Innovation in Governance
An Experience sharing
Automation of Nepal’s Tax System
March 21st 2018

Presented by
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Structure of presentation

- Highlights of IRD
- Pre online service experience
- Post online services
- Strength and weakness
- Lesson learned and way forward
Functions of Tax Administration

- Registration and Education
- Dispute Resolution
- Verification and Audit
- Return and Payment Processing
- Education
Organization Structure of IRD

Department Headed by DG

- Large Taxpayer Office (1)
- Inland Revenue Offices (22)

Taxpayer Service Offices (26)
Functional Structure

LTO/IRO

- Taxpayer Service
- Collection
- Audit and Investigation
Composition of PAN

- Business PAN: 955338
- Personal PAN: 690351

- Personal PAN: 42%
- Business PAN: 58%
VAT registrent out of Business PAN

- Business PAN: 955338
- VAT: 184356

- VAT: 16%
- Business PAN: 84%
IRD Administers

- Income Tax
- VAT
- Excise
- Education Fee
- Health Tax
IRD Contribution to Total Revenue collection

<table>
<thead>
<tr>
<th>Year</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2066/67</td>
<td>37.26%</td>
</tr>
<tr>
<td>2067/68</td>
<td>40.28%</td>
</tr>
<tr>
<td>2068/69</td>
<td>40.14%</td>
</tr>
<tr>
<td>2069/70</td>
<td>39.83%</td>
</tr>
<tr>
<td>2071/72</td>
<td>39.44%</td>
</tr>
<tr>
<td>2072/73</td>
<td>42.42%</td>
</tr>
<tr>
<td>2073/74</td>
<td>42.38%</td>
</tr>
</tbody>
</table>
Ratio of Tax revenue to GDP

![Graph showing the ratio of tax revenue to GDP over the years 2065/66 to 2073/74. The graph shows a steady increase in the ratio from 12% in 2065/66 to 21.06% in 2073/74.]

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of Tax Revenue to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2065/66</td>
<td>12</td>
</tr>
<tr>
<td>2066/67</td>
<td>13.3</td>
</tr>
<tr>
<td>2067/68</td>
<td>12.6</td>
</tr>
<tr>
<td>2068/69</td>
<td>13.2</td>
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<tr>
<td>2069/70</td>
<td>15.3</td>
</tr>
<tr>
<td>2071/72</td>
<td>16.75</td>
</tr>
<tr>
<td>2072/73</td>
<td>18.85</td>
</tr>
<tr>
<td>2073/74</td>
<td>21.06</td>
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</table>
Cost of collection for Rs.1000

![Graph showing the cost of collection over fiscal years 2065-66 to 2073-74. The cost fluctuates with a peak in 2067/68, followed by a steady decline.]
Pre e-Filling Experience
Taxpayers visiting offices to submit tax return
Tax officers preparing tax return batch to enter data into the system
Computer Operators entering data
Filing management
Post e-Filling Experience
E-services

Income Tax

VAT

Excise/Health and Education
IT Support team providing support to Taxpayer
E- services

- Income tax Return Submission and self verification
- Seek request for time extension of IT filling period.
- E-TDS return submission
- Submission of Registration application for PAN, VAT and E-PAN
E-services

- VAT return submission and self-verification
- Upload sales and purchase details of more than 1 lakh
- Submission of monthly sales statements.

VAT

Excise/Health and Education
VAT Return received through online services

Fiscal Year

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>VAT Return received</th>
</tr>
</thead>
<tbody>
<tr>
<td>2064.065</td>
<td>1,143</td>
</tr>
<tr>
<td>2065.066</td>
<td>54,295</td>
</tr>
<tr>
<td>2066.067</td>
<td>218,361</td>
</tr>
<tr>
<td>2067.068</td>
<td>420,846</td>
</tr>
<tr>
<td>2068.069</td>
<td>556,120</td>
</tr>
<tr>
<td>2069.07</td>
<td>662,039</td>
</tr>
<tr>
<td>2070.071</td>
<td>820,156</td>
</tr>
<tr>
<td>2071.072</td>
<td>916,124</td>
</tr>
<tr>
<td>2072.073</td>
<td>1,400,943</td>
</tr>
<tr>
<td>2073.074</td>
<td>1,564,592</td>
</tr>
<tr>
<td>2074.075</td>
<td>1,107,627</td>
</tr>
</tbody>
</table>

No of VAT return received
Income Tax Return received through online services

Fiscal Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2066.067</td>
<td>28,457</td>
</tr>
<tr>
<td>2067.068</td>
<td>153,865</td>
</tr>
<tr>
<td>2068.069</td>
<td>210,754</td>
</tr>
<tr>
<td>2069.07</td>
<td>273,302</td>
</tr>
<tr>
<td>2070.071</td>
<td>324,741</td>
</tr>
<tr>
<td>2071.072</td>
<td>437,651</td>
</tr>
<tr>
<td>2072.073</td>
<td>449,637</td>
</tr>
<tr>
<td>2073.074</td>
<td>523,420</td>
</tr>
<tr>
<td>2074.075</td>
<td>504,276</td>
</tr>
</tbody>
</table>
Strength

- Reduces interface between Tax Payer and Tax officers
- Reduces manual work.
- Reduces frequency of taxpayer's visit to tax offices.
- Reduces work load of Tax offices (Return receive, Data Entry, Filling and Error management etc)
- Improves service delivery.
- Improves decision making process.
- Reduces transaction cost of Tax Administration.
- Improves taxpayer satisfaction level.
Weakness

- Change management issue.
- Capacity constraint of Tax officials.
- Low level of taxpayer awareness.
- Tax payer belief.
- Poor connectivity across the country
- Data security.
- Robust IT system.
Lesson learned

- Target large business first.
- Move with "Softly softly approach"

Pilot the case first

- Provide incentives to employee to promote e-system
- Provide incentive to Taxpayer encourage taxpayer.
- Make system easy to access
Lesson learned

- Collaborate closely with tax professionals, lawyers, Business Groups and their umbrella organizations
- Conduct continuous awareness program through meeting, workshops and interaction.

- Users expects that the tax authority provides quick telephone help services as and when required
- Resolve any issue to gain user's confidence.

Engage key stakeholders

Provide quick support to users
Way forward

Provide self verification
- Request of time extension of filling period.
- E-TDS return submission

Introduce E-Payment System
- With the successful implementation of e-filing, there is high demand for e-payment service.
- E-Payment will further encourage to use e-service
- Legal and regulatory issues needs to be resolved of IRD.

Provide Tax Clearance through e-services
- E-Tax clearance will further encourage taxpayer to use e-services
Thank You