	Travel Treaking, Rafting and Sight seen etc.	695	67680	
7	Medicne	3470	35757	
8	Gold &silvers Handicrafts	1000	11025	
9	Hardware,cements, paints etc.	2849	37572	
10	Transport	131	8931	
11	Agency Commission	1058	63323	
12	Flooring and furnishing	651	9386	
13	Garments	5150	52043	
14	Others	32551	2053370	
15	Occuption	43	516	
	a. Doctor	219	4662	
	b.Lawer	48	1050	
	c. Others	400	19186	
	Total	61940	4078596	

Annex 13

Details of Collection of this fiscal year and Arreares for next year

Rs. 000

Account's neading	Tax Headings	Collection from demand of this fiscal year and collection from last year arrears				Collection without demand	Total Collection	Amount Arrears for Next fiscal year				Remarks
		Tax	panalties	fees	Total			Tax	panalties	fees	Total	
1.1.3.00	Income Tax	223344	21147	16	244507	6507451	6751958	3751485	169055	752	3921292	
1.1.3.10	Corporate Income Tax	100958	14380	5	115343	4355324	4470667	2604743	143652	69	2748464	
1.1.3.11	Public Enterprises	59831	1567	0	61398	2128878	2190276	1091597	9254	0	1100851	
1.1.3.12	Public Limited Co.	11209	6528	0	17737	1349788	1367525	416045	33301	44	449390	
1.1.3.13	Private Limited Co.	29918	6285	5	36208	876658	912866	1097101	101097	25	1198223	
1.1.3.20	Individual and partnerships	122386	6767	11	129164	2152127	2281291	1146742	25403	683	1172828	
1.1.3.21	Remuneration	619	4	0	623	438256	438879	46740	230	5	46975	
1.1.3.22	Income from Industry trade and vocation	121767	6763	11	128541	1713871	1842412	1100002	25173	678	1125853	
	a.private	121043	6718	11	127772	1267655	1395427	1096350	24961	678	1121989	
	b.partnership	724	45	0	769	4027	4796	3652	212	0	3864	
	Income Tax Collection from customs Office	0	0	0	0	251761	251761	0	0	0	0	
	Income Tax Collection from Transport management Office	0	0	0	0	190428	190428	0	0	0	0	
1.1.3.30	House & Land rent tax	1384	17	0	1401	243857	245258	20635	109	2	20746	
1.1-4-40	House & Land tax	46501	94	0	46595	69117	115712	106665	207	0	106872	
1.1.3.40	Interest	0	0	0	0	415138	415138	0	0	0	0	
1.1.2.50	Vehicle Tax	0	0	0	0	399496	399496	10	0	0	10	
	Others	0	0	0	0	122	122	0	0	0	0	
	Sale of tender Forms	0	0	0	0	62	62	0	0	0	0	
	Auctions	0	0	0	0	32	32	0	0	0	0	
		0	0	0	0	28	28	0	0	0	0	
	Total	271229	21258	16	292503	7635181	7927684	3878795	169371	754	4048920	

Annex-14

Officewise Target and Collection of 2056/57

(Rs. 000)

S.No	Tax Offices	Income Tax		House & Land Rent Tax		House & Land Tax		Interest		Vehicle		Total		As compare with target
		Target	Collection	Target	Collection	Target	Collection	Target	Collection	Target	Collection	Target	Collection	
1	Ilam	11700	13560	1050	850	10	10	800	853			13560	15273	112.632743
2	Bhadrapur	43000	38213	3130	3336	2350	1361	1850	3369	6122	4493	56452	50772	89.9383547
3	Dhankutta	8165	7034	1330	1037	5	7	1750	1491			11250	9569	85.0577778
4	Dharan	80000	79391	1850	2430	825	2004	6115	6768	18130	20750	106920	111343	104.136738
5	Biratnagar	205500	182305	7090	6158	9850	9703	8000	9531			230440	207697	90.1306197
6	Lahan	19000	23853	885	1482	115	129	3325	3160	4270	4006	27595	32630	118.246059
7	Rajbiraj	11760	14048	830	904	290	306	1470	2402			14350	17660	123.066202
8	Sarlahi	11900	11081	510	628	72	64	950	931			13432	12704	94.5801072
9	Janakpur	36000	33603	2940	2231	3600	5986	4700	5734	6673	6108	53913	53662	99.5344351
10	Hetaunda	84500	82713	2515	2419	3000	2171	2050	3832			92065	91135	98.9898441
11	Narayangarh	88550	79999	2425	2586	500	665	3100	8734			94575	91984	97.2603754
12	Gaur	14000	9414	550	598	200	207	750	963			15500	11182	72.1419355
13	Birgunj	244300	164717	6410	6540	8880	8337	5950	6973	61961	26293	327501	212860	64.9952214
14	Dhulikhel	9800	11780	1450	1177	70	83	2150	3008			13470	16048	119.138827
15	Ktm. No.1	428800	428702	26280	23805	5400	4735	33250	44184			493730	501426	101.558747
16	Ktm. No.2	894000	856238	45000	47790	37370	26558	57250	85879			1033620	1016465	98.3402991
17	Ktm. No.3	3150000	3212359	42300	44219	25230	17294	92300	106508	110733	284408	3420563	3664788	107.139907
18	Ktm. No.4	338500	320238	11700	12866	5250	4621	11200	11649			366650	349374	95.2881495
19	Ktm. No.5	5500	5552	685	672			500	865			6685	7089	106.043381
20	Lalitpur	335000	355234	27130	27916	3750	6539	22700	29508			388580	419197	107.879201
21	Baglung	6600	8561	1900	1877	160	182	1950	2006			10610	12626	119.000943
22	Pokhara	78550	81842	6000	5970	4380	2536	7300	10948	19698	17255	115928	118551	102.262611
23	Palpa	7500	6634	900	979	95	131	3750	4877			12245	12621	103.070641
24	Bhairawa	85000	63329	1950	2577	2280	2917	3200	4126			92430	72949	78.9235097
25	Krishnagar	27500	28202	680	654	0	49	850	2244		1	29030	31150	107.30279
26	Rajapur	9700	13305	490	460	0		600	682			10790	14447	133.892493
27	Nepalgunj	55000	53418	4665	4931	980	759	4000	4491	4778	6330	69423	69929	100.728865
28	Dang	16650	19338	1810	1661	60	73	2650	3385	6566	2037	27736	26494	95.5220652
29	Dhangadhi	35000	33538	2600	2585	130	151	2950	2747	6044	4330	46724	43351	92.7810119
30	Mahendra nagar	28000	16041	1100	1496	75	76	1550	2146	2947	1512	33672	21271	63.1711808
31	Kalैया	65000	58369	3900	3239	6	6	1100	1039			70006	62653	89.4966146

32	N. Parasi	28000	19051	1050	964	5	1929	1300	1568			30355	23512	77.4567617
33	Tanahu	11000	11578	430	897	0	9	2800	3003			14230	15487	108.83345
34	Barhbise	62700	130482	650	679	0		550	1185			63900	132346	207.114241
35	Bhaktapur	26500	26519	1750	1588	440	565	3900	4929			32590	33601	103.102179
36	Surkhet	8500	10292	900	868	17	31	750	1077			10167	12268	120.664896
37	Ktm.No.6	84000	84085	9300	9682	2415	3449	6000	15014			101715	112230	110.337708
38	Ktm.No.7	99000	98182	12000	11664	9000	11463	5200	6711			125200	128020	102.252396
39	Damak	3600	3574	490	640	20	33	440	797			4550	5044	110.857143
40	Butwal	55000	55584	1600	2203	570	573	5200	5821	32078	21973	94448	86154	91.2184482
Total		6812775	6751958	240225	245258	127400	115712	316200	415138	280000	399496	7776600	7927562	101.941234