

GOVERNANCE

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Nepal's New Budget Met with Criticism over Tax Changes

WEEKLY

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The Nepal government recently unveiled its budget for the upcoming fiscal year 2023-24, amounting to NRs. 1.75 trillion. With the nation grappling with an economic slowdown and rising inflation, the budget was anticipated to alleviate the hardships faced by ordinary citizens and businesses. However, it has drawn widespread criticism as the government's focus on revenue collection through **ill-prepared tax changes** has come under fire.

The government has set a revenue collection target of NRs. 1.24 trillion for the fiscal year. Historical data reveals that the majority of Nepal's revenue is derived from income taxes paid by citizens employed in the formal private sector. Currently, the private sector employs approximately 2 million individuals, whose taxes are deducted at source, making them the most compliant taxpayers. Additionally, there are 500 thousand government officials and elected representatives whose income taxes are also deducted at source.

In the previous fiscal year, the government **collected** a total revenue of NRs. 989.62 billion. Out of this amount, income tax accounted for 24%, equivalent to NRs. 229 billion. Contrary to popular belief, private companies contributed only 5% (NRs. 47.5 billion) from their profits in the form of taxes. Value Added Tax (VAT) constituted approximately 33% (NRs. 314 billion) of the total revenue, while customs duty contributed NRs. 241 billion, and excise added NRs. 155 billion. In all these tax categories, average citizens consistently fulfill their tax obligations, whereas business elites often exploit loopholes or leverage political connections to **evade taxes**.

Nepal ranks among the top South Asian countries in terms of high taxation rates relative to the size of its economy. Despite shouldering substantial tax burdens, ordinary citizens receive minimal benefits in return. Experts argue that Nepal's tax rates are disproportionately high compared to the average earnings of its people. Furthermore, citizens suffer from deficiencies in government infrastructure, relying on the profit-driven private sector for essential services such as healthcare and education. Shouldn't a government that collects significant amounts from the pockets of average earners also prioritize their welfare? If not that, shouldn't it, at the very least, refrain from burdening the public by inflating prices of daily necessities through taxes?

As the government faces criticism over its tax policies and revenue collection strategies, citizens hope for a more balanced approach that addresses their concerns while fostering sustainable economic growth and equitable development.

Read more: [Bizmandu](#)

Governance Issues of the Week

1. According to the Central Bureau of Statistics, there are 1.1 million child laborers, comprising 15.3% of the total children in Nepal. Alarming, 222,000 of these children endure hazardous conditions nationwide. Despite the existence of 11 labor offices, the battle against child labor remains unresolved and ineffective.

Read more: [Naya Patrika](#)

2. The Supreme Court has set the boundary of the Fewa Lake conservation area at 65 meters, as decided on January 23, 2011. Initially reduced to 35 meters by Pokhara Metropolitan City on March 30, 2022, the court upheld the 65-meter boundary during the hearing of a writ petition. This ruling will require the relocation of around a thousand structures in the Fewa Lake area.

Read more: [Ukaalo](#)

3. The development budget expenditure in all seven provinces of Nepal has fallen short, with only 50% of the budget utilized. Insufficient provisions for procurement and contracts, along with the government's emphasis on self-benefiting programs during the restructuring process, attributed to an unutilized budget across all provinces.

Read more: [Ekantipur](#)

4. The Supreme Court has given its verdict on the corruption case of the former office bearers of the Tax Settlement Commission (TSC). Lumbadhoj Mahat, the former TSC chairperson, and members Chudamani Sharma and Umesh Prasad Dhakal, who were accused of embezzling NRs. 21 billion in tax settlements, received a prison sentence of nine years and fined Rs4.1 billion.

Read more: [The Kathmandu Post](#)

5. Nepal's Supreme Court has granted approval for the implementation of new amendments to the Citizenship Act, sparking joy among protesting youths who demanded immediate implementation of amendments authenticated by President Ramchandra Paudel. This decision paves the way for thousands of children born to citizens to acquire citizenship by descent, benefitting approximately 400,000 Nepalis awaiting their citizenship. However, a final verdict from the court is still pending.

Read more: [The Kathmandu Post](#)

6. The Nepali government has instructed its embassy in New Delhi to investigate the inclusion of Nepali territories in India's Akhand Bharat map displayed in their parliament building. Foreign Minister NP Saud requested a report on the matter to address the growing criticism within Nepal. The inclusion of regions like Lumbini and Kapilvastu has put pressure on the government to take a stance against India's actions.

Read more: [Online Khabar](#)

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