

ECONOMIC POLICY NETWORK

Policy Paper 5

MEASURES FOR EXPANDING NON-TAX REVENUE

Madhab Prasad Ghimire

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Prepared for:

Economic Policy Network
His Majesty's Government of Nepal/ Ministry of Finance
Singha Durbar, Kathmandu, Nepal
Tel: 977-1-4211353
E-mail: epn@mof.gov.np
Website: www.mof.gov.np

and

Asian Development Bank
Nepal Resident Mission
Srikunj, Kamaldi, Ward No. 31
P.O. Box 5017, Kathmandu, Nepal
Tel: 977-1-4227779
Fax: 977-1-4225063
E-mail: adbnrm@adb.org
Website: www.adb.org/nrm

Submitted by:

Federation of Nepalese Chambers of Commerce and Industry (FNCCI)
P.O. Box 269, Kathmandu, Nepal
Tel: 977-1-4262061
Fax: 977-1-4261022
Website: www.fncci.org

This report has been prepared by Mr. Madhab Prasad Ghimire, Macroeconomic Specialist, under the guidance of the Federation of Nepalese Chambers of Commerce and Industries (FNCCI).

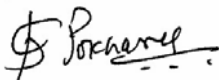
Inputs from various stakeholders during interactions at FNCCI, the Advisory Committee meeting, and the workshop organized by the EPN Focal Unit have been incorporated in the report. The names of people met during the interactions are included in annex 3 and 4 in this report.

Foreword

Economic Policy Network (EPN) is an undertaking of His Majesty's Government of Nepal (HMG/N) since August 2004 with the support of an Asian Development Bank (ADB) technical assistance (TA) to develop and institutionalize an open, responsive and result oriented economic policy formulation process based on sound economic analysis and dialogues with the partnership of public and private sector, academia, and independent professionals, to support and consolidate the Government's economic policy reforms on poverty reduction strategy. The initial focus has been in the areas of macroeconomic management, trade, investment, employment, infrastructure, tourism, agriculture, and regional development through four thematic advisory committees chaired by the secretaries of the respective implementing ministries, and guided by a high-level steering committee. The present study is an outcome of the initiative under the Advisory Committee for Macroeconomic Management chaired by the Secretary of the Ministry of Finance.

The study reviews the current sources and status of non-tax income of His Majesty's Government of Nepal (HMG) and recommends measures for mobilizing additional revenue. In fourteen years since 1990, the growth rates have been unsmooth though the revenue has increased seven fold. The study recommends institutional mechanisms to review, monitor, and identify new sources of non-tax, rationalization of existing rates, and procedural guidelines. The recommendations are the outcome of consensus reached among major stakeholders through various consultations and the EPN workshop. I hope the findings and recommendations will be helpful for policy makers for future reforms.

I would like to thank the Federation of Nepalese Chambers of Commerce and Industries (FNCCI) for leading the study, and Mr. Madhab Prasad Ghimire for carrying out the study on their behalf. I also thank all those who have provided inputs for the report during the interactions at FNCCI, the advisory committee meetings, and the EPN workshop. The work of the Advisory Committee for Macroeconomic Management is to be commended for selecting the issue and for following through with the study. I would also like to appreciate the entire EPN team for their hard work. I also thank the former Steering Committee chairperson (the then Chief Secretary of HMG/N) Dr. Bimal Prasad Koirala, for his guidance during his tenure. Last but not least, I would like to thank the ADB for supporting this initiative.



Dr. Champak Prasad Pokharel
Member
National Planning Commission
His Majesty's Government of Nepal
[Chairman—EPN Steering Committee]

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Madhab Prasad Ghimire
Consultant

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Executive Summary

In order to address the institutional weaknesses on macroeconomic management, the government identified non-tax revenue as one of the economic policy reform agenda.

Given the growing dependence of the government on foreign resources and the need to make strong tax efforts, it is very much necessary to explore the prospects and constraints of sources of non-tax revenue with a view to mobilize additional revenue and make the tax system more taxpayer friendly.

The purpose of the study is to review the current sources and status of non-tax revenue, identify prospects and suggest ways and means to expand non-tax revenue.

Current status and trend show that the total non-tax revenue increased more than seven fold in the 1990-2004 period from Rs. 2 billion (1990) to Rs. 14.16 billion (2004). However, the growth rate shows an erratic change from year to year. It has the growth rate of 42.4 percent (1992) to negative growth rate of 4.0 percent in 1993 and 1997.

The **ratio of non-tax revenue to total revenue** for selected years shows that it increased from 21.6 percent (1990) to 22.7 percent (2004). Non-tax revenue to GDP ratio has also increased from 2.0 percent in 1990 to 2.99 percent in 2004, which has surpassed the Tenth Plan's projected target of 2.8 percent for the plan period. However, compared with the SAARC countries, Nepal is the second lowest country in its non-tax revenue efforts.

Sources of non-tax revenue reveals a changing scenario. The contribution of duty and fees and miscellaneous head (mainly revenue from special tax) has substantially increased whereas the total contribution of dividend, interest and principal repayment, which had increased to 54 percent (1998), has declined to 37 percent (2004). Revenue from royalty (specially from electricity generation and production) and fee from passport have shown increasing trend. Tourism fee which was a major source until 2001 has shown a declining trend. Revenue from postal services has declined whereas the revenue from forest has fluctuated. Revenue from administrative penalties, fines and forfeitures—that had crossed Rs.1 billion in 1992—has drastically declined over the years, and can be attributed to changes in gold import policy.

The Ministry of Finance booklet on the interpretation and classification of revenue heads has indicated eight heads and forty-seven code numbers under non-tax revenue subheads. The code numbers suggest that the government has at least 40 revenue raising institutions (after discounting the overlapping of institutions). The institutions range from government ministry/ departments to public enterprises.

There is no institutional mechanism to review, monitor and suggest new tax, rationalize existing rates, procedures and performance in relation to non-tax revenue.

Due to the lack of any guidelines, different government departments have fixed their fees, legal penalties, charges and royalties without much consideration to the total cost of rendering services, inflation rate, or the ability to pay.

The acts and regulations governing fees, charges, penalties and royalties have to be amended. They have to follow legal procedures involving actions on the parts of various institutions which is time consuming and a complex bureaucratic process.

The ministries and departments are concerned more about expenditure and achieving sectoral targets as outlined in the annual plan. The cost recovery part is not generally debated in government offices, and is not given serious thought.

Over the years, the government has received grants/loans from bilateral donors and multilateral institutions, which are partly invested in public enterprises. However, the problem of reconciliation of such investments has made it difficult to determine the liabilities of some large public enterprises.

Prospects for non-tax revenue mobilization are presented in the table below.

Revenue Heads	Short Term (0-12 months)	Medium Term (13-36 months)	Long Term (37-60 months)	Constraints
1. Firm, Agency, Arms Register, Vehicle License Fee, Export/Import License Fee	√			Institutional Legal Policy
2. Passport Fee		√	√	Policy, legal
3. Tourism Fee		√	√	Domestic Political Situation
4. Telephone ownership Fee		√	√	Domestic Political Situation
5. Penalty, Fines and Forfeitures	√			Legal, policy Administration
6. Postal Service		√	√	Institutional
7. Food and Agriculture	√			Policy/Administration
8. Education	√			Policy
9. Forest	√			Institutional/Administrative
10. Transport Sector (Aircraft landing)		√	√	Domestic political situation
11. Dividends	√	√	√	Policy Administration
12. Interest	√	√	√	Policy Administration
13. Royalty from Mining	√			Policy and Administration
14. Royalty from electricity		√	√	Domestic Political situation Additional investment
15. Royalty from Casino	√			Policy
16. Sales/Lease of Government Land		√	√	Policy/Institutional/Legal
17. Principal Repayment	√	√	√	Policy Administration

Note: Following heads are not considered in the table as revenue from these heads are deposited in other institutions and accounts: Drinking water, electricity and irrigation water cess etc. are collected by user's committees, Nepal Water Supply Corporation (urban areas).

Suggestions

- There is a need of medium term rolling non-tax revenue plan.
- Add one member in charge of non-tax revenue in the existing Revenue Advisory Committee to examine the status and propose the new measures
- As the Revenue Advisory Committee is constituted in the last quarter of the fiscal year, a study team should be constituted with the representation of government sector and the private sector, to prepare groundwork for the committee's work.
- Reorganize Revenue Division of the Ministry of Finance adding a new unit to deal with non-tax revenue.
- The scope to increase the rate of duties and fee is limited to a few revenue heads but prospects for rationalization of the rates exist.
- There is a great scope for improving the efficiency of some sectors (particularly postal services, forestry), which can generate substantial additional revenue.
- Additional investment is needed for the extension of telephone services, development of hydropower projects and construction of new international and domestic airports in order to get additional revenue in the medium to long-term.
- Flexible interest and dividend policy should be introduced.
- Reschedule the principal due from public enterprises facing financial crisis.

Suggested follow up studies:

- In depth study of non-tax revenue in SAARC countries.
- Possibility of incorporating non-tax revenue measures in the Finance Bill. As it has far reaching legal consequences, it needs careful examination.
- Action oriented revenue sharing mechanism between the central government and the local government.
- Projection of revenue of different non-tax heads for medium term.
- Plan for public land use.

1. Background

In the context of alleviating poverty, enhancing economic growth and achieving a competitive environment, a sound economic policy framework is essential. Policies related to macro economic management, trade, investment, employment, infrastructure development, and tourism should be addressed from a broader economic perspective. With the adoption of liberal economic policy approach since 1990, several reforms have taken place in economic policies, trade industry and financial deregulations. However, it is felt that it did not follow the second generation of reforms in other sectors such as institutional reforms. As institutional mechanisms largely remained weak, it did not generate public-private partnership in policy dialogues to the extent necessary for consensus building, creating ownership and commitment to the economic reform process across the country.

In order to address the institutional weaknesses on macroeconomic management, the government identified non-tax revenue as one of the economic policy reform agendas. Non-tax revenue is basically user charges for government services. It also includes penalties and forfeitures. User charges constitute a major portion of revenue in non-tax revenue. The contribution of non-tax revenue, although erratic in growth rate, has shown substantial increase over the 1990-2004 period. The revenue from non-tax source is a sizable portion of the total revenue and its share in GDP has also shown increasing trend over the years.

Given the growing dependence of the government on foreign resources and the need to make strong tax efforts, it is very much necessary to explore the prospects and constraints of sources of non-tax revenue with a view to mobilize additional revenue and make the tax system more tax payer friendly. This study is an attempt under the FNCCI framework to develop acceptable policy reform recommendations with the active participation of both the government and the private sector stakeholders.

2. Methodology

The purpose of the study is to review the current sources and status of non- tax revenue, identify prospects and suggest ways and means to expand non-tax revenue.

The Study relied on published and unpublished documents. The study focused on 1990 to 2004 period. The disaggregated data were collected from the concerned offices. Discussions were held with officials from the government and the private sector which supplemented the analysis and the recommendations. (List of persons is attached).

3. Non-Tax Revenue: Current Status and trend

3.1 Current status and trend

The government renders services to the people, sells properties and commodities and seeks appropriate returns on its investments in terms of dividends and repayment of principal and interest. The government seeks to recover partly or wholly the cost incurred in providing services, through charges and fees for the commodities or royalty for the utilization of natural resources. The performances of tax revenue and non-tax revenue for 1990-2004 are given in Table 1 and Chart 1 below.

Chart 1: Performance of Non-tax Revenue and Tax revenue

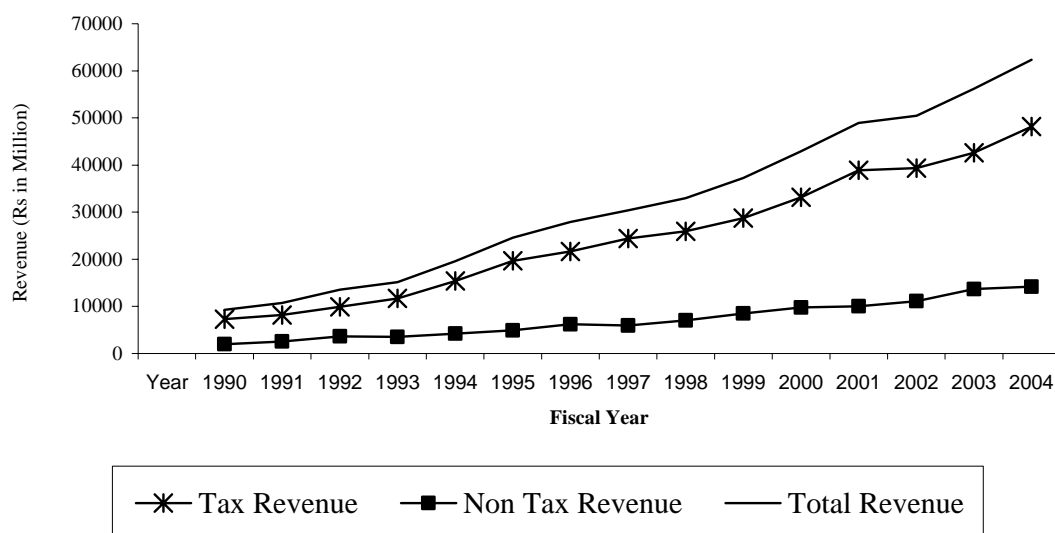


Table 1
Comparison between Tax Revenue and Non-tax Revenue and Contribution of Non-tax Revenue to Total Revenue

Fiscal Year	Revenue Rs. in Million			Annual Growth Rate (%)		
	Tax Revenue (1)	Non-tax Revenue (2)	Total Revenue (1+2)	Tax Revenue	Non-tax Revenue	Total Revenue
1990	7,283.9	2,004	9,287.5			
1991	8,176.3	2,554	10,729.8	12.25	27.45	15.53
1992	9,875.6	3,637	13,512.7	20.78	42.41	25.94
1993	11,662.5	3,486	15,148.4	18.09	-4.16	12.1
1994	15,371.5	4,209	19,580.9	31.8	20.74	29.26
1995	19,660.0	4,945	24,605.1	27.9	17.49	25.66
1996	21,668.0	6,225	27,893.1	10.21	25.88	13.36
1997	24,424.3	5,949	30,373.5	12.72	-4.44	8.89
1998	25,939.8	6,998	32,937.9	6.2	17.63	8.44
1999	28,752.9	8,498	37,251.3	10.84	21.44	13.1
2000	33,152.1	9,742	42,893.7	15.3	14.64	15.15
2001	38,865.1	10,030	48,893.9	17.23	2.96	13.99
2002	39,330.6	11,110	50,445.5	1.2	10.77	3.17
2003	42,587.0	13,642	56,229.7	8.3	22.79	11.47
2004	48,173.0	14,158	62,331.0	13.12	3.78	10.85
Annual Growth Rate 1990-2004				14.71	15.67	14.78

Note: Figures are in current prices.

Source: Various Issues of Economic Survey, Ministry of Finance/ HMGN

Table 1 shows that the growth rate of the non- tax revenue has fluctuated in the last 15 years. Non-tax revenue increased more than seven fold in the 1990-2004 period from Rs. 2 billion to Rs. 14.16 billion. It has the growth rate of 42.41 percent (1992) to negative growth of 4 percent for two years in 1993 and 1997. Despite the erratic change and wider fluctuation in growth rate, the overall performance is better than the performance of the tax revenue and the

total revenue .The non-tax revenue grew at an average 15.67 percent compared to the rate of growth of 14.71 percent in tax revenue and 14.78 percent in total revenue.

The composition of non-tax and tax revenue (selected years) also shows the growing significance of non-tax revenue in total revenue and the Gross Domestic Product (GDP) which is presented in Table 2 below.

Table 2
Composition of Revenue and Ratio between Non-tax Revenue and GDP (Selected Years)
Unit: Rs in Million

Description/Years	1990	%	1994	%	1998	%	2002	%	2003	%	2004	%
Tax Revenue	7,284	78.4	15,372	76.5	25,940	78.8	39,331	78	42,587	75.7	48,173	77.3
Non-tax Revenue	2,004	21.6	4,725	23.5	6,998	21.2	11,115	22	13,643	24.3	14,158	22.7
Total Revenue	9,287	100	20,097	100	32,938	100	50,446	100	56,230	100	62,331	100
GDP	99,702		191,596		289,798		406,138		437,546		474,129*	
Ratio of Non-tax Revenue to GDP	2.01		2.47		2.41		2.74		3.12		2.99	

Note: Figures are in current prices

* Revised Estimate

Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

The ratio of non-tax revenue to total revenue for selected years show that it increased from 21.6 percent (1990) to 22.7 percent (2004). The increasing trend of non-tax revenue has led to the higher proportion of non-tax revenue in the GDP at current prices. As presented in Table 2, the increase in ratio from 2 percent in 1990 to 2.47 percent in 1994, which further increased to 2.99 percent in 2004 having fluctuated in the intervening period.¹ It is interesting to note that non-tax /GDP ratio of 2.99 percent has surpassed the Tenth Plan's projected non-tax revenue target of 2.8 percent. The increase in non-tax revenue is impressive, but the comparison with the SAARC Countries shows that Nepal has the second lowest ratio among these countries.

¹ It should be noted that the miscellaneous item of revenue has unusually increased since 2002 because of the introduction of special tax on selected imports. If such special tax amount is deducted accordingly from non-tax revenue, non-tax revenue/GDP ratio for 2002, 2003, and 2004 is 2.37, 2.43, and 2.63 respectively.

Chart 2.1: Comparison of Non-Tax Revenue among SAARC Countries

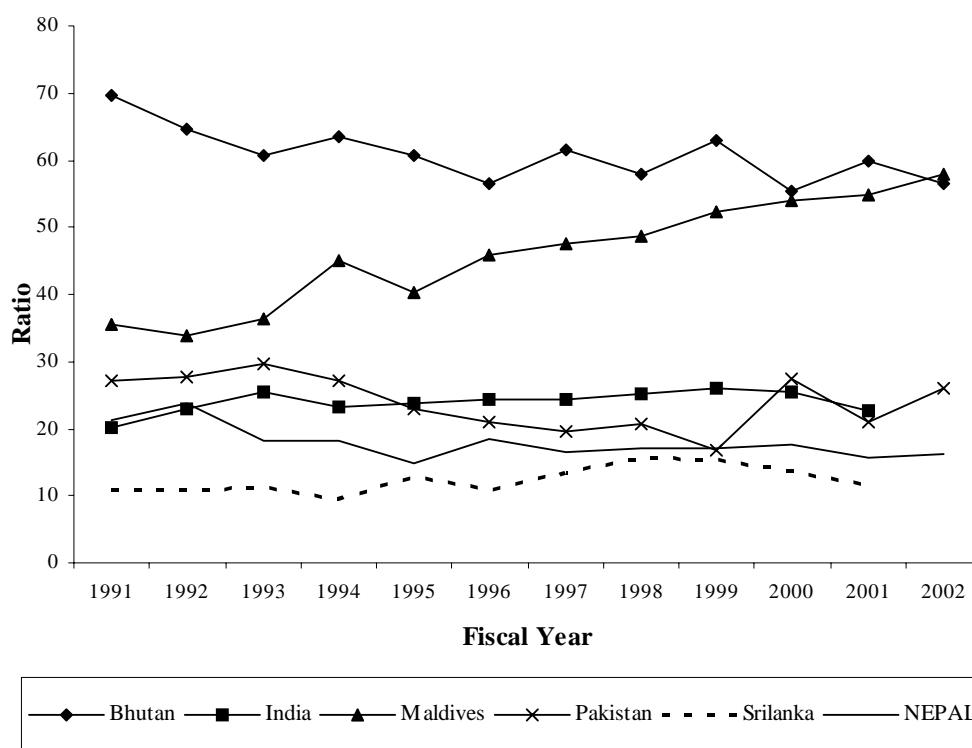


Table 2.1 Ratio of Non-tax Revenue to Total Revenue among the SAARC Countries

SAARC Countries	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Average
Bhutan	69.72	64.65	60.77	63.57	60.81	56.52	61.41	58.01	63.03	55.33	59.95	56.54	60.86
India	20.16	22.83	25.46	23.31	23.78	24.42	24.46	25.3	25.94	25.36	22.68	NA	23.97
Maldives	35.42	33.98	36.5	45.16	40.25	45.93	47.56	48.76	52.42	53.87	54.82	57.86	46.04
Pakistan	27.15	27.69	29.58	27.14	23.07	20.94	19.48	20.78	16.69	27.35	20.99	26.03	23.91
Sri Lanka	10.82	10.98	11.32	9.65	12.93	10.97	13.49	15.77	15.25	13.66	11.53	NA	12.4
NEPAL²	21.26	23.79	18.25	18.17	14.7	18.38	16.43	17.08	16.96	17.66	15.62	16.36	17.89

Source: Report of Fiscal Improvement Task Force 2059 Page 161

Among the SAARC Countries, Bhutan and Maldives have higher ratio of non-tax revenue to the total revenue, as the royalty from the hydroelectricity in Bhutan and the leasing of government resort to the private sector in Maldives are the major contributors in the non-tax revenue. In Sri Lanka the ratio is the lowest because of the downward trend in the tourist arrival. In Nepal, India and Pakistan, the ratio has fluctuated in the range of 20 to 30. In India and Pakistan, the major sources of revenue are the receipts from the interest, dividends and profits from the state governments, public enterprises and the railways.

3.2 Sources of Non-tax Revenue

Table 3 below presents the ratio of each revenue head in total non- tax revenue. The composition shows the change and fluctuation in each head's contribution over the period of

² The ratio of Non-Tax Revenue, as presented in this table, differs from the ratio presented in the text for Nepal. The reason for this is that the IMF does not treat principal repayment from the public enterprises and the sales of Government property as Non-Tax Revenue.

time. The contribution of duty and fees and miscellaneous item has substantially increased, whereas the contribution of dividend, interest and principal repayment which has increased to 54 percent (1998) has now declined to 37 percent (2004). Royalty has increased phenomenally but the relative contribution of the receipts from the sales of government property has declined.

Chart 3: Ratio of the sources of Non-tax revenue (Selected Years)

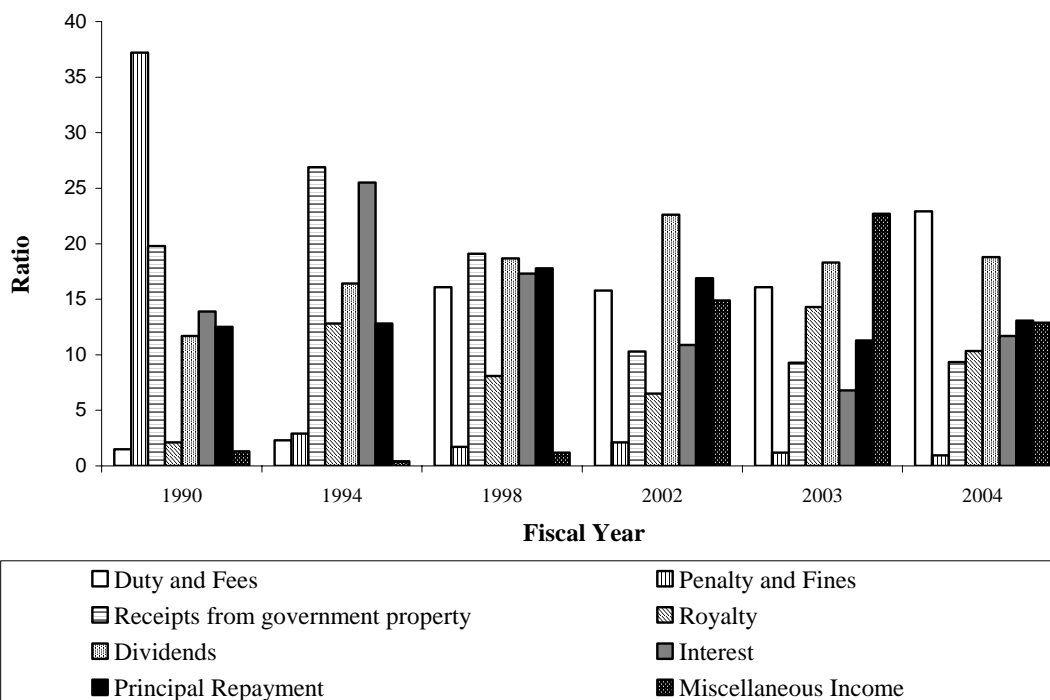


Table 3
Sources of Non-tax Revenue (Rs in '000)

Revenue Code	Heading	1990	Ratio	1994	Ratio	1998	Ratio	2002	Ratio	2003	Ratio	2004	Ratio
1.1.05.00	Duty and Fees	30,697	1.5	106,865	2.3	1,124,103	16.1	1,756,734	15.8	2,201,280	16.1	3,244,124	22.9
1.1.06.00	Penalty, Fines and Forfeitures	745,785	37.2	141,116	2.9	121,980	1.7	230,300	2.1	166,914	1.2	133,241	0.9
1.1.07.00	Receipts from sales of government property and services	396,557	19.8	1,269,997	26.9	1,338,970	19.1	1,142,950	10.3	1,274,439	9.3	1,322,240	9.3
1.1.10.00	Royalty and sales of Government Property	40,132	2.1	606,124	12.8	565,151	8.1	723,872	6.5	1,945,459	14.3	1,464,979	10.3
1.1.08.00	Dividends	233,803	11.7	775,659	16.4	1,310,958	18.7	2,512,822	22.6	2,497,644	18.3	2,661,056	18.8
1.1.09.00	Interest	279,017	13.9	1,204,875	25.5	1,213,185	17.3	1,220,275	10.9	924,616	6.8	1,656,539	11.7
1.1.11.00	Principal Repayment	250,806	12.5	606,124	12.8	1,247,966	17.8	1,889,132	16.9	1,539,659	11.3	1,850,534	13.1
1.1.12.00	Donation, Gift and Miscellaneous Income	26,793	1.3	14,307	0.4	75,770	1.2	1,638,818	14.9	3,092,845	22.7	1,825,333	12.9
	Non-tax Revenue Total	2,003,590	100	4,725,067	100	6,998,083	100	11,114,903	100	13,642,856	100	14,158,046	100

Source: Various Budget Speeches, Ministry of Finance/HMGN. For details, see Annex II.

The detail examination of each revenue sub-head is presented below.

3.2.1 Duty and fees

This sub head includes the fee charged for providing services to the general public. The categories of fees are 12, which include firm and agency registration, export and import

license fee, arms registration, vehicle license fee, examination fees, passport and tourism fee, telephone ownership fees.

The revenue from this head has phenomenal increase in the last 15 years. The amount of revenue which has almost doubled in every five years from 1990, has now reached more than Rs. 3.24 billion. Firm registration and vehicle fees contributed about 97 percent before 1995 but its relative dominance declined to about 22 percent. The dominance of passport fee and the tourism fee is clearly visible in Table 4 below and the same is presented in Chart 4 as well. Since 2001, however, the tourism fee has declined from the peak level of Rs. 1.13 billion in 2001 to Rs. 639 million in 2004. But the passport fee has increased substantially and is now a single largest item in duties and fees heading. The reason for the decline in the tourism fee is obviously the decline in the number of tourist arrivals and the increase in the revenue from the passport head is due to the increase in the rate of the fee as well as the continuing attraction of foreign employment for the Nepalese nationals. The government introduced road improvement fee and the urban road construction and the maintenance fee in 2004. The revenue collected from this head is understood to be earmarked to the Road Board through the expenditure allocation mechanism.

Chart 4: Duty and Fees

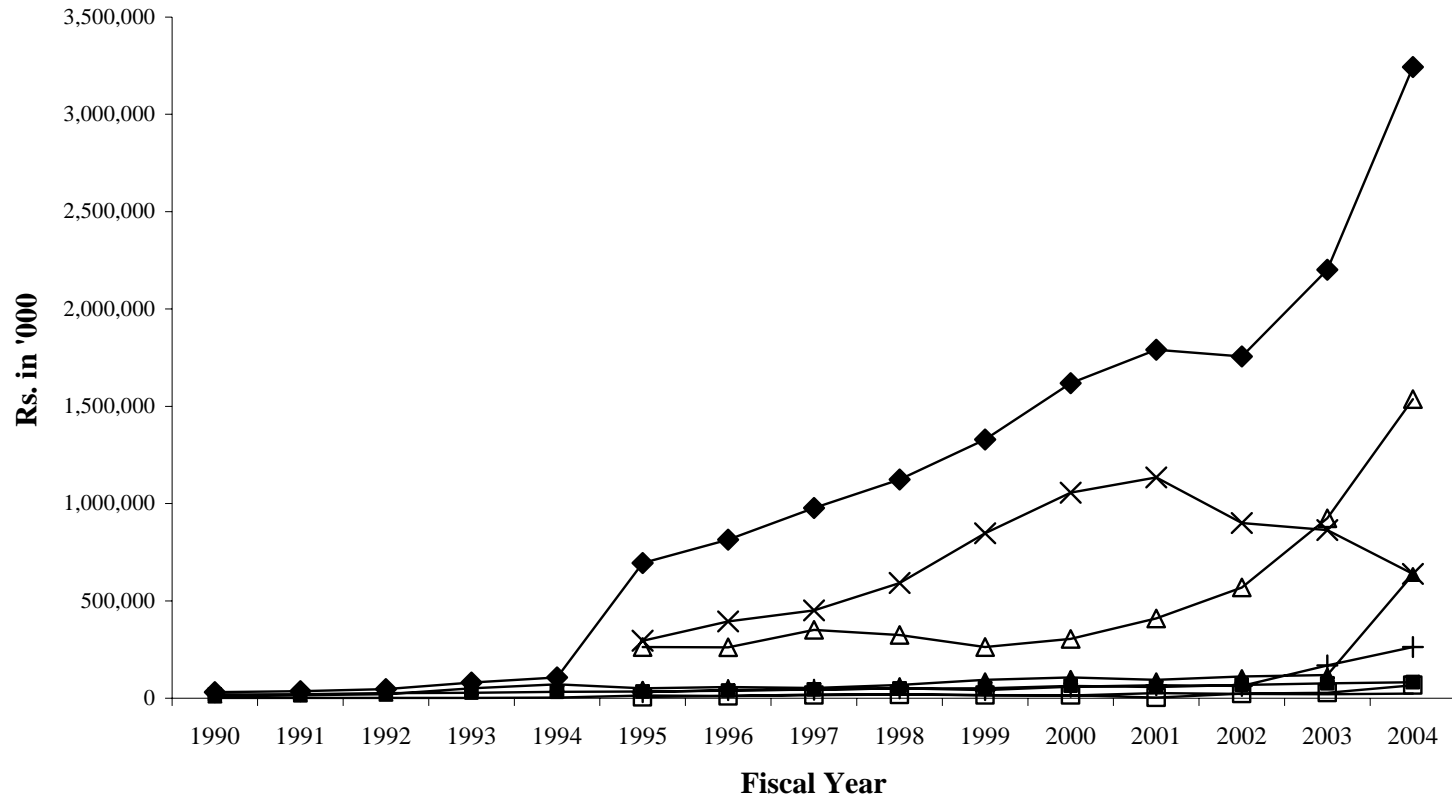


Table 4
Duty and Fees (Rs. In '000)

Heading	1.1.05.00	1.1.05.10	1.1.05.40	1.1.05.60	1.1.05.70	1.1.05.80	1.1.05.90	
	Total Duty and Fees	Firm Registration	Transportation Sector Fee *	Examination Fee	Passport Fee	Tourism Fee	Other Administrative Fee	Other
1990	30,697 (100)	18,365 (59.8)	11,471 (37.4)	(0.0)	(0.0)	(0.0)	(0.0)	861 (2.8)
1991	35,656 (100)	19,590 (54.9)	15,084 (42.3)	(0.0)	(0.0)	(0.0)	(0.0)	982 (2.8)
1992	46,526 (100)	26,052 (56.0)	19,456 (41.8)	(0.0)	(0.0)	(0.0)	(0.0)	1,018 (2.2)
1993	80,978 (100)	28,401 (35.1)	50,456 (62.3)	(0.0)	(0.0)	(0.0)	(0.0)	2,121 (2.6)
1994	106,865 (100)	32,499 (30.4)	71,385 (66.8)	(0.0)	(0.0)	(0.0)	(0.0)	2,981 (2.8)
1995	693,772 (100)	33,420 (4.8)	50,908 (7.3)	6,249 (0.9)	262,974 (37.9)	295,462 (42.6)	30,774 (4.4)	13,985 (2.0)
1996	814,152 (100)	37,947 (4.7)	57,166 (7.0)	10,862 (1.3)	261,340 (32.1)	394,573 (48.5)	41,364 (5.1)	10,900 (1.3)
1997	977,546 (100)	44,857 (4.6)	52,932 (5.4)	15,949 (1.6)	351,074 (35.9)	452,116 (46.3)	42,646 (4.4)	17,972 (1.8)
1998	1,124,103 (100)	48,888 (4.3)	68,222 (6.1)	19,184 (1.7)	324,889 (28.9)	591,641 (52.6)	51,656 (4.6)	19,623 (1.7)
1999	1,329,269 (100)	51,353 (3.9)	94,700 (7.1)	14,891 (1.1)	263,183 (19.8)	847,173 (63.7)	41,889 (3.2)	16,080 (1.2)
2000	1,619,017 (100)	63,031 (3.9)	105,989 (6.5)	15,584 (1.0)	304,880 (18.8)	1,055,884 (65.2)	59,504 (3.7)	14,145 (0.9)
2001	1,790,654 (100)	57,590 (3.2)	94,999 (5.3)	2,539 (0.1)	409,781 (22.9)	1,134,101 (63.3)	65,824 (3.7)	25,820 (1.4)
2002	1,756,734 (100)	68,518 (3.9)	111,111 (6.3)	23,596 (1.3)	568,824 (32.4)	899,397 (51.2)	63,137 (3.6)	22,151 (1.3)
2003	2,201,280 (100)	75,792 (3.4)	119,546 (5.4)	28,263 (1.3)	923,897 (42.0)	864,680 (39.3)	168,315 (7.6)	20,787 (0.9)
2004	3,244,124 (100)	82,053 (2.5)	635,413 (19.6)	66,289 (2.0)	1,535,893 (47.3)	638,923 (19.7)	262,885 (8.1)	22,668 (0.7)

Note: Figures are in current prices

Other includes Agency Registration, Arms Registration and Export & Import License Fee.

* - This includes vehicle license fee, road improvement fee, urban road construction and maintenance fee in 2004

Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

3.2.2 Penalty, Fines and Forfeiture

This revenue head includes the court fees, legal penalties, penalty to the contractors and other administrative penalties, and forfeitures.

The revenue from this head was exceptionally high during the period 1990 to 1992, which sharply dropped in 1993. Since then it has shown erratic change and revenue stands at Rs. 133 million (2004). The exceptionally high revenue from the administration penalty was largely due to the seizure of illegally imported gold, the penalty for such illegal trade and the transfer of deposit amount to the revenue head. The expert opinion is that because of insurgency, the number of court cases has declined and the implementation of the court decision is becoming increasingly difficult. As a result the revenue from this head has not increased to the extent it should be except in 2002. In the year 2002, the courts decided to transfer the accumulated deposit into the revenue heads so the amount is higher than in previous years. As the rate of court fee has not been revised for the last 14 years, the revenue from this subhead has almost stagnated. It is presented in Table 5 and Chart 5.

Chart 5: Penalty, Fines and Forfeitures

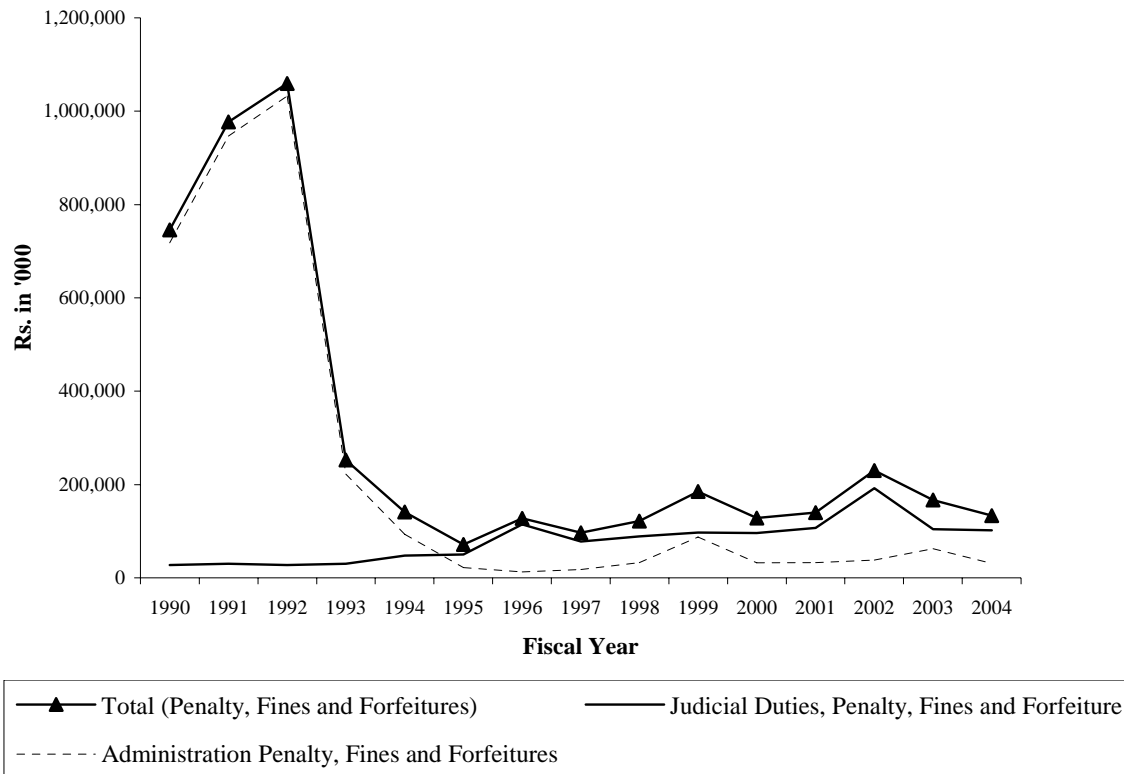


Table 5
Penalty, Fines and Forfeitures

Unit: Rs in Thousands

Fiscal Year	Heading and Heading Code		
	1.1.06.00 Total (Penalty, Fines and Forfeitures)	1.1.06.10 Judicial Duties, Penalty, Fines and Forfeitures	1.1.06.20 Administration Penalty, Fines and Forfeitures
1990	745,785	27,891	717,894
1991	977,011	30,387	946,624
1992	1,059,807	27,664	1,032,143
1993	252,417	30,281	222,136
1994	141,116	47,399	93,717
1995	71,848	50,169	21,679
1996	127,854	114,834	13,020
1997	96,464	78,271	18,193
1998	121,980	89,088	32,892
1999	185,200	97,300	87,900
2000	128,099	95,822	32,277
2001	139,862	106,756	33,106
2002	230,300	192,230	38,070
2003	166,914	104,317	62,597
2004	133,241	102,098	31,143

Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

3.2.3 Receipts from the sales of government property and services

The government's primary focus of development activities was the construction and the maintenance of the social and economic infrastructure. The government seeks cost recovery from the beneficiaries of such infrastructure facilities. This head includes the receipts in lieu of services rendered to the people and sales of government commodity and property and receipts from the rental services.

The receipts from drinking water and electricity is less than 1 percent of the total revenue. As the fee for drinking water is collected at the village level by the users committee and at the urban areas by the Nepal Water Supply Corporation, it is not surprising that the collection of water charges is low. The Nepal Electricity Authority collects electricity charges. The Authority pays electricity royalty to the government which is shown in Table 9. The irrigation water cess collection is also deposited in the users committee. The receipts from postal services and forest have steadily increased whereas the receipts from transportation sector (aircraft landing and takeoff, highway road permit, rafting etc) increased until 1998 and has started declining since 1999 as the aircraft landing, takeoff and other charges are collected by the Civil Aviation Authority of Nepal which was constituted on December 31, 1998. The revenue head called 'others' which included rental charges, film screening and license fee, HMG printing press income, sales of Gazette and HMG publications, services of standards and metrology; has declined in absolute amount since 1994. (Table 6 and Chart 6)

Chart 6: Receipts from Sales of Government Property and Services

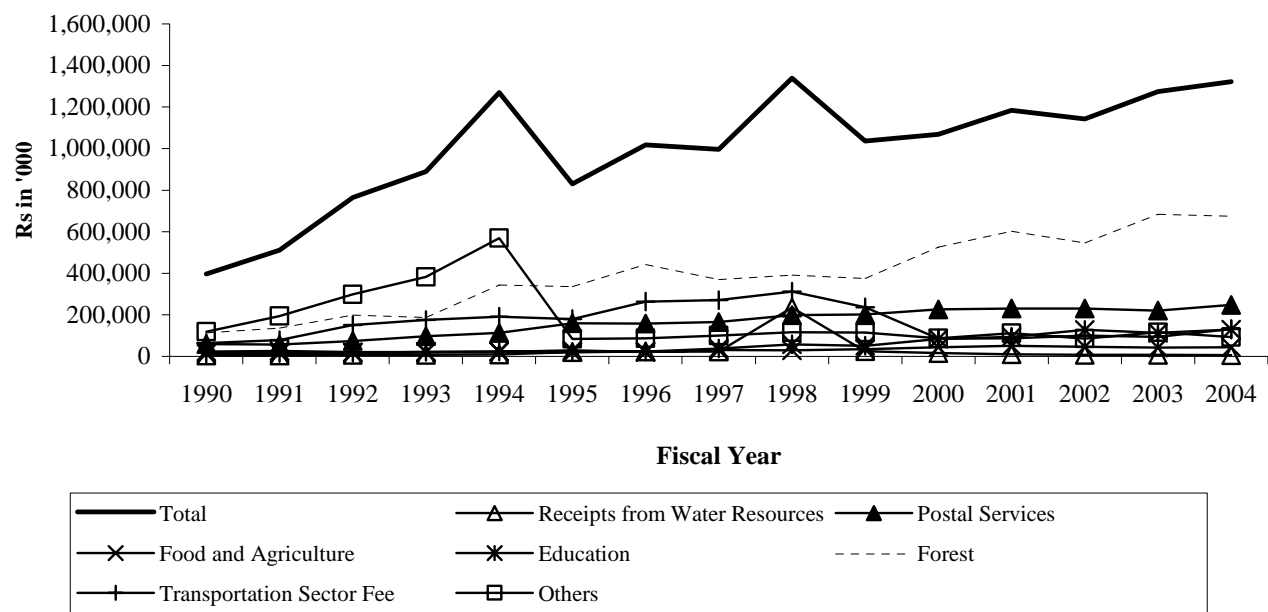


Table 6
Receipts from sales of government property and services

Rs. in '000

Year	1.1.07.00	1.1.07.10	1.1.07.20	1.1.07.30	1.1.07.40	1.1.07.50	1.1.07.60	1.1.07.70
	Total Receipts from sales of government property and services	Receipts from Water Resources	Postal services	Food and Agriculture	Education	Forest	Transportation Sector Fee	Others
1990	396,557 (100.0)	4,556 (1.1)	59,786 (15.1)	23,663 (6.0)	13,136 (3.3)	112,724 (28.4)	63,401 (16.0)	119,291 (30.1)
1991	511,409 (100.0)	3,713 (0.7)	56,002 (11.0)	25,770 (5.0)	16,217 (3.2)	136,268 (26.6)	78,733 (15.4)	194,706 (38.1)
1992	764,990 (100.0)	6,939 (0.9)	74,119 (9.7)	20,122 (2.6)	17,745 (2.3)	197,759 (25.9)	150,257 (19.6)	298,049 (39.0)
1993	889,536 (100.0)	7,102 (0.8)	96,491 (10.8)	20,459 (2.3)	21,556 (2.4)	187,338 (21.1)	174,540 (19.6)	382,050 (42.9)
1994	1,269,997 (100.0)	9,395 (0.7)	112,849 (8.9)	21,122 (1.7)	23,791 (1.9)	342,622 (27.0)	191,711 (15.1)	568,507 (44.8)
1995	829,892 (100.0)	20,818 (2.5)	159,955 (19.3)	28,921 (3.5)	20,942 (2.5)	335,903 (40.5)	179,399 (21.6)	83,954 (10.1)
1996	1,017,265 (100.0)	23,393 (2.3)	157,549 (15.5)	20,977 (2.1)	22,673 (2.2)	442,108 (43.5)	263,040 (25.9)	87,525 (8.6)
1997	996,390 (100.0)	22,816 (2.3)	165,738 (16.6)	30,704 (3.1)	37,167 (3.7)	369,712 (37.1)	270,330 (27.1)	99,923 (10.0)
1998	1,338,970 (100.0)	234,982 (17.5)	198,754 (14.8)	28,737 (2.1)	58,540 (4.4)	390,504 (29.2)	311,457 (23.3)	115,996 (8.7)
1999	1,036,177 (100.0)	25,057 (2.4)	201,669 (19.5)	34,119 (3.3)	50,492 (4.9)	374,590 (36.2)	235,911 (22.8)	114,339 (11.0)
2000	1,068,082 (100.0)	15,892 (1.5)	226,563 (21.2)	43,430 (4.1)	83,482 (7.8)	525,242 (49.2)	85,981 (8.1)	87,492 (8.2)
2001	1,184,100 (100.0)	10,240 (0.9)	229,606 (19.4)	50,577 (4.3)	93,965 (7.9)	602,643 (50.9)	86,292 (7.3)	110,777 (9.4)
2002	1,142,950 (100.0)	7,776 (0.7)	230,349 (20.2)	45,933 (4.0)	128,024 (11.2)	546,170 (47.8)	99,944 (8.7)	84,754 (7.4)
2003	1,274,439 (100.0)	7,028 (0.6)	219,892 (17.3)	42,297 (3.3)	112,271 (8.8)	683,639 (53.6)	93,464 (7.3)	115,848 (9.1)
2004	1,322,240 (100.0)	5,971 (0.5)	246,958 (18.7)	42,800 (3.1)	128,687 (9.7)	674,126 (51.0)	131,598 (10.0)	92,100 (7.0)

Source: Various Issues of Budget Speeches and Economic Surveys, Ministry of Finance/HMGN

Note: Receipts from Water Resources includes Drinking Water, Irrigation and Electricity.

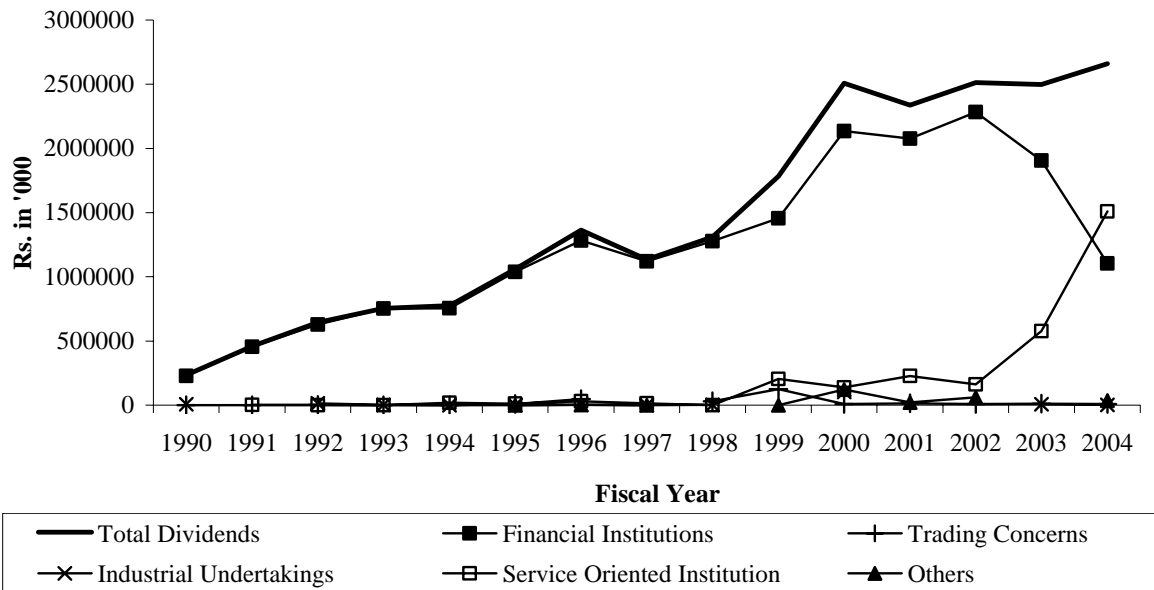
Figures in Parenthesis Indicate Percentage

3.2.4 Dividend

The government seeks appropriate rate of return from the share capital that it holds in the public enterprises.

The dividend from the financial institutions is more than 85 percent of the revenue since 1999. Nepal Rastra Bank has contributed more than 90 percent of this amount. It is noted that the NRB dividend has shown declining trend. The dividends from service oriented institutions has increased in the last five years mainly because of the dividend received from the Nepal Telecom. Other public enterprises have insignificant contribution. Table 7 and Chart 7 clearly show the substantial contribution of the financial institutions.

Chart 7: Dividends



**Table 7
Dividends**

Unit: Rs in Thousands

	1.1.08.00	1.1.08.10	1.1.08.20	1.1.08.30	1.1.08.40	1.1.08.50
Year	Total Dividends	Financial Institutions	Trading Concerns	Industrial Undertakings	Service Oriented Institution	Others
1990	233803 (100.0)	227417 (97.3)	386 (0.2)	6000 (2.6)		
1991	459486 (100.0)	455570 (99.1)	914 (0.2)		3002 (0.7)	
1992	644419 (100.0)	627124 (97.3)	3085 (0.5)	14205 (2.2)	5 (0.0)	
1993	755548 (100.0)	752017 (99.5)	3 (0.0)	3017 (0.4)	511 (0.1)	
1994	775659 (100.0)	755546 (97.4)	596 (0.1)	448 (0.1)	19069 (2.5)	
1995	1060050 (100.0)	1037669 (97.9)	9250 (0.9)	847 (0.1)	11465 (1.1)	819 (0.1)
1996	1363009 (100.0)	1281331 (94.0)	47175 (3.5)	2000 (0.1)	31121 (2.3)	1382 (0.1)
1997	1134355 (100.0)	1120687 (98.8)		60 (0.0)	13322 (1.2)	286 (0.0)
1998	1310958 (100.0)	1276704 (97.4)	30990 (2.4)	2824 (0.2)	440 (0.0)	
1999	1782739 (100.0)	1455209 (81.6)	123951 (7.0)		203003 (11.4)	576 (0.0)
2000	2507464 (100.0)	2135462 (85.2)	9664 (0.4)	103194 (4.1)	138030 (5.5)	121114 (4.8)
2001	2336403 (100.0)	2076280 (88.9)	13356 (0.6)		226611 (9.7)	20156 (0.9)
2002	2512822 (100.0)	2281765 (90.8)	8822 (0.4)		161766 (6.4)	60469 (2.4)
2003	2497644 (100.0)	1904301 (76.2)	11030 (0.4)	6145 (0.2)	576168 (23.1)	
2004	2661056 (100.0)	1103098 (41.5)	9067 (0.3)	3000 (0.1)	1510279 (56.8)	35612 (1.3)

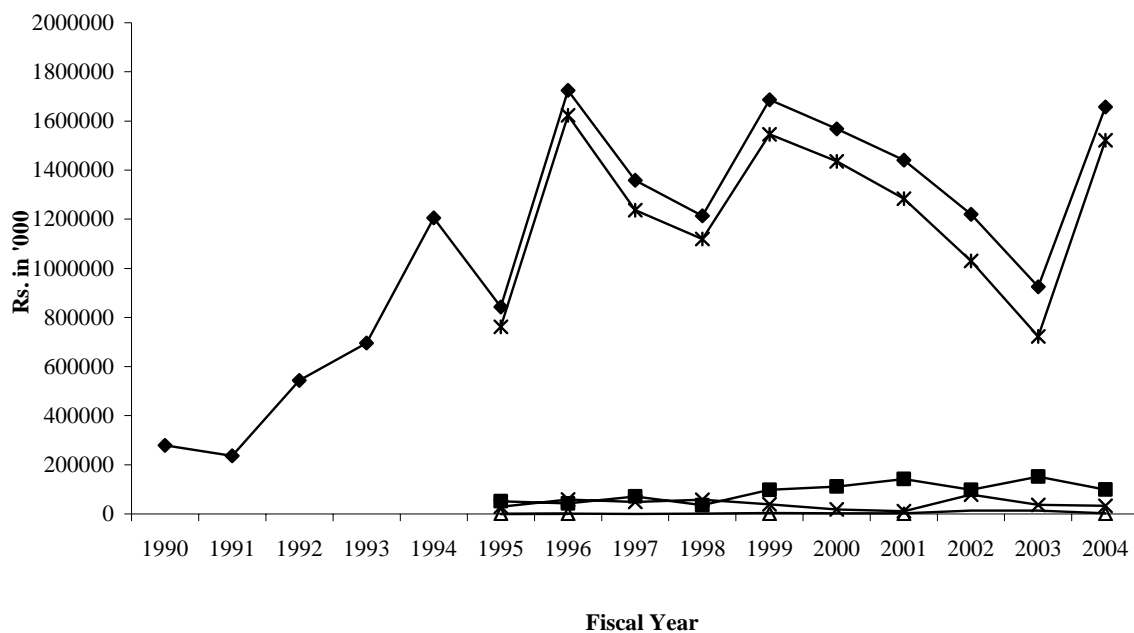
Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

Note: Figures in Parenthesis Indicate Percentage.

3.2.5 Interest

The government has invested heavily in the financial institutions, industrial enterprises, trading concern, and service oriented institutions. The government has received grants and official soft loans from the bilateral and multilateral agencies, which are partly invested in public enterprises. Such grants and loans are invested under the subsidiary loan agreement which sets rate of interest, grace period and the repayment schedule. The amount of interest received from public enterprises is deposited in this revenue head. This is a major source of revenue for the government. Table 8 and Chart 8 show the increase in the amount of interest and in 2004 the amount due from the public enterprises have been partly recovered. It is understood that the Telecom has front loaded its interest due and has paid the entire amount of its future liability because of its excessive liquidity. The Nepal Electricity Authority has deferred the payment of interest, as it is facing financial difficulty in the last few years. The prospect for this head seems to be bleak as a source of income unless the efficiency of the public enterprises is improved. Nepal Industrial Development Corporation, the Water Supply Corporation and the Civil Aviation Authority of Nepal have not paid fully the due amount.

Chart 8: Interest



◆ Interest	■ Financial Institutions	▲ Trading Concerns
× Industrial Undertakings	* Service Oriented Institution	— Others

**Table 8
Interest**

Year	1.1.09.00 Interest	1.1.09.10 Financial Institutions	1.1.09.20 Trading Concerns	1.1.09.30 Industrial Undertakings	1.1.09.40 Service Oriented Institution	1.1.09.50 Others
1990	279017 (100.0)					
1991	236804 (100.0)					
1992	544260 (100.0)					
1993	695318 (100.0)					
1994	1204875 (100.0)					
1995	842673 (100.0)	51032 (6.1)	23 (0.0)	29452 (3.5)	761938 (90.4)	228 (0.0)
1996	1724897 (100.0)	42630 (2.5)	2 (0.0)	59327 (3.4)	1622215 (94.0)	723 (0.0)
1997	1357682 (100.0)	71572 (5.3)		48865 (3.6)	1236677 (91.1)	568 (0.0)
1998	1213185 (100.0)	35793 (3.0)		57786 (4.8)	1118843 (92.2)	763 (0.1)
1999	1685956 (100.0)	97467 (5.8)	16 (0.0)	39061 (2.3)	1546178 (91.7)	3234 (0.2)
2000	1568144 (100.0)	111426 (7.1)		18739 (1.2)	1434968 (91.5)	3011 (0.2)
2001	1440099 (100.0)	141872 (9.9)	3 (0.0)	11202 (0.8)	1284069 (89.2)	2953 (0.2)
2002	1220275 (100.0)	98336 (8.1)		78941 (6.5)	1029494 (84.4)	13504 (1.1)
2003	924616 (100.0)	152106 (16.5)		36568 (4.0)	722490 (78.1)	13452 (1.5)
2004	1656539 (100.0)	99422 (6.0)	50 (0.0)	33346 (2.0)	1521208 (91.8)	2513 (0.2)

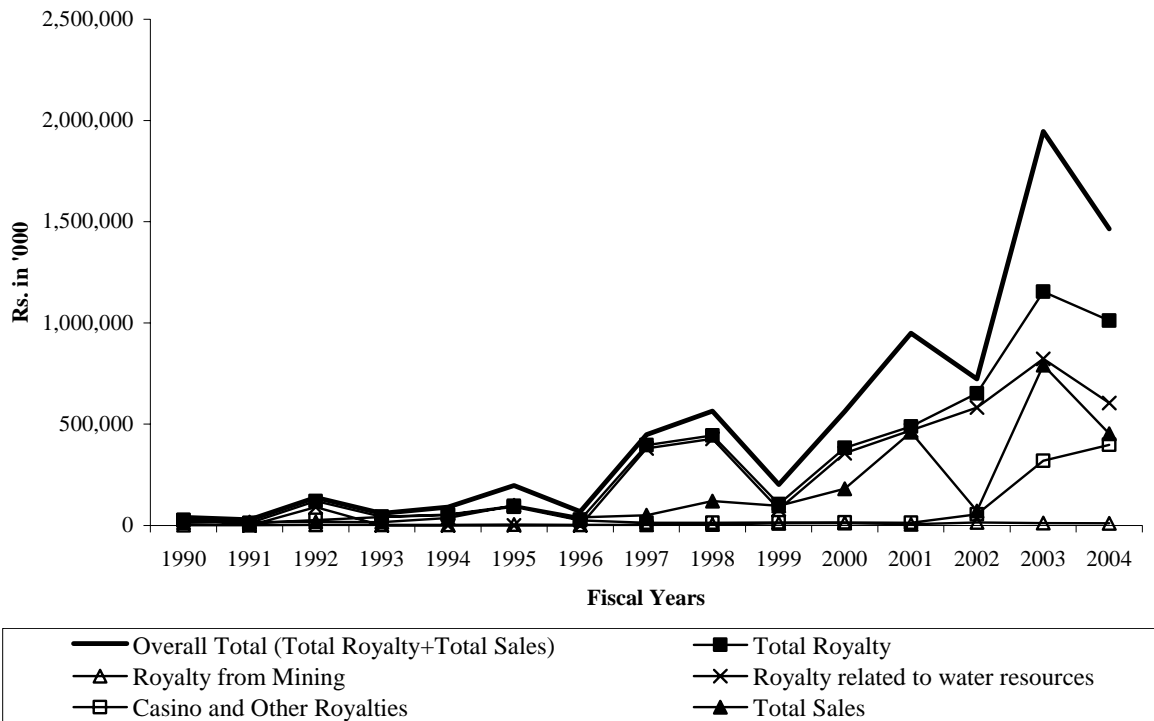
Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

Note: Figures in Parenthesis Indicate Percentage.

3.2.6 Royalties and sales of government property

This sub head includes the royalties received from the survey, excavation and use of natural resources like mining, hydroelectricity etc. It also includes royalties from the casino. Under the sales subhead includes the sales receipts from the sale of government property like land, house, machineries, vehicles, maps, botanical products etc. Table 9 and Chart 9 show that royalty from the electricity and the casino and other royalties contributed largest amount of revenue. The large increase in sales of property in 2003 is due to the receipts from the privatization of the Butwal Power Company.

Chart 9: Royalty and Sales of Government Property



**Table 9:
Royalty and Sales of Government Property Rs. '000**

Year	Royalty					Sales			
	1.1.10.00 Royalty and sales of Government Property	1.1.10.10 Total Royalty	1.1.10.11 Royalty from Mining	1.1.10.12 Royalty related to water resources	1.1.10. 13 &19 Casino and Other Royalties	1.1.10.20 Total Sales	1.1.10.21 Sales of government land and buildings	1.1.10.22 Sales of government goods	1.1.10.23 Other sales
1990	40,132 (100.0)	26,988 (67.2)	1,422 (3.5)		25,566 (63.7)	13,144 (32.8)			13,144 (32.8)
1991	28,008 (100.0)	12,380 (44.2)	1,260 (4.5)	22 (0.1)	11,098 (39.6)	15,628 (55.8)			15,628 (55.8)
1992	137,762 (100.0)	119,898 (87.0)	2,622 (1.9)	90,006 (65.3)	27,270 (19.8)	17,864 (13.0)		3,066 (2.2)	14,798 (10.7)
1993	59,842 (100.0)	43,327 (72.4)	2,341 (3.9)	1 (0.0)	40,985 (68.5)	16,515 (27.6)		3,752 (6.3)	12,763 (21.3)
1994	90,391 (100.0)	53,619 (59.3)	2,329 (2.6)	14 (0.0)	51,276 (56.7)	36,772 (40.7)		3,579 (4.0)	33,193 (36.7)
1995	196,825 (100.0)	96,860 (49.2)	5,057 (2.6)	251 (0.1)	91,552 (46.5)	99,965 (50.8)	52,158 (26.5)	30,646 (15.6)	17,161 (8.7)
1996	67,869 (100.0)	27,731 (40.9)	2,230 (3.3)	-	25,501 (37.6)	40,138 (59.1)	13,063 (19.2)	8,675 (12.8)	18,400 (27.1)
1997	447,887 (100.0)	397,060 (88.7)	2,961 (0.7)	380,003 (84.8)	14,096 (3.1)	50,827 (11.3)	16,136 (3.6)	17,439 (3.9)	17,252 (3.9)
1998	565,151 (100.0)	444,564 (78.7)	3,838 (0.7)	427,132 (75.6)	13,594 (2.4)	120,587 (21.3)	92,195 (16.3)	10,191 (1.8)	18,201 (3.2)
1999	202,333 (100.0)	105,930 (52.4)	11,065 (5.5)	80,403 (39.7)	14,462 (7.1)	96,403 (47.6)	48,364 (23.9)	27,699 (13.7)	20,340 (10.1)
2000	563,341 (100.0)	382,602 (67.9)	11,720 (2.1)	356,168 (63.2)	14,714 (2.6)	180,739 (32.1)	114,578 (20.3)	47,364 (8.4)	18,797 (3.3)
2001	949,563 (100.0)	488,456 (51.4)	5,386 (0.6)	469,232 (49.4)	13,838 (1.5)	461,107 (48.6)	36,102 (3.8)	18,116 (1.9)	406,889 (42.9)
2002	723,872 (100.0)	652,463 (90.1)	15,281 (2.1)	582,273 (80.4)	54,909 (7.6)	71,409 (9.9)	15,653 (2.2)	32,387 (4.5)	23,369 (3.2)
2003	1,945,459 (100.0)	1,154,013 (59.3)	11,897 (0.6)	822,775 (42.3)	319,341 (16.4)	791,446 (40.7)	746,779 (38.4)	24,728 (1.3)	19,939 (1.0)
2004	1,464,979 (100.0)	1,012,019 (69.1)	9,808 (0.7)	604,773 (41.3)	397,438 (27.1)	452,960 (30.9)	9,969 (0.7)	16,650 (1.1)	426,341 (29.1)

Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

Note: Figures in Parenthesis Indicate Percentage.

3.2.7 Principal Repayment

The repayment of principal is a source of income for the government. Data reveals that the repayment had increased until 1999. But it has started declining since then. The service oriented industries have almost 66 to 78 percent share in this subhead. The repayment by the Nepal Telecom has contributed the most. The other public enterprises have insignificant contribution. The increase in the amount of principal repayment is due to the recovery of due amount in the past.

Chart 10: Principal Repayment

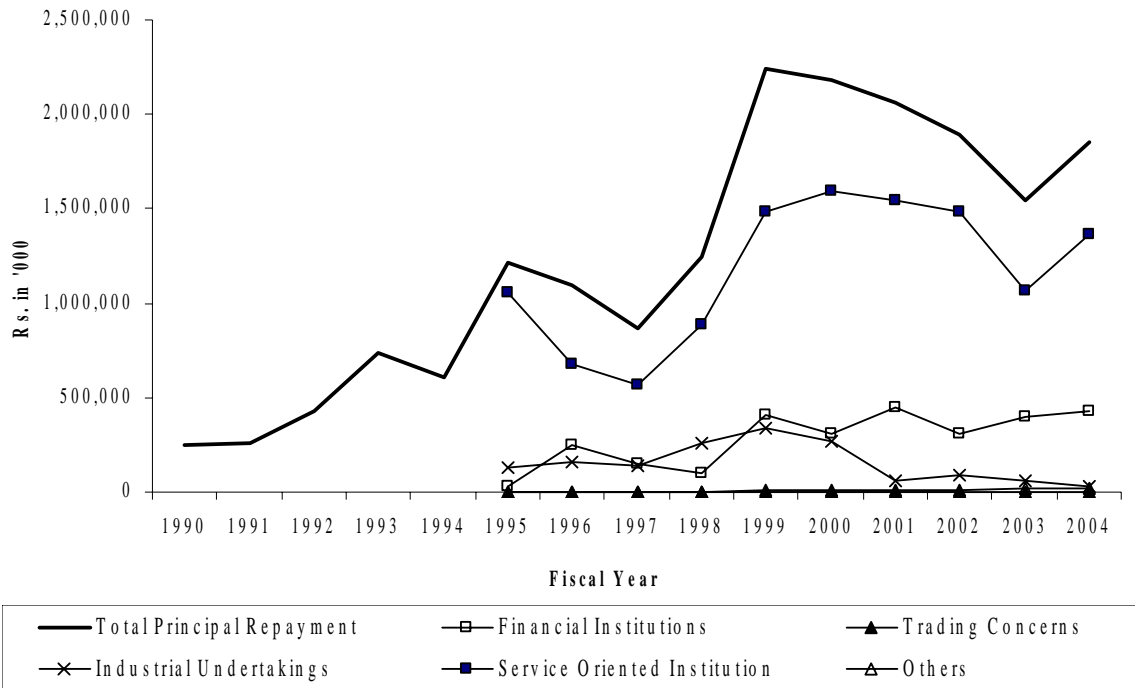


Table 10
Principal Repayment

Unit: Rs in '000

Heading	1.1.11.00	1.1.11.10	1.1.11.20	1.1.11.30	1.1.11.40	1.1.11.50
	Total Principal Repayment	Financial Institutions	Trading Concerns	Industrial Undertakings	Service Oriented Institution	Others
1990	250,806 (100.0)					
1991	261,377 (100.0)					
1992	427,192 (100.0)					
1993	735,646 (100.0)					
1994	606,124 (100.0)					
1995	1,210,483 (100.0)	28,816 (2.4)	7 (0.0)	127,623 (10.5)	1,053,921 (87.1)	116 (0.0)
1996	1,093,922 (100.0)	252,070 (23.0)	20 (0.0)	158,842 (14.5)	678,893 (62.1)	4,097 (0.4)
1997	863,032 (100.0)	152,613 (17.7)	-	138,303 (16.0)	571,926 (66.3)	190 (0.0)
1998	1,247,966 (100.0)	98,054 (7.9)	5 (0.0)	259,417 (20.8)	887,462 (71.1)	3,028 (0.2)
1999	2,241,588 (100.0)	408,438 (18.2)	-	341,051 (15.2)	1,485,733 (66.3)	6,366 (0.3)
2000	2,182,956 (100.0)	307,945 (14.1)	6 (0.0)	271,121 (12.4)	1,596,967 (73.2)	6,917 (0.3)
2001	2,057,116 (100.0)	444,244 (21.6)	-	61,637 (3.0)	1,544,707 (75.1)	6,528 (0.3)
2002	1,889,132 (100.0)	304,427 (16.1)	10 (0.0)	88,950 (4.7)	1,487,280 (78.7)	8,465 (0.4)
2003	1,539,659 (100.0)	396,516 (25.8)	-	57,325 (3.7)	1,062,841 (69.0)	22,977 (1.5)
2004	1,850,534 (100.0)	426,921 (23.1)	102 (0.0)	33,450 (1.8)	1,366,223 (73.8)	23,838 (1.3)

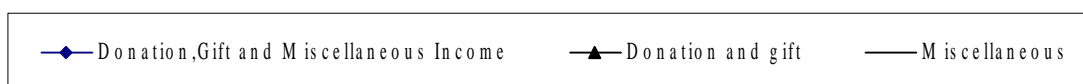
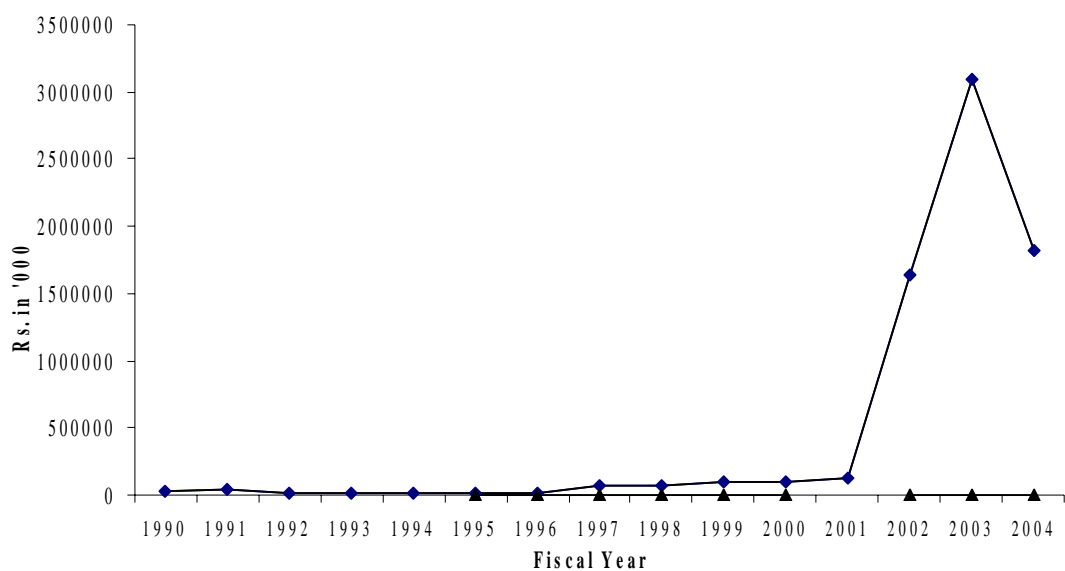
Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

Note: Figures in Parenthesis Indicate Percentage.

3.2.8 Miscellaneous Income

The special tax imposed by the government and other incomes are deposited in this subhead. The contribution of this subhead has sharply increased in 2002 and 2003. As the government has reduced the rate of special tax from 1.5 percent to 0.5 percent in the import of goods, the revenue from this head has declined in 2004.

Chart 11: Donation, Gift and Miscellaneous Income



**Table 11
Donation, Gift and Miscellaneous Income**

Year	1.1.12.00		1.1.12.10		1.1.12.20	
	Donation, Gift and Miscellaneous Income		Donation and gift		Miscellaneous	
1990	26793	(100.0)			26793	(100.0)
1991	43821	(100.0)			43821	(100.0)
1992	12160	(100.0)			12160	(100.0)
1993	16519	(100.0)			16519	(100.0)
1994	14307	(100.0)			14307	(100.0)
1995	9566	(100.0)	1	(0.0)	9565	(100.0)
1996	16143	(100.0)	56	(0.3)	16087	(99.7)
1997	75844	(100.0)	26	(0.0)	75818	(100.0)
1998	75770	(100.0)	33	(0.0)	75736	(100.0)
1999	102864	(100.0)	1	(0.0)	102863	(100.0)
2000	104496	(100.0)	16	(0.0)	104480	(100.0)
2001	130762	(100.0)			130762	(100.0)
2002	1638818	(100.0)	373		1635088	(99.8)
2003	3092845	(100.0)	306	(0.0)	3092539	(100.0)
2004	1825333	(100.0)	61	(0.0)	1825272	(100.0)

Source: Various Issues of Budget Speeches and Economic Surveys, MOF/HMGN.

Note: Figures in Parenthesis Indicate Percentage.

Miscellaneous includes Special Tax on Import.

4. Review of Institutional arrangements

4.1 The Ministry of Finance Booklet on the interpretation and classification of the revenue heads has indicated eight heads and forty-seven code numbers under non-tax revenue subheads. The code numbers suggested that the government has at least 40 revenue raising institutions (after discounting the overlapping of institutions). Indeed there are hundreds of offices located through out the country, which collect revenue in one form or the other. The institutions range from government ministry/departments to public enterprises. Different institutions have its own rules and regulations to follow in the introduction and the collection of revenue. The basis of fixing of rates is not clear and the framework for the review of such rates is haphazard. A few examples are cited .Bureau of Standards and Metrology has the charges fixed for a long period of time and the Bureau has recently started the process of reviewing the rates. Similarly another department (Department of Postal Services) proposed an upward revision of the domestic rates after 8 years. The Cottage and Small Industry reviewed and implemented new rates after 27 years. The department of Customs, which collects special tax at the customs point on import, has authority through the Finance Act, which is promulgated each financial year. Special acts and its regulations govern rate of charges and fees. Without the amendment of these regulations and notifying the public through Gazette the rate has no legal validity.

4.2 The proposed rates or the proposal to revise the rate has some crude relation with the cost of rendering services. The government seems to have not defined the cost of rendering services .Due to the lack of any guidelines, different government departments have fixed their fees, legal penalties, charges and the royalties without much consideration to the total cost of rendering services or the inflation rate or the ability to pay. The Department of Forest takes into account the direct cost (Labor, materials and equipment costs only) and the market value of the product, whereas the government laboratories charge for the chemicals and the materials directly used for the tests only. It shows wider variation on the cost recovery of the government services to the people.

4.3 It is observed that the Minister of Finance through the Budget Speech announces non-tax measures, which include the fee, charges and royalties, and the projection of non-tax revenue is made accordingly. It is noted that the rates of such fees, charges and the royalties are made effective with a considerable time lag. The acts and regulations governing the fees, charges, penalties and the royalties have to be amended which has to follow legal procedure involving actions on the part of various institutions .It is a time consuming and complex bureaucratic process. The approval of the Cabinet to amend the regulation is a legal requirement in case of government regulations and other regulations relating to public enterprises. In case of judiciary, the Supreme Court has to approve the amendment of the concern regulations.

4.4 There is no institutional mechanism to review, monitor and suggest the new tax, rationalization of the existing rate, procedure and performance in relation to non-tax revenue. As has already been mentioned, it is a complex task to coordinate the efforts of several institutions, which are governed by different legal requirements. However, the need to mobilize increasing amount of resources dictate to think afresh in the area of non-tax revenue. The Tenth Plan (2002-2007) stated that the prices of goods and services will be based on cost and the prevailing market prices. In addition, it further states that dividend policy will be reviewed and the principal, interest and royalty due from the enterprises will be

claimed on a planned basis. In order to translate these policies into an action plan, there is no specific mechanism which can devote its efforts on achieving these targets. The Ministry of Finance has taken initiative in monitoring the progress on reviewing the rate and procedures, but such monitoring has overriding concern with revenue raising rather than improvement of the overall system in a coordinated and systematic manner.

4.6 During the discussion with the high level officials, it was found that the sectoral Ministries and the departments are concerned more about expenditure and achieving the sectoral targets as outlined in the annual plan. The mechanism of monitoring and evaluation is elaborated for this purpose. The cost recovery part is not generally debated in the government offices. The need and rationality of the rate, structure, and procedure are not given serious thought. One official said that it is the concern of the Ministry of Finance. If high level official asked for some information, the account section needed to compile it and submit it in several days. It has passing reference during budget formulation as a matter of curiosity rather than systemic exercise.

4.7 The rates have been revised but level of services remains the same. It is commendable that the government has taken measures to improve the delivery of services. Citizens Charter has been issued in various service oriented government offices. But the effectiveness of such arrangement is questionable. The process improvement seems to be the immediate concern rather than the overall improvement of the efficiency of the organization. For example, the revenue from the forest products has potentiality of increase with the timely disposal of forest products. This issue seems to have not been addressed properly. The revenue from this head has almost stagnated. The efficient utilization of the agriculture farms may also contribute significant amount of revenue. Similarly, the services of country wide network of postal services seems to have been under utilized.

4.8 Over the years, the government has received grants/ loan from the bilateral donors and multilateral institutions, which are partly invested in the public enterprises. The government has also invested from its domestic resources (loan and share capital) in such public enterprises. It is reported that because of the problem of reconciliation of such investments it has been difficult to determine the liabilities of the public enterprises to the government. Although the efforts to reconcile the account in the last few years has largely succeeded, but the problems are persisting in the large enterprises such as Nepal Electricity Authority, Nepal Telecom, Water Supply Corporation, Agriculture Development Bank etc. The Report of the Auditor General has pointed out about it time and again. As a result the return from such enterprises is less than the enterprises owe to the government.

5. Prospects for increasing non-tax revenue:

On the basis of the analysis of the current status and trend and discussion with the stakeholders, prospects in non-tax revenue heads is presented in a tabular form. The Table has also indicated short, medium and long-term prospects and constraints.

Table 12
Prospects for Non-Tax Revenue Mobilization (Major sources only) Short to Long Term

Revenue Heads	Short Term (0-12 months)	Medium Term (13-36 months)	Long Term (37-60 months)	Constraints
1. Firm, Agency, Arms Registration, Vehicle License Fee, Export/Import License Fee	√			Institutional Legal Policy
2. Passport Fee		√	√	Policy, legal
3. Tourism Fee		√	√	Domestic Political Situation
4. Telephone ownership Fee		√	√	Domestic Political Situation
5. Penalty, Fines and Forfeitures	√			Legal, policy, Administration
6. Postal Service		√	√	Institutional
7. Food and Agriculture	√			Policy/Administration
8. Education	√			Policy
9. Forest	√			Institutional/Administration
10. Transport Sector (Aircraft landing)		√	√	Domestic political situation
11. Dividends	√	√	√	Policy Administration
12. Interest	√	√	√	Policy Administration
13. Royalty from Mining	√			Policy and Administration
14. Royalty from Electricity		√	√	Domestic Political situation Additional investment
15. Royalty from Casino	√			Policy
16. Sales/Lease of Government Land		√	√	Policy/Institutional/Legal
17. Principal Repayment	√	√	√	Policy Administration

Note: Following heads are not considered in the presentation. Revenue from these heads is deposited in other institutions and accounts.

Drinking Water, electricity and irrigation water cess is collected by User's Committees, Nepal Water Supply Corporation (urban areas).

As outlined in the above Tabular presentation, the prospect for non-tax revenue is based on three aspects:

- a) the rate of fee increase and/ or rationalization of the existing rates,
- b) efficiency of the administration and the public enterprises and
- c) current domestic political situation.

With the initiative of the Ministry of Finance, the rates of fees and charges have been increased in many revenue heads in the last two years. There remains potentiality to rationalize the rates, and in a few revenue heads possibility of rate increase exists as well. The short term prospect for increasing revenue is limited to a few items like Firm, Agency, Arms Registration; penalty, fines and forfeitures; education, Bureau of Standards and Metrology. It should be noted that WTO accession has limited the scope for discriminating the fee for foreign and domestic firms registration and renewal fee and penalty for noncompliance with rules and regulations. The prospect of revenue from these heads may

look attractive in the short term but in the long run efforts should be made on effective service delivery rather than increasing the rates. As non-tax revenue is basically charges for services, consensus through discussions with the stakeholders on the cost structure, pricing policy, service mechanism, and monitoring of user charges is necessary.

Improving the efficiency of the postal services department and forest department is a subject which needs immediate attention. It has a great prospect for revenue mobilization. The domestic and international rates of postal services have recently been increased. Investment should be made on training, extending money order services in Nepalese labour dominated countries, postal saving schemes, introduction of revenue stamps and reorganization of the departments to gear it up to compete with the private sector, which will have medium to long term effect on revenue. Forestry sector can increase revenue through administrative efficiency. It needs to invest in equipment and vehicles to utilize the forestry product and treat forestry as "Industry" and provide incentive to the private sector to set up forest industries.

The government should make efforts to improve the performance of the public enterprises. Currently, dividend is paid only by a few public enterprises. In order to make it broad based, the government needs to declare performance criteria of the public enterprises and award those enterprises which meet the performance criteria and punish the non performers. The analysis also shows a lack of understanding between the government and public enterprises on resolving the issues on exchange rate, rate of interest, repayment schedule etc.

Government has not properly and efficiently managed its land which is scattered throughout the country. Commercial utilization or leasing out of public land may be a great source of income for the government. Therefore it is recommended that the government carry out an in depth study to develop a detailed land use plan of all public land.

Domestic political situation has adverse effect on the economic development of the country. It has negative effect on revenue from tourism, and has affected the performance of Nepal telecom, Nepal Electricity Authority etc. The improvement in the domestic situation will have positive effect on the extension of telephone services, completion of pipeline projects in hydropower, which in turn will have positive impact on the payment of dividend, interest, and principal repayment. It is therefore assumed that investment in these sectors will have medium to long-term effect in revenue mobilization.

As fiscal devolution is being debated in Nepal, the question of sharing of revenue between the central government and local governments will become a central issue in the days to come. Many studies have been carried out in the past but their recommendations have not been effectively implemented as envisaged by the studies. Therefore, action oriented policy action matrix is the need of the time in order to concretize the issues, activities, constraints and the responsibilities of the institutions. It is therefore necessary carry out further studies on this important and far reaching issue of the country.

Given the limited time period of the study, the consultant could not do a rigorous exercise on the financial projection of non-tax revenue for the next five years. The consultant has therefore made a projection of the major non-tax heads for illustrative purpose only based on his experience and consultation with experts in the private sector. It is assumed that the domestic situation will be normal from the second half of fiscal year 2005/2006. A rigorous follow up exercise is necessary for a more accurate financial projection.

Table 13
Projection of Major Non-Tax Heads for FY2005 – FY 2009

Code	Heading	Actual	Projection				
		2004	2005	2006	2007	2008	2009
1.1.05.10	Firm Registration ^a	87,497	91,872	96,465	101,289	106,353	111,671
1.1.05.40	Transportation Sector Fee ^b	635,413	730,725	840,334	966,384	1,111,341	1,278,043
1.1.05.70	Passport Fee ^c	1,535,893	1,612,688	1,693,322	1,777,988	1,866,888	1,960,232
1.1.05.80	Tourism Fee ^d	638,923	702,815	773,097	850,407	935,447	1,028,992
1.1.05.95	Telephone Ownership and Service Fee ^e	134,832	161,798	194,158	232,990	279,588	335,505
1.1.07.20	Postal services ^f	246,958	296,350	444,524	488,977	537,875	591,662
1.1.07.30	Food and Agriculture ^g	42,800	49,220	56,603	65,093	74,857	86,086
1.1.07.50	Forest ^h	674,126	775,245	891,532	1,025,261	1,179,051	1,355,908
1.1.08.00	Dividends ⁱ	2,661,056	3,060,214	3,519,247	4,047,134	4,654,204	5,352,334
1.1.09.00	Interest ^j	1,656,539	1,905,020	2,190,773	2,519,389	2,897,297	3,331,892
1.1.10.12	Royalty related to water resources ^k	604,773	725,728	870,873	1,045,048	1,254,057	1,504,869
1.1.11.00	Principal Repayment	1,850,534	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
1.1.12.00	Donation, Gift and Miscellaneous Income	1,825,333	700,000	700,000	700,000	700,000	700,000
	Total	12,594,677	12,411,675	13,870,928	15,419,959	17,196,957	19,237,193
	Growth Rate		-1%	12%	11%	12%	12%

Source: Consultant estimates

Notes: This projection is for illustration purpose only and assumes normal domestic situation from the second half of 2005/2006

Annual increment calculated at:

a 5%

b 5%

c 5%

d 10%

e 20%

f 20% first year, 50% second year then 10%

g 15%

h 15%

i 15%

j 15%

k 20%

6 Suggestions

This section is divided into two parts - Systemic Improvement and Specific Measures. These are presented in Policy Action Matrix as Part A and Part B.

6.1 *Systemic Improvement (Part A)*

- 6.1.1 National Planning Commission and the Ministry of Finance is suggested to present rolling non-tax revenue plan with a broad indication of a guidepost. It should include the objective, target, program, procedure, timeframe for monitoring and evaluation of non-tax revenue at the Ministry and Departmental level.
- 6.1.2 Each year a Revenue Advisory Committee is constituted to advise the Ministry of Finance with a terms of reference to review the tax rates, tax procedures, capacity building and suggest measures in revenue mobilization accordingly. It has representation of government, professionals, industry and trade organizations. One member (non-tax) should be added to this Committee and constitute a sub committee under the chairmanship of such member, and suggest specific proposals for the improvement of the non-tax revenue. The advantage is that it will give a lead time to diverse number of stake holders (both government and the private sector) to discuss, exchange views and act on the proposals with the broader knowledge of the implication for the concerned organizations/ institutions The annual report on tax and non-tax revenue submitted by the Committee will form a basis for the Ministry of Finance to consider the proposals in an integrated manner.
- 6.1.3 Since Revenue Advisory Committee is constituted in the last quarter of the fiscal year, in order to prepare the groundwork fro the effective functioning of the committee, a study team should be constituted in the interim period to examine the prospects of non-tax revenue and suggest proposals accordingly. The study team should have representation of both the government sector and the private sector.
- 6.1.4 Monitoring and evaluation unit should be constituted in the Revenue Division of the Ministry of Finance to monitor the collection of revenue, identify constraints, and suggest proposals for improvement. This unit should serve as secretariat for the Revenue Advisory Committee.
- 6.1.5 Principle and guidelines for the consideration of the Revenue Advisory Committee is suggested below.

As the government has made heavy investment in the development of the social and economic infrastructure in the country, it is therefore justified to recover cost partly or wholly from the beneficiaries of such economic and social facilities The recovery of the cost of services and the commodities will enable the government to reinvest in expanding or maintaining the services. The government renders departmental services to the general public as well as the traders and the industrialists. In order to sustain such services, the government charges fees to make the beneficiaries aware of the cost involved in rendering such services. The government needs to get return from the investment made in the public enterprises. It is also to ensure that the management is accountable to operate the public enterprises in commercially viable and financially sound manner. Broad and specific

consultations should be held on a regular interval with the stakeholders in order to reach consensus on the problems, constraints and solutions.

As the nature of sources of non-tax revenue differs, guidelines for each revenue head is suggested.

Receipts from sales of government property and services

Direct cost of delivering services should be fully recovered and a fixed percentage of such direct cost should be added as service fee (for example direct cost should include material cost, chemical cost, water charges, labour cost, electricity charges depreciation of the equipment etc) which should be reviewed every two years.

Royalty:

Royalty on natural resources should be charged taking into account its long term sustainability. Considering should be given to international best practices.

Duty and fees:

Registration fee may be tied up with the value. As an illustration, it is suggested that twenty five percent of the registration fee should be charged as renew charge with the option to pay the fees upfront for five years at the prevailing rate. Penalty fee should be charged five hundred percent of the registration fee. It should be reviewed every two years.

Principal and interest:

Flexible interest rate policy, and the rescheduling of the loan should be adopted. It should be reviewed every year well ahead of the new fiscal year with the public enterprises. While negotiating the interest rate, two-year composite fixed deposit rate of different private and government banks and the foreign exchange risk of foreign borrowing should be taken into account. At the request of the public enterprises rescheduling of the principal amount should be considered, taking into account the financial situation of the enterprises.

6.2 *Specific Measures on each revenue heads (Part B)*

7. **Suggested follow up studies:**

- a. In depth study of the Non-Tax Revenue in SAARC countries.
- b. Possibility of incorporating Non-Tax Revenue measures in the Finance Bill. As it has far reaching legal consequences, it needs careful examination.
- c. Action oriented revenue sharing mechanism between the central government and the local government
- d. Projection of revenue of different non-tax heads for medium term
- e. Plan for public land use

Suggested Policy Action Matrix on Non-Tax Revenue (Systemic Improvements- Part A)

Revenue Heads	Constraints	Recommended Improvements	Activities	Indication of Achievements	Responsible Agencies	Time Frame
Revenue Planning	Policy	Medium Term Non-Tax Revenue Plan	Projection of Revenue for 3 years -Monitoring Mechanism -	Medium Term Plan Performance of Revenue	Ministry of Finance/ National Planning commission	Immediate
Revenue Advisory Committee	Policy	Add One member in charge of Non-tax Revenue in the existing Revenue Advisory Committee constituted each year by the Ministry of Finance	-Examine current status and trend -Identify new areas in non-tax revenue -Propose Guidelines for updating the rates of fees -Mechanism for effective service delivery -Define the cost and the pricing mechanism of rendering services from the government and the public enterprises. Prepare implementing guidelines applicable to specific government offices and the public enterprises	Report of the Revenue Advisory Committee	Ministry of Finance	Immediate
Study Team for interim period	Administration	Constitute a study team with representation from the government and the private sector	The responsibility of the study team should be to prepare ground work for the effective working of the Revenue Advisory Committee	Report of the study teams	Ministry of Finance	Immediate
Monitoring and Evaluation	Administration	Establish a non-tax revenue unit at the Revenue Division of the Ministry of Finance	Monitor the collection of revenue every trimester Follow up on the amendment of the concerned regulations identify constraints propose suggestion for improvement act as secretariat for Revenue Advisory Committee	Revenue collection Report of non-tax revenue unit	Ministry of Finance	Immediate

Policy Action Matrix on Non-Tax Revenue

Part B

Specific Measures on each revenue heads (Part B)

Revenue Heads	Constraints	Recommended Improvements	Activities	Indication of Achievements	Responsible Agencies	Time Frame
1. Firm, Agency, Arms Registration, Vehicle License Fee, Export/Import License Fee	Institutional Legal Policy	-Amend the respective Regulations to update the rates.	-Amend the regulations -Improve the service delivery -Review the export/import license fee in the context of accession to WTO.	- -Updated rates -Facility to pay the fees upfront	-Ministry of Industry, Commerce and Supplies -Ministry of Home -Ministry of Labor and Transport	Six month
2. Passport Fee	Policy legal	Rationalize the fees	-Cost of production of the passport -Labor demand of the foreign countries	-Amount of Revenue -Number of laborers in foreign countries	-Ministry of Foreign Affairs -Ministry of Labor and Transport	Six months
3. Tourism Fee	Domestic Political Situation	Rationalization of Mountaineering Fee	-Review the number of mountaineering tourists -Compare the facilities and fees with that of Tibet	-Rates of Mountaineering fee -Number of mountaineers -Revenue from mountain tourism	-Ministry of Labor and Transport -Ministry of Civil Aviation, Culture and Tourism -Ministry of Home	Six Months
4. Telephone ownership Fee	Domestic Political Situation	Service Delivery Additional Investment	-Prompt decision on application for ownership and transfer of ownership. -Prompt action on complain	-Number of application -Number of connection -Number of complains	-Ministry of Communication -Nepal Telecom	Continues
5. Penalty, Fines	Legal .policy	Amend the	-Increase the rate of legal charges	Gazette Publication	Supreme Court	One Year

Revenue Heads	Constraints	Recommended Improvements	Activities	Indication of Achievements	Responsible Agencies	Time Frame
and Forfeitures	Administration	regulation incorporating increase in rates	-Increase the rate of administrative charge	Revenue Figures	Various Administrative Institutions	
6. Postal service	Institutional	Service delivery	-Introduce Revenue Stamp -Extend Money Order Service -Train the staff -Streamline the organization -Consider the establishment of postal services bank	-Revenue stamps of various denominations -Number of countries for money order services -Amount of saving -Number of trained staff -Reorganization schemes	Ministry of Information and Communication	One Year
7. Food and agriculture	Policy/Administration	Review the rates Improve delivery services	-Efficient use of agriculture farms (implementation of the double track system) -Make available agricultural seeds/plants on time -Advise the farmers/purchasers of plants	-Implementation of two way Track system -Number of seeds and plants sold -Number of farmers seeking advice	Ministry of Agriculture and Cooperatives.	Six Months
8. Education	Policy	Update the rates of fees	-Examination fee -Registration fee	Revenue increase	Ministry of Education and Sports	Six Months
9. Forest	Institutional/Administrative	Management of forest	-Dispose of the forestry products, -- -Charge fees for community forest	Revenue increase	Ministry of Forest and Soil Conservation	Six Months
10. Transport Sector (Aircraft landing)	Domestic political situation	Additional investment	-Extend number of Airports -Agreement with more foreign airlines	-Number of airports -Number of agreements	Ministry of Tourism Ministry of Finance	One to Five years

Revenue Heads	Constraints	Recommended Improvements	Activities	Indication of Achievements	Responsible Agencies	Time Frame
11. Dividends, Interest and Principal	Policy Administration	-Reschedule the dividend payments -Reschedule the interest and Principal	-Negotiation with public enterprises on dividend, interest and principal	-Amendment of deeds and subsidiary loan agreements	Ministry of Finance Financial Comptroller General Office Public enterprises	Six Months
12. Royalty from Electricity	Domestic political situation	-Investment should be increased	Projects and pipeline be completed on schedule	-Annual progress report -Project completion report	Ministry of Water resources Nepal Electricity authority Ministry of finance	1-5 Years
13. Sales/Lease of Government Land	Policy/Institutional	High level committee to recommend on the use of government land and building	-up to date record -commercial use of land and building -sales of land and building	-Committee reports -Land use plan	Ministry of Land Reform Ministry of Home Ministry of Forest and Soil conservation	One Year
14. Reconciliation of Account	Policy Administration	Constitute a Committee under the Chairmanship of Financial Comptroller General with members from Ministry of Finance, concerned Public Enterprises	Determine the liabilities Identify the issues, and recommend the action oriented plan Solve the problems	Consolidated Statements of Accounts stating clearly the liabilities of both the government and the public enterprises	Ministry of Finance FCGO Public enterprises	One year

ANNEXES

Annex I: Terms of Reference

Study Topic

Measures for Expanding Non-Tax Revenue

This assignment is equivalent to effective one-man month. The consultant should establish adequate interactions with various stakeholders including the government agencies while conducting the study.

Task details:

- Review current sources and status of non-tax revenue
- Identify prospects for expanding non-tax revenue
- Identify administrative, legal and political constraints in expanding non-tax sources of revenue
- Suggest improvements
- Suggest policy-action matrix (a) constraints (legal, institutional, administrative, policy, and others if applicable); (b) recommend policy improvements; (c) activities; (d) indicators of achievement; (e) responsible agencies; and (f) timeframe (immediate, intermediate, and long-term)

This paper should include an executive summary not exceeding five pages, The consultant will have to submit a draft report to the EPN Focal Unit within 30 days from the date of assignment and present the draft at the workshop organized by the Advisory Committee and EPN Focal Unit. The final report should be submitted within 2 weeks of the workshop incorporating all feedbacks from the workshop. One hard and one electronic copy of the draft and final report should be submitted to the EPN Focal Unit.

Assigned to: FNCCI (Madhab P. Ghimire)

Responsible Ministry: MOF

Thematic area: Macroeconomic Management

ANNEX II

Ratio of Non-tax Revenue heads to Total Non-tax Revenue (Rs. In million)

Fiscal Year	TOTAL Non-tax Revenue	Duty and Fees	Penalty and Forfeitures	Receipts from sales of government property	Royalty and sales of Government Property	Dividends	Interest	Principal	Miscellaneous
1990	2001 (100)	30.7 (1.53)	745.8 (37.27)	397 (19.84)	64.9 (3.24)	233.8 (11.68)	279 (13.94)	250.8 (23.53)	26.8 (1.34)
1991	2553.2 (100)	35.6 (1.39)	977 (38.27)	511.4 (20.03)	27.9 (1.09)	459.5 (17.99)	236.8 (9.27)	261.4 (10.23)	43.8 (1.72)
1992	3637.1 (100)	46.5 (1.78)	1059.8 (39.14)	765 (21.03)	137.8 (3.79)	644.4 (17.72)	544.3 (14.97)	427.2 (11.75)	12.2 (0.34)
1993	3485.9 (100)	80.9 (2.32)	252.4 (7.24)	889.5 (25.51)	59.9 (1.72)	755.5 (21.67)	695.3 (19.95)	735.6 (21.10)	16.5 (0.47)
1994	4209.4 (100)	106.8 (2.53)	141.1 (3.35)	1270 (30.17)	90.4 (2.15)	775.7 (18.43)	1204.9 (28.62)	606.1 (14.39)	14.3 (0.34)
1995	4945.1 (100)	693.8 (14.03)	71.8 (1.45)	1388.3 (28.07)	196.9 (3.98)	1060.1 (21.44)	842.7 (17.04)	1210.5 (24.48)	9.6 (0.19)
1996	6225.1 (100)	814.2 (13.07)	127.9 (2.05)	1673.3 (26.88)	67.8 (1.09)	1363 (21.89)	1724.9 (27.71)	1093.9 (17.58)	16.1 (0.25)
1997	5949.2 (100)	44.9 (0.75)	96.5 (1.62)	1799.6 (30.25)	447.9 (7.53)	1134.4 (19.06)	1357.7 (22.82)	863 (14.51)	75.8 (1.27)
1998	6998.1 (100)	1124.1 (16.06)	121.9 (1.74)	2255.5 (32.23)	565.2 (8.08)	1311 (18.73)	1213.2 (17.34)	1247.9 (17.83)	75.7 (1.08)
1999	8498.7 (100)	1329.3 (15.64)	185.2 (2.18)	2146.6 (25.26)	202.3 (2.28)	1783.4 (20.98)	1685.9 (19.84)	2241.6 (26.37)	102.8 (1.21)
2000	9741.6 (100)	1619 (16.62)	128.1 (1.31)	2428.9 (24.93)	563.3 (5.78)	2507.5 (25.74)	1568.1 (16.09)	2182.9 (22.41)	104.6 (1.07)
2001	10028.8 (100)	1790.7 (17.86)	139.9 (1.39)	2728 (27.20)	949.6 (9.47)	2336.5 (23.29)	1440.1 (14.36)	2057.1 (20.51)	130.8 (1.30)
2002	11114.9 (100)	1756.7 (15.80)	230.3 (2.07)	2655.8 (23.89)	723.9 (6.51)	2512.9 (22.61)	1220.3 (10.98)	1889.1 (16.99)	1635.1 (17.71)
2003	13642.9 (100)	2201.3 (16.14)	166.9 (1.22)	1274.4 (9.34)	1946 (14.26)	2497.6 (18.31)	924.6 (6.78)	1539.7 (11.28)	3092.8 (22.66)
2004	14158.0 (100)	3244.1 (22.9)	133.2 (0.9)	1322.2 (9.3)	1465 (10.3)	2661.1 (18.8)	1656.5 (11.7)	1850.5 (13.1)	1825.3 (12.9)

Source: Ministry of Finance, Budget Speeches (Various Annual Issues)

ANNEX III

List of Persons met

HMGN

Thapa, Bharat Bahadur	Secretary, Ministry of Industry, Commerce and Supply
Basnet, Deep	Joint Secretary, Ministry of Finance
Singh, Ram Chandra Man	Joint Secretary, Ministry of Finance
Gautam, Shri Dhar	Director General Department of Postal Services
Dawadi, Rabi	Section Officer, Department of Postal Services
Lamichhane, Rishi	Joint Secretary, Ministry of Agriculture and Cooperatives
Malla, Dr. Sarala	Director, National Public Health Laboratory
Parajuli, Dr. Damodar	Joint Secretary, Ministry of Forest and Soil Conservation
Gautam, Tana	Director General, Department of Industry
Shah, Santosh Bikram	Executive Chairman, Forestry Product Development Committee
Hada, Mrs Brinda	Director General, Department of Commerce
Shrestha, Hari Shanker	Director, Department of Commerce
Shrestha, Shri Krishna	Director General, Bureau of Standards and Metrology
Shakya, Tej Raj	Director General Department of Cottage and Small Industry
Neupane, Janardan	Under Secretary, Ministry of Foreign Affairs
Sthapit, Nanda Ram	Director General, Department of Mining and Geology
Shrestha, Abanindra	Director General, Department of Internal Revenue
Banskota, Krishna Hari	Director General, Department of Customs
Karki, Pramod	Joint Secretary (Legal Division), Ministry of Finance
Paudel, Madhav	Joint Secretary, Ministry of Law and Justice

Nepal Electricity Authority

Karmacharya, Dr. Janak Lal	Managing Director
Shrestha, Uttar Kumar	Deputy Managing Director (Finance)

FCGO

K.C. Binod	Deputy Financial Comptroller General
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Nepal Tourism Board

Dangi, Tek Bahadur	Chief Executive Officer
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Federation of Nepalese Chamber of Commerce and Industry

Dabadi, Dr. Hemant	Executive Director, FNCCI
Shrestha, Kedar Man Singh	Senior Expert, (Tax and Industry)
Shrestha, Ramesh	Chairman, Income Tax and Value Added Tax Revenue Committee
Pradhan, Shailendra	Chairman, Customs and Excise Revenue Committee

Chamber of Commerce

Shrestha, Rajesh Kaji,	President
Rawal, Him Bahadur	Chairman, Revenue Committee

Nepal Rastra Bank

Acharya, Keshab Prasad	Chief Economic Adviser
Thapa, Dr. Govind	Director (Former Economic advisor at the Ministry of Finance)

Supreme Court

Timalisina, Dr. Ram Krishna	Acting Registrar
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ANNEX IV

List of Participants on the Interaction Programme on Measures for Expanding Non - Tax Revenue

24 June, 2005 at FNCCI

S.N	Name	Organization
1	Ashok Kumar Upreti	FNCCI
2	Sukunta Hirachan	FCAN
3	Ramesh Shrestha	FNCCI
4	Om Prakash Bansal	FNCCI
5	Pashupati Murarka	FNCCI
6	Bala Ram Kisi	Nepal Feed Industry Association
7	Kiran Raj Panday	AEC
8	Suresh Pradhan	FNCSI
9	Ramesh K. Khetan	HFTA
10	Shiva Kumar Agrawal	FNCCI
11	Om Prakash Rungta	Birgung Chamber of Commerce and Industry
12	Hem Bahadur Rawal	Nepal Chamber Of Commerce
13	Kavindra B. Shrestha	FNCCI
14	Bimal R. Joshi	NEA
15	Binod B. Shrestha	FNCCI
16	Shailendra L. Pradhan	FNCCI
17	Diwakar Golcha	FNCCI
18	Ashok K. Toda	FNCCI
19	Dr. D.R. Shakya	AEC/FNCCI
20	P.D. Sharma	FNCCI
21	Meera Shrestha	FNCCI
22	Kedar Man Singh Shrestha	FNCCI
23	Dr. Hemanta Dabadi	FNCCI
24	K.P Panday	FNCCI

Annex V

Specific proposals suggested by the participants at the interaction program held at the FNCCI on June 24, 2005.

There is no mechanism to monitor the progress of non-tax revenue. There should be an apex body to review the status of rates of fee, mobilization of revenue and mechanism of service delivery and suggest ways and means to address the constraints.

Fee for passport has no relation with the cost of printing passport. The passport fee should be charged based on the economic status of the passport holder. The passport fee should be low to the old and sick people. People should have option whether the passport should be issued for five years or ten years and the fee should be fixed accordingly.

Quarantine fee for the import of agriculture products should be increased.

There should be clear definition of what revenue heads fall under the central government and the district government. In the absence of such legal instrument the industrialists have to pay taxes at different levels. Double taxation and the harassment associated with it should be discouraged.

Government should strictly follow the financial rules to collect government due from the people and the institutions. The government should speed up the processing of disposing off of old vehicles, furniture, machineries etc, which may be a source of revenue in the short term.

Mountaineering fee should be reviewed in the context of opening up of Mt. Everest from Tibet side and the popularity of new route from Tibet Autonomous Region of China.

Annex VI
Summary of Non-tax Revenue (Rs.in 000)

	Heading	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1.1.05.00	Duty and Fees	30697	35656	46526	80978	106865	693772	814152	977546	1124103	1329269	1619017	1790654	1756734	2201280	3244124
1.1.05.10	Firm Registration	18365	19590	26052	28401	32499	33420	37947	44857	48888	51353	63031	57590	68518	75792	82053
1.1.05.20	Agency Registration		32	47	15	89	919	1255	2523	2030	2485	2754	2389	3341	2878	3087
1.1.05.30	Arms Registration	861	950	971	2106	2892	3221	2519	2038	2764	2385	2408	1544	1417	1589	2357
1.1.05.40	Transportation Sector Fee *	11471	15084	19456	50456	71385	50908	57166	52932	68222	94700	105989	94999	111111	119546	635413
1.1.05.50	Export and Import License Fee						9845	7126	13411	14829	11210	8983	21887	17393	16320	17224
1.1.05.60	Examination Fee						6249	10862	15949	19184	14891	15584	2539	23596	28263	66289
1.1.05.70	Passport Fee						262974	261340	351074	324889	263183	304880	409781	568824	923897	1535893
1.1.05.80	Tourism Fee						295462	394573	452116	591641	847173	1055884	1134101	899397	864680	638923
1.1.05.81	Visa Fee						156430	196896	235769	378016	586828	848741	911570	709389	629912	599814
1.1.05.82	Mountaineering and Trekking Fee						136004	194240	210093	203519	254216	203121	207413	187026	234224	38339
1.1.05.83	Other Fee						3028	3437	6254	10106	6129	4022	15118	2982	544	770
1.1.05.90	Other Administrative Fee						30774	41364	42646	51656	41889	59504	65824	63137	168315	262885
1.1.05.95	Telephone Ownership and Service Fee													0	98684	134832
1.1.05.99	Others													0	69631	128053
1.1.06.00	Penalty, Fines and Forfeitures	745785	977011	1059807	252417	141116	71848	127854	96464	121980	185200	128099	139862	230300	166914	133241
1.1.06.10	Judicial Duties, Penalty, Fines and Forfeitures	27891	30387	27664	30281	47399	50169	114834	78271	89088	97300	95822	106756	192230	104317	102098
1.1.06.20	Administration Penalty, Fines and Forfeitures	717894	946624	1032143	222136	93717	21679	13020	18193	32892	87900	32277	33106	38070	62597	31143

1.1.07.00	Receipts from sales of government property and services	396557	511409	764990	889536	1269997	829892	1017265	996390	1338970	1036177	1068082	1184100	1142950	1274439	1322240
1.1.07.10	Receipts from water Resources	4556	3713	6939	7102	9395	20818	23393	22816	234982	25057	15892	10240	7776	7028	5971
1.1.07.11	Drinking Water	2133	2368	2775	3932	6759	16791	19208	19133	21052	21421	14129	9108	6493	5646	5279
1.1.07.12	Irrigation	1860	1022	3112	1285	1358	1516	1660	1664	1580	1263	1490	1131	1279	1379	692
1.1.07.13	Electricity	563	323	1052	1885	1278	2511	2525	2019	212350	2373	273	1	4	3	0
1.1.07.20	Postal services	59786	56002	74119	96491	112849	159955	157549	165738	198754	201669	226563	229606	230349	219892	246958
1.1.07.30	Food and Agriculture	23663	25770	20122	20459	21122	28921	20977	30704	28737	34119	43430	50577	45933	42297	42800
1.1.07.40	Education	13136	16217	17745	21556	23791	20942	22673	37167	58540	50492	83482	93965	128024	112271	128687
1.1.07.50	Forest	112724	136268	197759	187338	342622	335903	442108	369712	390504	374590	525242	602643	546170	683639	674126
1.1.07.60	Transportation Sector Fee	63401	78733	150257	174540	191711	179399	263040	270330	311457	235911	85981	86292	99944	93464	131598
1.1.07.70	Others	119291	194706	298049	382050	568507	83954	87525	99923	115996	114339	87492	110777	84754	115848	92100
1.1.08.00	Dividends	233803	459486	644419	755548	775659	1060050	1363009	1134355	1310958	1782739	2507464	2336403	2512822	2497644	2661056
1.1.08.10	Financial Institutions	227417	455570	627124	752017	755546	1037669	1281331	1120687	1276704	1455209	2135462	2076280	2281765	1904301	1103098
1.1.08.20	Trading Concerns	386	914	3085	3	596	9250	47175	0	30990	123951	9664	13356	8822	11030	9067
1.1.08.30	Industrial Undertakings	6000	0	14205	3017	448	847	2000	60	2824	0	103194	0	6145	3000	
1.1.08.40	Service Oriented Institution		3002	5	511	19069	11465	31121	13322	440	203003	138030	226611	161766	576168	1510279
1.1.08.50	Others						819	1382	286	0	576	121114	20156	60469	0	35612
1.1.09.00	Interest	279017	236804	544260	695418	1204875	842673	1724897	1357682	1213185	1685956	1568144	1440099	1220275	924616	1656539
1.1.09.10	Financial Institutions						51032	42630	71572	35793	97467	111426	141872	98336	152106	99422
1.1.09.20	Trading Concerns						23	2	0	0	16	0	3	0	0	50
1.1.09.30	Industrial Undertakings						29452	59327	48865	57786	39061	18739	11202	78941	36568	33346
1.1.09.40	Service Oriented Institution						761938	1622215	1236677	1118843	1546178	1434968	1284069	1029494	722490	1521208
1.1.09.50	Others						228	723	568	763	3234	3011	2953	13504	13452	2513
1.1.10.00	Royalty and sales of Government Property	40132	28008	137762	59842	90391	196825	67869	447887	565151	202333	563341	949563	723872	1945459	1464979
1.1.10.10	Royalty	26988	12380	119898	43327	53619	96860	27731	397060	444564	105930	382602	488456	652463	1154013	1012019

1.1.10.11	Royalty from Mining	1422	1260	2622	2341	2329	5057	2230	2961	3838	11065	11720	5386	15281	11897	9808
1.1.10.12	Royalty related to water resources		22	90006	1	14	251	0	380003	427132	80403	356168	469232	582273	822775	604773
1.1.10.13	Casino Royalties												13838	54909	50644	53210
1.1.10.19	Other Royalties	25566	11098	27270	40985	51276	91552	25501	14096	13594	14462	14714		0	268697	344228
1.1.10.20	Sales	13144	15628	17864	16515	36772	99965	40138	50827	120587	96403	180739	461107	71409	791446	452960
1.1.10.21	Sales of government land and buildings						52158	13063	16136	92195	48364	114578	36102	15653	746779	9969
1.1.10.22	Sales of government goods			3066	3752	3579	30646	8675	17439	10191	27699	47364	18116	32387	24728	16650
1.1.10.23	Other sales	13144	15628	14798	12763	33193	17161	18400	17252	18201	20340	18797	406889	23369	19939	426341
1.1.11.00	Principal Repayment	250806	261377	427192	735646	606124	1210483	1093922	863032	1247966	2241588	2182956	2057116	1889132	1539659	1850534
1.1.11.10	Financial Institutions						28816	252070	152613	98054	408438	307945	444244	304427	396516	426921
1.1.11.20	Trading Concerns						7	20	0	5	0	6	0	10	0	102
1.1.11.30	Industrial Undertakings						127623	158842	138303	259417	341051	271121	61637	88950	57325	33450
1.1.11.40	Service Oriented Institution						1053921	678893	571926	887462	1485733	1596967	1544707	1487280	1062841	1366223
1.1.11.50	Others						116	4097	190	3028	6366	6917	6528	8465	22977	23838
1.1.12.00	Donation, Gift and Miscellaneous Income	26793	43821	12160	16519	14307	9566	16143	75844	75770	102864	104496	130762	1638818	3092845	1825333
1.1.12.10	Donation and gift						1	56	26	33	1	16	0	3730	306	61
1.1.12.20	Miscellaneous	26793	43821	12160	16519	14307	9565	16087	75818	75736	102863	104480	130762	1635088	3092539	1825272
	Total Non-tax Revenue	2003590	2786941	3926546	3485904	4725067	4915109	6225111	5016511	6998083	8566126	9741599	10028559	11114903	13642856	14158046

Source: Ministry of Finance, Budget Speeches (Various annual issues)

Note: As the revenue heads reclassification was done in 1995, the revenue heads before this year was adjusted accordingly

* - Transportation sector fee includes vehicle license fee, road improvement fee, urban road construction fee in 2004 only. For other years (90-2003), it includes vehicle licence fee only.

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