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Forewords

Department of Taxation (the Department) has been administering the collection of tax throughout the Kingdom from the day of its inception in B.S. 2017. The contribution of the Department in total tax revenue has reached 24 percent by the Fiscal Year 1998/1999. Currently the Department has been administering the assessment and collection of direct taxes. They are Income Tax, House and Compound Tax, House Rent Tax and Interest Tax.

Some important steps have been taken in the current years towards making the tax administration efficient, transparent, effective and service oriented. The Department itself is committed to continue such steps in the days to come so as to enhancing the capability of tax administration.

This booklet has been prepared as to include various provisions in tax administration and various work progress achieved in tax administration with a view to disseminating information about the activities of administration. I request to all the concerned personalities to avail their valued suggestions in respect to this booklet, if any.

I would like to thank to all of the cooperative officers and staff of the Department and the tax officers who have heavily devoted their full time, irrespective of formal working hours, for the tax collection function. At the same time my sincere thanks go to Mr. Prakash Man Shresth, Director, Mr Rana Bahadur Shresth, Chief Tax Officer, Mr Shadananda Gurung, Section Officer and Mr. Ramesh Nepal, Computer Operator for their special favour to get this progress report prepared.

(Vidyadhar Mallik)
Director General
Department of Taxation

Fiscal Year 1998/1999 at a Glance

- The amount of direct tax revenue collected in the Fiscal Year 1998/1999 is NRS. 6,759.224 millions which is 107 percent of the given annual target and is found to be increased by 26 percent as of the Fiscal Year 997/1998.
- Contribution of the direct tax in the total collection of tax revenue reached 25.6 percent and the contribution of income tax in total direct tax reached 86 percent.
- The ratio of the revenue collected from this Department in total Gross Domestic Product (GDP) was 1.75 percent in the year 1997/1998, which has been ascended to 1.95 percent in the year 1998/1999.
- 16,672 new taxpayers has been registered in the areas of income tax and house and compound tax and the total number of the taxpayers in these areas has reached 1,91,164.
- 58,575 tax returns in area of income tax and 47,591 tax returns in area of house and compound tax have been cleared away.
- Treaty for Avoidance of Double Taxation and Fiscal Evasion with Sri Lanka has been concluded and the first round and the second round negotiations with some other countries have been conducted.

1. Mission

Collect tax revenue by providing simple, capable and effective service in an economic way to the taxpayers in accordance with the revenue mobilization policies of His Majesty's Government.

2. Vision

Provide high quality service to the taxpayers by managing efficient, responsible and devoted manpower.

3. Our Norms and Values

- Fair and equal treatment among those of equal state,
- 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 revenue with an annual increment of 0.5 percent in ratio of total GDP by identifying new sources of revenue mobilization and expanding tax-net as projected by the Ninth Periodic Plan.

5. Our Commitment toward 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 judgement through our efficient manpower.
- We are constantly aware of the need for the reform in tax administration and are committed to simplify the process of clearing tax liability.
- We shall arrange to disseminate complete and clear information to the taxpayers that help them clearing their tax liability.
- We are committed to make the tax paying procedure more simple and convenient.

6. Office and Manpower at Present

One Department in central level and 40 tax offices in field level including two unit offices are currently working all over the kingdom for achieving the goal and objective of the Department. All to gather 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. Our Services

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, who are carrying on the prescribed type of trade or profession with an annual turnover not exceeding Rs. 800 thousand, can pay presumptive income tax at a lump sum rate if they want to do so. The rate of presumptive income tax is Rs. 1,200/ for taxpayers running their business in Metropolitan and Sub-Metropolitan Cities; Rs. 1,000/ for their business in Municipality and Rs. 750/ for their business 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.
- Income of small taxpayers with an annual turnover not exceeding Rs. 800 thousands, who are not able to maintain books of accounts of their business transactions shall be assessed by the Small Taxpayers Income Assessment Committee for the first time. Except the records maintained for tax purpose proves otherwise, such taxpayers shall have the option to pay tax by adding 10 percent in the amount of

tax paid in the preceding fiscal year along with the tax return. Such tax can be paid either directly to the concerned tax office or bank. Submission of such tax return along with the evidence of tax payment shall be treated as equivalent to the tax clearance certificate. This provision is definitely a good start for simple and transparent procedure of tax clearance.

- Industries, registered with the Department of Cottage and Small-Scale Industries with an annual turnover not exceeding Rs. 800 thousand, can pay Rs. 750/ in lump sum as an annual presumptive income tax. Such amount can be deposited either directly to the concerned tax office or to the bank. The evidence of such payment shall be treated as equivalent to the tax clearance certificate.

(b) Self-Assessment

Self-tax assessment system has been introduced in Nepal since the Fiscal Year 2049/50 (1992/1993) which has been adopted by most of the developed and democratic countries of the world as an simple tax assessment procedure. This type of assessment procedure allows the taxpayers to pay tax after assessing their tax amount by themselves.

Currently the self assessment procedure has been made compulsory for all of the companies registered in accordance with the Company Act as well as for all the firms and other type of taxpayers who carries on business with an annual turnover of more than Rs 10 millions. Under this assessment system, taxpayers may file their self assessed tax return even after getting their books of account audited by any registered auditor.

We expect that the Self assessment procedure will contribute much to reducing the discretionary power of tax administration. We are planing to make self-assessment system a mainstream of tax assessment procedure and make it compulsory within a few years to come for all kinds of taxpayers. By introducing this system, the liability of taxpayers will be increased on one hand, and the number of voluntary taxpayers will be substantially increased on the other.

With the commencement of self-assessment system, the strong provisions for checking whether the tax returns filed under this

system are true and correct and for seriously punishing those taxpayers as per law, who are really evading or encouraging others to evade tax, is equally necessary. We think the provision for due respect to the honest and genuine taxpayers and severe punishment to the taxpayers evading tax will definitely help for the effective implementation of Income Tax Act. Therefore, the provision is made in law for compulsory scrutiny in detailed, of the 15 percent of the returns selected on the ground of certain indicators. Similarly, there is the provision in law to carry out investigation of the returns filed by the taxpayers, who had either the annual turnover exceeding Rs 100 millions or net profit exceeding Rs 10 millions, by the committee of experts.

(c) Arrangement for Tax Administration Where There is no Tax Office

If the taxpayers other than importers and exporters of any district where there is no tax office feel inconvenient to go to the concerned tax office for the renewal of Income Tax Registration Certificate, the District Treasury and Controller's Office (DTCO) shall, except in the case that the renewal is under suspension, renew the Income Tax Registration Certificate upon the submission of evidence of tax clearance for the previous year. This provision will facilitate the taxpayers of remote area.

(d) Taxpayers Education and Information Service:

• **Establishment of Consultation Unit:**

Consultation Unit has been set up in each tax office for providing necessary information to the taxpayers in time.

Different Manuals and periodic Statistical Abstracts are being published by the Department for imparting information about Income Tax Act, Rules, contemporary policies and instructions of tax administration and the progress status of the Department. In this connection, the following materials have been published this year.

⇒ **Income Tax Manual:**

In the past, collection of periodic circulars made by the Department in course of clarifying confusions or dilemma in respect to tax administration used to be published with an intention to simplify the tax administration. This year, a complete "Income Tax Manual-2055" which includes income tax related laws, related provisions from other laws, Gazette notifications, circulars and the detail work performance procedure for the tax offices, has been published for the first time in the history.

This manual, furthermore, will help to make tax administration simple, effective and transparent, to avoid the confusions or dilemma that appears in tax offices and, at the same time, to make the tax personnel more efficient in respect to the implementation, administration and the follow of the Income Tax Act and Rules.

⇒ **Circulars' Collection:**

In the Fiscal Year 1997/98, the Department has published the collection of departmental circulars that have been circulated from time to time on various issues. The major topics of the circulars codified in it are: refund of the tax withheld from the institutions registered under the Cooperative Act, 2048 (1991); execution of the provisions made by the Finance Act, 1997; surety money to be taken from the foreign investors while registering them in income tax; agreed banking documents; tax to be levied on non-Nepalese taxpayers etc.

⇒ **Statistical Abstract, 1999**

Statistical Abstract, 1999 has been published which has been prepared so as to disseminate the information about data analyzed in respect to tax matters. The abstract contains the comparative analysis of the tax collected this year from 40 tax offices under the Department, numbers of registered taxpayers, type-wise number of tax assessment, office-wise cost of collection, ratio of manpower involved in collection, with the respective data of the previous years. It also contains the tax amount chargeable on various types of net profits at the rates

as specified by the finance acts of the various years and the ratio analysis of total direct tax and income tax with the GDP.

⇒ **Interaction Programme**

Various interaction programme among tax administration and business communities, such as- Federation of Nepal Chamber of Commerce and Industries (FNCCI), and the representatives from the institutions representing the various group of professionals and vocations have been conducted in central as well as district level, with a view to clarifying existing Acts and Rules and removing confusions appeared before the taxpayers. Such interaction programmes are found to be fruitful to identify the taxpayers' problems and solve them by means of collective discussion and to make the tax administration more simple and easy.

8. Provisions Relating to Tax Facilities

- To encourage the export trade, the income earned from export conducted in the regular course of business so as to make the payment related to such export in the Kingdom of Nepal through an agreed banking document and the income earned by a domestic manufacturer, who has sold his products through international tender to a project funded under a bilateral or multilateral aid agreement so as to make the payment in a foreign currency, have been made tax free.
- With a view to enhance the agriculture sector, the income from this sector has been exempted from income tax. In addition, the income of animal health centers and clinics established in rural areas outside the Kathmandu Valley has also been exempted from income tax.
- Prescribed institutions approved by HMG/N which provide vocational and skill oriented training has been exempted from income tax for a period of 5 years.
- If any industry has installed a pollution-controlling device certified by a technician, the cost of such a device, on the recommendation of the Department of Industry, has been allowed as deduction in two equal annual installments.

- Limit of basic allowance has been expanded from Rs. 40 Thousands to Rs. 50 Thousands and from Rs. 50 Thousands to Rs. 60 Thousands for an individual and family or couple respectively.
- For the purpose of industrial development, the amount of profit received by an industry from the investment made in another industry has been exempted from dividend tax.
- Provision has been made so as to relief tax by 10 percent from the tax payable by any house and compound taxpayer if he/she submits tax amount as well as tax return within the end of Ashwin (mid October).
- There is a provision to refund the excess amount of advance tax that was deducted at source within a period of six months from the date of final tax assessment done. If such a refund could not take place within the stipulated period of time, interest calculated at the rate of 15 percent per annum shall also be paid.

9. Introduced Provisions in Tax Administration

- **Provision to Hear the Complaints from Taxpayers**

There is a provision to inform to or to file complaint with Central Monitoring Unit situated in Ministry of Finance and the Department of Taxation if the taxpayer feels as not to have been treated with due respect, impartiality and fairness by the concerned personnel and the work performed by him sounds not fair and clean as was expected.

- **Pay As You Earn**

Collecting tax from taxpayers at the time they earn income could be quite simple and convenient to the taxpayers themselves. Taking this fact into consideration, the provision of paying tax in the current year on three installments has been introduced. Out of total tax payable 40 percent should be paid by the end of Poush as the first installment; next 30 percent by the end of Chaitra as the second installment and the rest 30 percent by the end of Ashad as the third installment. By introducing this system of tax payment on current year basis, it is expected that His Majesty's

Government will be able to receive its revenue in time and the trend of tax evasion will be substantially reduced.

- **Expert Committee**

Keeping in view the changes emerged in the world economy, the complexity appeared in the field of tax administration is not of that much surprise. Since the method of book keeping and the way of tax planning are being more complex and different in respect to the big taxpayers, it is deemed necessary to involve skilled manpower having specialized knowledge in the process of investigation and inspection of the files of such taxpayers. To serve this purpose, a committee of experts has been formed under the Department of Taxation. In accordance with the Finance Act, 1998, the committee has helped in the process of clearing tax returns of 15 taxpayers having annual turnover of more than Rs. 100 millions.

- **Pay Tax on Basis of Expenditure (Two Out of Six Provision)**

The large portion of our economic transaction is being performed by the informal sector that encompass a large group of potential taxpayers, who are, obviously, out of the tax net. In this context, the effort has been made to bring such taxpayers in to the tax net by making provision that any individual, who meet any two out of the six criteria of expenditure, should pay minimum Rs 5000/- as an annual income tax.

- **Provision for Advance Ruling**

The Director General of the Department of Taxation may issue an advance ruling intending to remove any confusions or dilemma that might appear during the execution of Income Tax Act and Rules.

10. Other Activities Done in This Fiscal Year

- **Draft of New Income Tax Act**

Realizing the fact that the current Income Tax Act is not sufficient to face the challenges easily and effectively, that are being existed at present or may exist in future in regard to legal, institutional and regulatory structure of the existing tax administration, drafting of New Income Tax Act has already been started. New Act will be finalized so as to fulfil the changing

demand of time and give proper acceleration to the income tax system in Nepal.

- **Treaties for Avoidance of Double Taxation and Fiscal Evasion:**

As a result of the liberal economy adopted by Nepal, the foreign investment has started to increase and it is extremely necessary to avoid double taxation on income from such foreign investment or foreign trade.

Our plan is to gradually remove the situation that allow double taxation on income and capital by concluding agreements for avoidance of double taxation and fiscal evasion with the countries of our economic interest. This will increase in cross-boarder investment and trade. It is expected that such type of agreement will prevent from diminishing the volume of investment and trade due to probable unhealthy competition among the countries having taxing rights.

By the Fiscal Year 055/056 (1998/99), such agreements were concluded with India, Thailand and Norway. This year, an agreement has been concluded with Sri Lanka and the first tire negotiation has been completed with Bangladesh and the final stage negotiation has been completed with Mauritius.

- **Membership of International Bureau of Fiscal Documentation (IBFD):**

We need to get acquainted with the emerging concepts of income tax system in international level and gradually apply them in our own context. To serve this purpose, we have been subscribed with the IBFD (International Bureau of Fiscal Documentation) situated in The Netherlands. The experts from the IBFD has visited the Department and conducted 7 days officer level training on "Negotiation Skill in Taxation Treaty" in this fiscal year.

- **Commission for Tax Clearance, 2055 (1998):**

Realizing the situation that the large amount of revenue of His Majesty's Government (HMG) is being blocked because of the tax cases left pending in the various Tax Offices and the tax cases in appeal, HMG had formed a Commission for Tax Clearance, 2055. The Commission had successfully cleared the

210 tax cases in its whole tenure. From these cleared cases, the tax demand of Rs. 780 millions had been recorded.

- **Income Tax Administration Consolidation (ITAC) Project:**

As a result of an agreement concluded between His Majesty's Government of Nepal (HMG/N) and the German Government (GTZ), the ITAC project has been working for last 2 years in the field of reform in overall tax administration. The major components of the project are: reform in organizational set up of the tax administration, management, training, computerization of tax administration and the reform in income tax legislation.

The project has selected the Kathmandu Tax Office, Sector No 3 (the largest tax office) as a pilot office and started to apply functional structure of organization after completing the study about the work-load, organizational structure, work-flow and the existing number of personnel working in the pilot office.

At present, the work of developing software for taxpayers registration and tax collection is being done. The project has also started to establish computer network to inter-link among the tax offices and the Department for the smooth flow of information. At the same time, the work has been started toward computerizing the whole activities under the Department.

- **Establishment of Kathmandu Taxpayers Service Centre (KTSC)**

The preliminary work for establishment of a separate office named "Kathmandu Taxpayers Service Centre (KTSC)" has already been completed. This office will centrally register all the taxpayers of Kathmandu valley and issue permanent account number (PAN) and income tax registration certificate, in a simple way, to the taxpayers who are, at present, being registered in the concerned tax offices. This office aims at providing a computerized unique and permanent taxpayers identification number (Permanent Account Number) that can be used commonly by Income Tax, VAT and the Custom Department.

11. Manpower Development:

The role of manpower in any organization to achieve its goal is highly important. No objectives of the organization can be fulfilled without effective mobilization of manpower. Manpower development is required for coping with the changed world situation and for providing the services in a competitive way. To develop the manpower, periodical training is to be provided to the personnel working in an organization from time to time. The Department of Taxation has conducted the following local and overseas training, seminar and workshop with a view to making tax administration more efficient and firm.

For Gazetted Officers

In Foreign Country

Director General	Seminar	Japan	1
Senior Tax Administration Training (1 month)		Japan	1
Tax Administration Training (3 months)		Japan	1

In Nepal

Workshop of Chief Tax Officers And Tax Officers (2 days)		RATC	
Training on Negotiation Skill In Taxation Treaty (7 days)		DOT	15
Computer Training (Windows)		DOT	10
Refresher Training		DOT	15

For Non-Gazetted Staff

Refresher Training		Biratnagar	10
Refresher Training		Birgunj	10
Refresher Training		Bhairahawa	10

Regional Workshop

In coordination with the Department, the following Regional Workshops have been conducted for maintaining uniformity in working procedure as well as for making the tax administration efficient and effective.

<u>Place</u>	<u>Participant Offices</u>
Tax Office, Dharan	All tax offices of eastern region.
Kathmandu Tax Office Sector No 3	Tax Offices of Kathmandu valley and Dhulikhel
Tax Office, Kalaiya	Tax Offices of Mid-Region except of Kathmandu.
Tax Office, Pokhara	Tax Offices of Western Region
Tax Office, Nepalgunj	Tax Office of Mid and Far-Western Region.

12. Challenges of Income Tax Administration

Efficient tax administration plays important role in the economy of the nation. Agriculture sector which occupies more than 40 percent of the Gross Domestic Product is still out of the tax-net. Therefore, the statistics say, that only the persons less than 0.5 percent of the total population pay tax in our country up to the year 055/056 (1998/99).

It is often said that the more the portion of the direct tax in total revenue collection, the stronger the economy of that nation. Sustainable internal source mobilization is the one and only option for the country like ours where the annual budget should depend upon the external sources (foreign aids) for more than 65 percent of the total development expenditure on one hand, and the general expenses are tremendously increasing day by day on the other. Even though the situation is like this, the work of revenue collection is difficult and full of challenges.

Though the reforms in tax system have been regularly brought about through annual Finance Act, the sense of voluntary tax compliance

has not been developed in the mind of our taxpayers. It is our one of the important tasks to make our access to the taxpayers easy, efficient, transparent, quick and effective. In this context, the taxpayers advocacy programme should be made more effective. Though the strategy of HMG/N is to restructure the tax system so as to make more elastic and stable via effective implementation of Value Added Tax, the VAT system itself is to be accepted in real sense by the taxpayers in practice.

With the emerging changes in the world economy, the development in e-commerce is leading to tax induced distortion of capital and financial flows leaving an adverse impact onto the tax base. So there are additional challenges before us to enhance efficiency to bring e-commerce sector effectively into the tax-net. For this our Acts and Rules need to be amended as per the demand of the changed time. To make the tax administration effective and efficient, it seems urgent to computerize all of the information system of the Department, taxpayers registration system, tax assessment system and tax collection system.

Stabilizing the economy by effective Revenue mobilization, through appropriate tax rate and the expansion of tax-base, is the basic objective of the tax administration. For this, tax administration should be able to lift up tax-GDP effort by expanding tax-base and by improving administrative efficiency but without increasing tax rates.

It is necessary to make tax assessment system transparent encouraging side by side to the voluntary tax compliance. The present need for us is timely formation of Revenue Tribunal, increased coordination between taxpayers and tax offices and discouraging the trend of tax evasion from each and every sector. Other challenges before tax administration are the need of more seriousness for tax collection not only in tax administration but also in external institutions and development of effective information system between the Department and the District level tax offices.

13. Collection against Target in F. Y. 1998/99

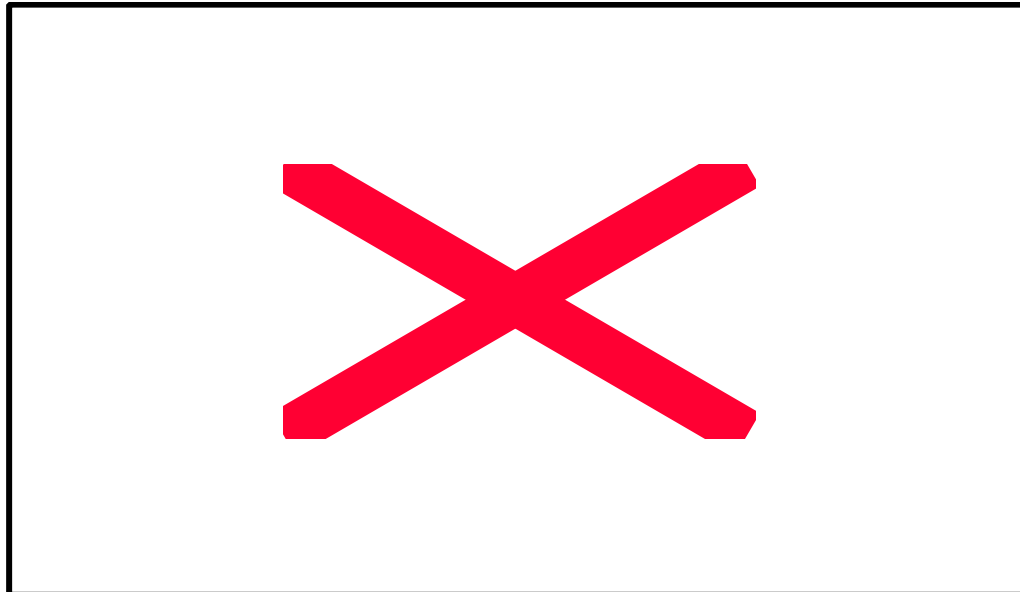
The Department of Taxation has collected Rs. 6540 millions in this fiscal year as of the target of Rs. 6125 millions (excluding vehicle tax) set for it. This amount is 106.8 percent of the target and happens to be more by 31 percent than the collection of the Fiscal Year 2054/55 (1997/98) which was Rs. 4990 millions in amount.

To see the target and the collection as per the tax head, the collection of Income Tax is Rs. 5670 millions against the target of Rs. 5240 millions which is 108.2 percent of the target. Similarly the collection of

House Land Tax and Interest Tax are 113.79 percent and 107.6 percent against the target respectively whereas the collection of House Rent Tax is only 79.2 percent of the target.

Under the head Air Flight Tax, the target of Rs 600 millions has been set for this fiscal year but it was revised as Rs 240 millions after the responsibility of collection has been shifted to Civil Aviation Authority since the 1st January 1999. The target was revised on basis of collection up to the of 31st December 1998.

The responsibility of collecting Vehicle Tax has also been shifted to the Department of Transportation Management. 12 Zonal Transportation Offices of the Kingdom have collected Rs 922 millions which happens to be 92.2 percent against the target.



14. Operation Expenses

The total operation expenses of the Department of Taxation and its offices was Rs. 56.5 millions In the year 1998/99. This amount includes regular expenses of Rs. 45.3 millions and the development

expenses of Rs. 11.2 millions. The amount of tax collection per a regular expense of Rs. 1/- increased and reached Rs 144/-in this year.

Fiscal Year	Regular Expenses	Growth Rate	Development Expenses	Growth Rate	Collection per expense of Rs 1/-
1996/97	396	-	65	-	107
1997/98	440	11	41	(-36)	117
1998/99	453	2.9	112	173	144

15. Income Tax – GDP Ratio

The ratio of Income Tax and House Land Tax with GDP and total revenue collection has been improved in this fiscal year and reached 1.95 and 16.9 respectively.

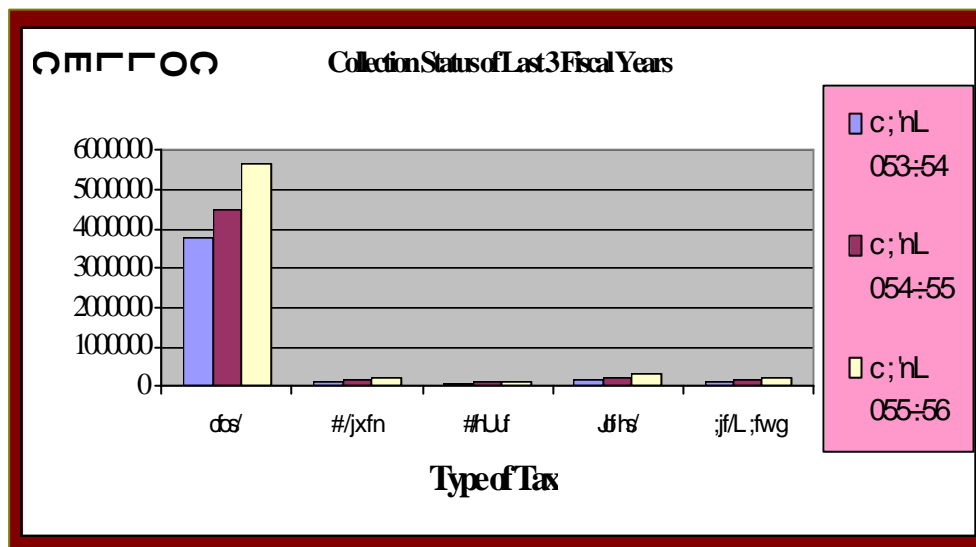
(Rs in '000)

Fiscal Year	Income Tax and House Land Tax	Percentage with GDP	Percentage with Total Revenue
1996/1997	4153167	1.54	13.67
1997/1998	4987127	1.75	15.1
1998/1999	6300299	1.95	16.9

16. Collection Status of Last 3 Fiscal Year:

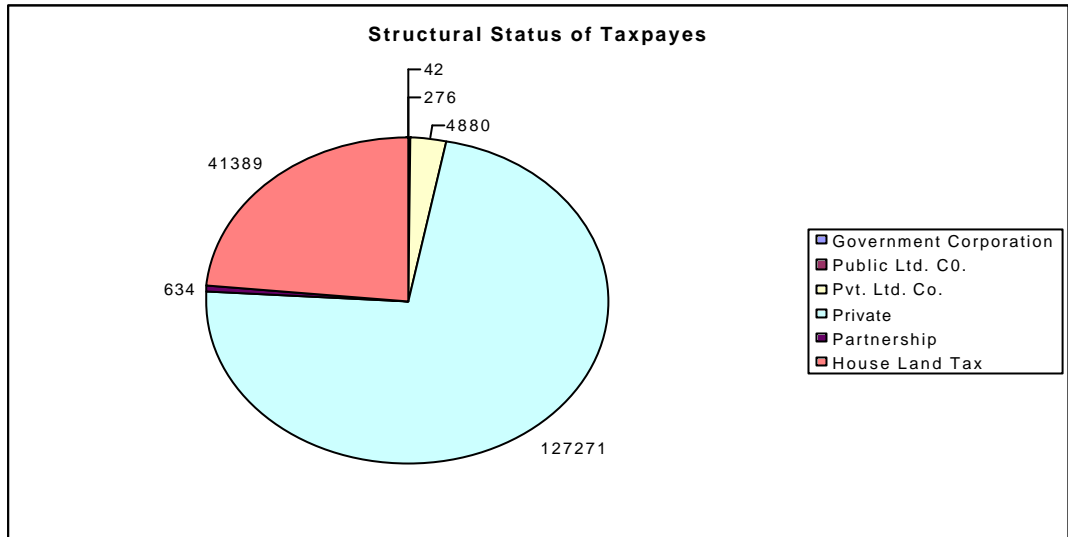
In the Fiscal Year 1998/1999 Rs. 6300 millions has been collected from Income Tax, House Land Tax, House Rent Tax and Interest Tax. This amount is higher by 26.3 percent and 51 percent as compared to the Fiscal Year 1997/1998 and 1996/1997 respectively.

To segregate as per the tax head, Rs. 5670 millions has been collected from the head Income Tax which is higher by 26.3 percent and 66 percent as of the fiscal year 1997/1998 and 1996/1997 respectively. The collection of House Rent Tax in the fiscal year 1998/1999 is higher by 9 percent and 51 percent than of the fiscal year 1997/1998 and 1996/1997 respectively. Similarly the collection of House Land Tax is higher by 8.7 and 26.7 percent than of the fiscal year 1997/1998 and 1996/1997 respectively. The collection of Interest Tax is higher by 51 and 107 percent than of the fiscal year 1997/1998 and 1996/1997 respectively. The collection of Vehicle Tax, which is currently being administered by the Transportation Offices, is higher by 8.7 and 26.7 percent than of the fiscal year 1997/1998 and 1996/1997 respectively.



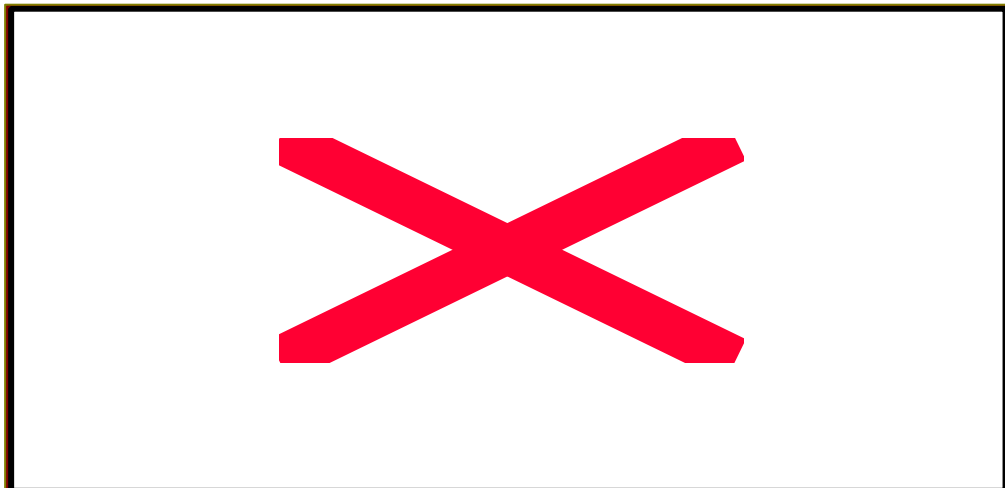
17. Taxpayers and Structural Status:

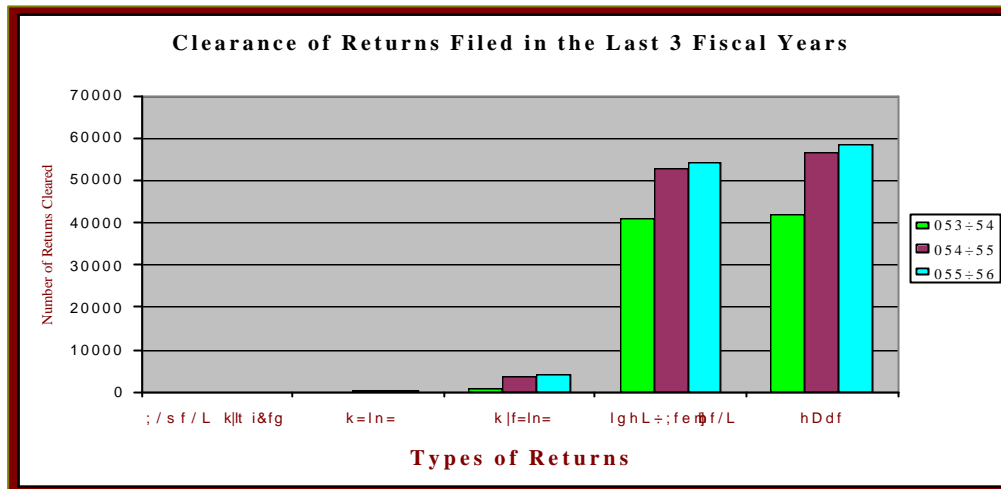
By the end of this fiscal year, the total number of taxpayers registered in the 40 tax offices under the Department of Taxation reached 1,91,1641 including 1,46,578 taxpayers in the sector of Income Tax (excluding Remuneration and House Rent taxpayers) and 44,586 in the sector of House Land Tax.



18. Details of Return Filing and Clearance:

Number of returns filed In this fiscal year is 55,535 in the sector of Income Tax, which are only 38 percent of the total number of taxpayers registered by the end of Ashad, 2055 (mid July 1998). In this sector, number of returns cleared is 58,575 out of 64,804 filed during the fiscal year, which happens to be 91 percent. Similarly, in the sector of House Land Tax, number of returns cleared is 47,591 out of 64,239 filed during the year, which happens to be 74 percent.



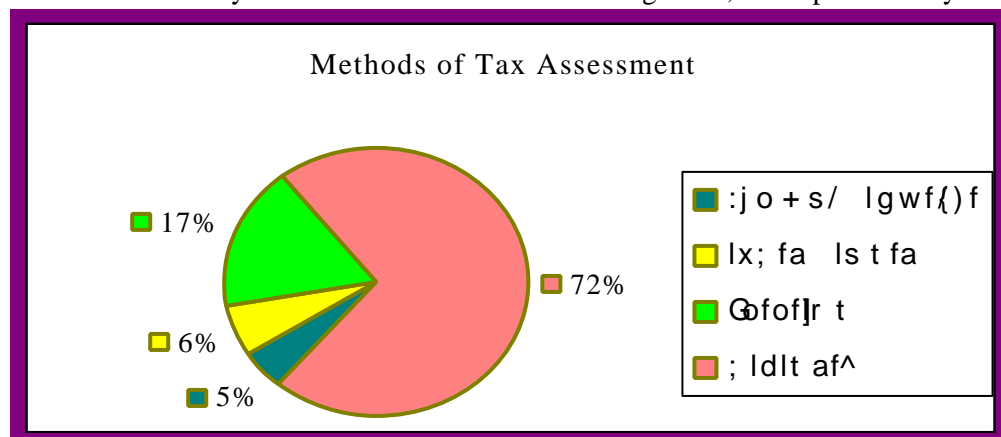


19. Structural Status of Income Tax

The contribution of Income Tax in total structure of Direct Tax is 86 percent. Out of this, 30 percent is occupied by income tax from individual and partnership, 25 percent from Government Institutions, 18 percent from Public Limited Companies, 13 percent from private Limited Companies, 6 percent from Remuneration Tax, 5 percent from Interest Tax and 3 percent from House Rent Tax.

20. Methods of Tax Assessment

Out of the total returns cleared in this fiscal year, 72 percent have been assessed by Small Taxpayers Tax Assessment Committee and the by the method of Presumptive Tax Assessment System, 17 percent have been assessed by the method of Best Judgement, 6 percent by the



Account based method, and 5 percent by Self Assessment System.

21. Appeal

By the end of the Fiscal Year 2054/55 (1997/98), total number appeal cases were 2,630. In the Fiscal Year 1998/99, 240 more appeal cases have been added and the number of appeal reached 2,870. In the Fiscal Year 1998/99, 154 cases have been disposed of and 2,716 cases have been carried forward to the Fiscal Year 2056/57 (1999/2000).

As per the above mentioned cases on appeal, Rs 190.247 millions tax amount which have been assessed by the end of the Fiscal Year 2054/55 (1997/98) was being blocked. During the Fiscal Year 2055/56 (1998/99) an additional amount of Rs 190.247 millions have been found to be added to the blocked amount of tax. Out of these, Rs 451.08 millions have been cleared during the year 2055/56 (1998/99) and Rs 9881.63 millions have been carried forward to the Fiscal Year 2056/57 (1999/2000). Viewing it in the percentage, only 20 percent amount of tax can be seen as cleared out of the litigation. If we look at the litigated cases on appeal within the sector of Income Tax during the Fiscal Year 2055/56 (1998/99), private firm and partnership firm can be found in the highest number, that is, 1,770. Besides these, Private Limited, Public Limited Companies and Government Institutions were also found in litigation by the end of the Year 2055/56 (1998/99).

During the Year 2055/56 (1998/99), Rs 616.945 millions of income tax were blocked in the cases on appeal on the part of individual taxpayers which is the highest amount in the sector of Income Tax. Second to this, Rs 596.061 millions, Rs 510.142 millions, Rs 227.221 millions and Rs 30.626 millions were covered by the tax cases on appeal on the part of Government Institutions, Private Limited Companies, Public Limited Companies, and Remuneration taxpayers respectively.

Schedule – 1
Existing Posts in the Department
And its Offices

(a) Department of Taxation

Rank&Clalss	Posts	Number
Gazetted – 1st	Director General	1
Gazetted – 1st	Deputy Director General	1
Gazetted – 1st	Chartered Accountant	1
Gazetted – 2nd	Director	4
Gazetted – 2nd	Deputy Attorney	1
Gazetted – 3rd	Section Officer	10
Gazetted – 3rd	Account Officer	1
Gazetted – 3rd	District Attorney	1
Non-Gazetted-1st	Nayab Subba	25
Non-Gazetted-1st	Computer Operator	2
Non-Gazetted-1st	Accountant	3
Non-Gazetted-2nd	Kahridar	10
Non-Gazetted-2nd	Sub-Accountant	1
Non-Gazetted-2nd	Assistant Computer Operator	2
Non-Gazetted-1st	Typist	5
	Driver	3
	Peon	12
	Sweeper	1
	Total Number of Posts	84

(b) Tax Offices

1	Gazetted- 2nd	Chief Tax Officer	23
2	Gazetted- 3rd	Tax Officer	53
3	Gazetted- 3rd	Computer Engineer	1
4	Gazetted- 3rd	Assistant Engineer	1
5	Non-Gazetted- 1st	Tax Inspector	104
6	Non-Gazetted- 1st	Accountant	11
7	Non-Gazetted- 1st	Overseer	5
8	Non-Gazetted- 1st	Computer Operator	11
9	Non-Gazetted- 2 nd	Kaharidar	117
10	Non-Gazetted- 2nd	Sub- Accountant	27
11	Non-Gazetted- 2nd	Assistant Computer Operator	8
12	Non-Gazetted- 2nd	Typist	35
13	Rank less	Driver	25
14	Rank less	Peon	179
		Total Number of Posts	600

Schedule – 2

Collection and Target of the Fiscal Year 1998/1999

(Rs in '000)

S. N.	Types of Tax	Target	Collection	Collection in percentage
1.	Income Tax	5240000	5670624	108.2
2.	House Rent Tax	250000	198287	79.3
3.	House Land Tax	105000	119475	113.8
4.	Interest Tax	290000	311913	107.6
5.	Air Flight Tax	240496	240496	100
	Total	6125496	6540795	
6.	Vehicle Tax	235388	218429	92.2
	Grand Total	6360884	6759224	106.3

Schedule – 3

Collection Status of Last 3 Fiscal Years

(Rs in ' 000)

S. N.	Types of Tax	Collection		
		2053/54	2054/55	2055/56
1	Income Tax	3777060	4488692	5670624
2	House Rent Tax	131391	181875	198287
3	House Land Tax	94308	109901	119475
4	Interest Tax	150405	206659	311913
5	Vehicle Tax	100153	174027	218429
Total		4253317	5161154	6518728

Schedule – 4

Number of Taxpayers

S. N.	Types of Taxpayers	Up to the end of Ashad, 2055	Registered within the year 2055/56	Total	Remarks
1	Government Corporation	42	2	44	
2	Public Limited Company	276	16	292	
3	Private Limited Company	4880	871	5751	
4	Private Firm	127271	12392	139663	
5	Partnership Firm	634	194	828	
6	House Land Tax	42389	3197	44586	
	Total	174492	16672	191164	

Schedule – 5

Receipt and Clearance of the Returns

S. N.	Types of Taxpayers	Carried on from the Year 2054/55	Received in this Fiscal Year	Total Number of Returns	Cleared in this Fiscal Year	Carried on for the Next Fiscal Year
1	Government Corporation	92	28	120	47	73
2	Public Limited Company	257	199	456	224	232
3	Private Limited Company	2073	3832	5905	4225	1680
4	Private/ Partnership Firm	6847	51476	58323	54079	4244
5	House Land Tax	9789	54450	64239	47591	16648
	Total	19058	109985	129043	106166	22877

Schedule – 6

Status of the Clearance of the Returns in Last 3 Years

S. N	Returns	2053/54	204/55	2055/56
1	Government Corporations	16	8	47
2	Public Limited Company	36	134	224
3	Private Limited Company	704	3515	4225
4	Private Firm/ Partnership Firm	41051	53070	54079
	Total	41807	56727	58575

Schedule –7

Structural Status of Income Tax

(Rs in '000)

S. N.	Types of Income Tax	2053/54		2054/55		2055/56	
		Target	Collection	Target	Collection	Target	Collection
(a)	Corporate Income Tax	2999030	2584717	291000	2934182	3320000	3506541
1	Government Corporations	1288500	1231035	1150000	1314011	1330000	1575387
2	Public Limited Company	732260	779432	960000	926699	1040000	1131202
3	Private Limited Company	978270	574250	800000	693472	950000	799952
(b)	Individual Income Tax	1295970	1198505	1530000	1540960	1920000	2164083
4	Remuneration	165610	164073	180000	303739	350000	386147
5	Private Firm/ Partnership Firm	1130360	1034432	1350000	1237221	1570000	1777936
(c)	Other Income Tax	300000	281796	310000	388534	540000	510200
6	House Rent Tax	150000	131391	150000	181875	250000	198287
7	Interest Tax	150000	150405	160000	206659	290000	311913
	Total Income Tax	4595000	4060518	4750000	4863676	5780000	6180824

Rs . 785484 Thousands (including Rs. 642813 Thousands received from Custom Offices and Rs. 142671 Thousands received from Transportation Offices) is included in the total collection of Income Tax from the private and partnership firms.

Schedule – 8

Methods of Tax Assessment

S. N.	Methods of Tax Assessment	053/54	054/55	055/56
1	Self-Assessment	2123	2936	4178
2	Account based	2866	2471	3001
3	Best Judgement	7584	9638	10385
4	Committee Assessment	31862	37432	36405
5	15 percent increment	0	4248	4606
	Total	44435	56725	58575

Schedule – 9

Tax Assessment on basis of income level

(Rs. In ' 000)

S. N.	Level of Income	Number of Returns	Net Income	Amount of Tax
1	Up to 100 Thousands	48822	2365159	294558
2	From 100 Thousands to 200 Thousands	5636	945669	150628
3	From 200 Thousands to 500 Thousands	2504	1024512	200398
4	From 500 Thousands to 10,00 Thousands	759	1324821	216064
5	Above 10,00 Thousands	854	9496936	2325431
Total		58575	1515409 7	3187079

Schedule – 10

Collection of Current Year's (Three Installments) Tax

S. N.	Month	Number of Taxpayers	Amount (Rs. in ' 000)	Remarks
1	End of Poush	411	149337	
2	End of Chaitra	386	89321	
3	End of Ashad	978	199788	
Total		1775	438446	

Schedule – 11

Progress Report of the Commission for Tax Clearance

S. N.	Tax Cases as per Tax Heads	Number of Received Cases	Number of Cleared Cases	Cases where no files received or no taxpayers consulted	Cases out of jurisdiction	Pending Cases
1	Income Tax	534	207	62	57	208
	(a) Tax Cases received from Tax Offices	308	91	-	57	
	(b) Tax Cases received from Appeal	74	39	21	-	
	(c) Dispute (Taxpayers Petitions)	152	77	41	-	
2	Sales Tax	22	2	-	-	
3	Property Tax	2	1	-	-	
	Total	558	210	62	57	

