

Indirect Taxes and Economic Growth: An Empirical Analysis of Nepal

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Abstract

This paper examines the relationship between VAT, customs, and excise duty in Nepal and economic growth, using secondary data from 1975 to 2019 also explore the debate between high indirect taxes and economic activities.

This paper found a positive relationship between VAT, customs duty, excise duty, export, and economic growth in Nepal, with coefficients of 0.164862, 0.572046, and 0.169034 respectively, indicating a positive economic environment. The paper found a significant short run coefficient of -0.419970, indicating that 99.8% of changes in the dependent variable. The overall model is significant, and autocorrelation is evident. The paper recommends government policy to enhance tax administration and reduce tax exemptions.

This paper reveals autocorrelation in the model estimating indirect taxation's impact on economic growth in Nepal, suggesting a need for government policy to enhance tax administration, expand tax bases, and reduce exemptions.

Keywords: Value Added Tax, Economic growth, Gross domestic product, Diagnostic test

Introduction

Much of the resources available to the government in some developing countries have been focused on attaining high levels of prosperity, eradicating poverty and economic inequality, and improving the standard of living. Similarly, improving Nepal's administration is crucial to building the country's infrastructure and bringing down the country's extreme poverty rate. Income is important in this regard. But making money may be a difficult and scary endeavor.

Nepal mostly makes money via receiving aid from abroad. Nonetheless, a number of developing countries have demonstrated that loans, international subsidies, and foreign assistance intended to finance development initiatives can have unfavorable effects. For this reason, the government must rely entirely on its own resources to create money. Taxes are the main source of revenue generation and mobilization for the government, while it can obtain money from non-taxable as well as taxable sources (Subedi, 2005).

Governmental entities must levy taxes as a mandatory fee, and taxpayers do not directly get any compensation for their efforts (James & Nobes, 1997).

Tax system provide enough revenue to meet the government's growing public sector obligations. Nonetheless, a lot of developing nations struggle to make money. Significant investments in human capital and basic infrastructure required for sustained economic advancement have been hampered by inadequate budgets and inefficient use of public monies in some LDCs (Eltony, 2002).

According to Dalton, when the terms of a contract or other agreement between two parties change, one party is subject to an indirect tax that is either fully or partially paid by the other. Direct tax, on the other hand, is really paid by the subject of the law (Dalton, 1948).

One might have particular or generic indirect taxes. Being imposed on a broad variety of products and services, VAT is referred to as general tax. A selective or specialized tax may occasionally be applied to a limited number of items. There are two possible rates for indirect taxes: flat and ad valorem. Although indirect taxes must also be imposed on the poor, direct taxation is the most efficient means of taxing the affluent. As the number of governmental duties rises, substantial funding is required to carry out a variety of operations. Both direct and indirect taxes are necessary to provide enough money; one cannot exist without the other.

The relative importance of each is contingent upon several factors, including the configuration of the financial system and the allocation of earnings (Dangal & Gajurel, 2018).

Preliminaries

Indirect tax

Indirect tax is a tax collected by an intermediary from the consumer, often included in the price of goods and services. It is less visible to consumers than direct taxes, such as income tax. The impact varies based on consumption patterns and can be regressive.

Value Added Tax (VAT) and Goods and Services Tax (GST)

A tax on the value added to goods and services at each stage of production or distribution. Consumers pay the tax when they purchase goods or services.

Sales Tax

A tax imposed on sales of goods and services. The seller collects the tax from the buyer at the point of sale and remits it to the government.

Excise Duty

A tax imposed on the production or sale of specific goods within a country. Common examples include taxes on alcohol, tobacco, and gasoline.

Customs Duty

A tax imposed on imports and sometimes exports. It is typically based on the value of goods or a fixed price per unit.

Service Tax

A tax that is genuinely paid by the clients but is imposed on service providers on certain service transactions.

Review of Literature

Dangal and Gajurel (2018) explained that equity is necessary for ability to pay. The idea behind horizontal equity is that everyone should pay the same taxes if they have equal financial means. The idea of vertical equity is based on the idea that tax burdens should increase in proportion to an individual's ability to pay.

Shrestha et.al. (2019) studied the impact of value added tax (VAT) on the economic development of Nepal using the Vector Error Correction Model (VECM). They found that VAT had a positive impact on economic growth in short run, but the effect was insignificant in the long run.

Paudel and Shakya (2019) explained how Nepal's economy grows and how much revenue is collected from excise taxes. This paper finds that excise taxes have a positive effect on revenue production, which can then be utilized to finance different development initiatives and support economic expansion.

NRB (2002) conducted a study on an elasticity and buoyancy and explored that import taxes from fiscal year 1980/81 to 2001/2002 in order to better understand the trend. The investigation used a five-year forward projection and empirical regression to assess how responsive Nepal's import taxes were.

Dhungel (2018) examined Nepal's tax yield productivity and responsiveness from 1990–1991 fiscal year to 2013–2014 fiscal year. Using the Sahota method of proportionate adjustment, a new income series was produced for both the individual and collective taxes.

Laura (2019) looked at how Nigeria's economic development was affected by indirect taxes. This analysis examined data on real GDP, VAT revenue, customs and excise duty revenue, and inflation from 1981 to 2018 (a period of 37 years).

Islam (2019) examined how indirect taxes affected Bangladesh's GDP between 2001–2002 and 2013–2014. Indirect taxes are divided into two main areas in this study: local level indirect taxes and import-export level indirect taxes. His study was to determine how indirect taxes affect Bangladesh's GDP.

Research Gap

Many studies have been conducted to inspect the effect of taxes on economic development worldwide. Impacts of VAT and customs taxes on Nepal's economic growth have been thoroughly studied. Nonetheless, there are a number of information gaps that need to be addressed. The net impact of VAT and customs taxes is one of the biggest research gaps. Some studies contend that these taxes may decrease exports and have a detrimental effect on economic growth, while others believe that they have a beneficial effect on growth by raising money for infrastructure development and public programs.

Value Added Tax (VAT), Custom and Excise Duties are crucial revenue sources for governments worldwide. The Nepalese government heavily relies on VAT and custom

duties, but their impact on the country's growth remains unclear. The paper examines the correlation between indirect taxes and economic growth by analyzing current statistics.

Statement of Problem

Most people think that taxes are a non-inflationary way to finance income redistribution and the development of an equitable society. The use of ostentatious products and services must be discouraged by the mobilization of resources through taxes. In this framework, taxes are seen as one tool in the government's armory for maintaining overall economic and monetary stability rather than as a way of "finding the money" for government expenditures (Kaldor, 1996).

Maintaining peace and security is just one goal of taxes; another is to fund development projects. In Nepal, indirect taxes provide for about 70% of overall income; the remaining portion is provided by tax imposition. The best method of taxing the wealthy is direct taxation; nevertheless, indirect taxes from the less fortunate must also be collected. Thus, the focus of this paper is on the indirect tax's impact on Nepal's economy. The research question of this paper are as follows:

- (i) What exactly are the trends in Nepal's taxation?
- (ii) How does indirect tax impact the economy of Nepal?

Objectives

The general objectives of this paper are to evaluate the impact of indirect taxes on economic growth of Nepal. The key objectives are as follows:

- (i) To evaluate the trends of various determinants of indirect tax in Nepal
- (ii) To examine impact of indirect tax on gross domestic product of Nepal.

Significance

Developing countries have resorted to the extensive use of indirect taxes as a result of the shortcomings of direct taxation. It has been shown that indirect taxes work better in underdeveloped countries since they help to reduce consumption that occurs on a regular basis and mobilize money for development. This is because productive investment is not the primary use of a large amount of the national revenue in these nations; rather, it is oriented towards current consumption. Compared to developed nations, these countries have a significantly greater average inclination toward consumption. As a result, indirect taxes that lower consumption need to be more important. They will encourage greater savings rates, which are essential for economic expansion (Dangal & Gajurel, 2018).

Most products and services in Nepal are subject to indirect taxes as exercise duty and sales tax. Both the total revenue and the national income have increased due to the different indirect taxes. The impacts of indirect taxes are an important consideration for policymakers when creating appropriate plans to achieve the intended outcomes. Examining current statistics on indirect taxes are the objectives of this paper.

Method and Discussion

Research Design

The aim of this paper is to investigate impact of indirect taxes economic development of Nepal. Secondary sources, including the Economy Survey, the websites of the Ministry of Finance, and documents from Nepal Rastra Bank, provided data for the research design. To determine how indirect taxes, impact actual variables, a number of diagnostic procedures have been carried out. The variables' means, medians, standard deviations, kurtosis, and other characteristics have all been observed by descriptive statistical analysis. The unit root test, and Augmented Dickey-Fuller test is used to determine if a variable is stationary. To examine the long-term connection among variables, the Engel and Granger co-integration test was used.

Mathematical Model

Time series data analysis spanning from 1975 to 2019 was utilized. The GDP (current price) of Nepal, which represents the country's whole economic production, is the dependent variable.

$$GDP = f(VAT, EXCUSD, EXP)$$

(i)

This equation can be represented in another econometric format as

$$GDP_t = \beta_0 + \beta_1 VAT_t + \beta_2 EXCUSD_t + \beta_3 EXP_t + \mu_t$$

Here,

GDP_t = Nominal Gross Domestic

Product VAT_t = Value Added Tax

EXCUSD_t = Excise and

Custom Duty β_0 = Intercept form

$\beta_1, \beta_2, \beta_3$ = Coefficients of the parameter estimate

μ_t = Stochastic error terms

Data Analysis and Presentation

The paper used a regression model of co-integration, EViews software, and tables and figures to analyze from time series data, ensuring data stationarity and co-integration before determining causality.

Econometric Tools

The important econometric tools are unit root test and co-integration test.

Unit Root Test

A unit root test is used to confirm whether a variable has a unit root, which would indicate that the variable has non-stationarity. There isn't a unit root, according to the null hypothesis. This test is conducted using the Augmented Dickey Fuller (ADF) methodology.

Co-integration Test

One of the popular techniques for determining if time-series data in a given model has co-integrated then for this work the Engle and Granger co-integration test is used. This test gives a sense of the series' long-term relationship.

Discussion

VAT System in Nepal

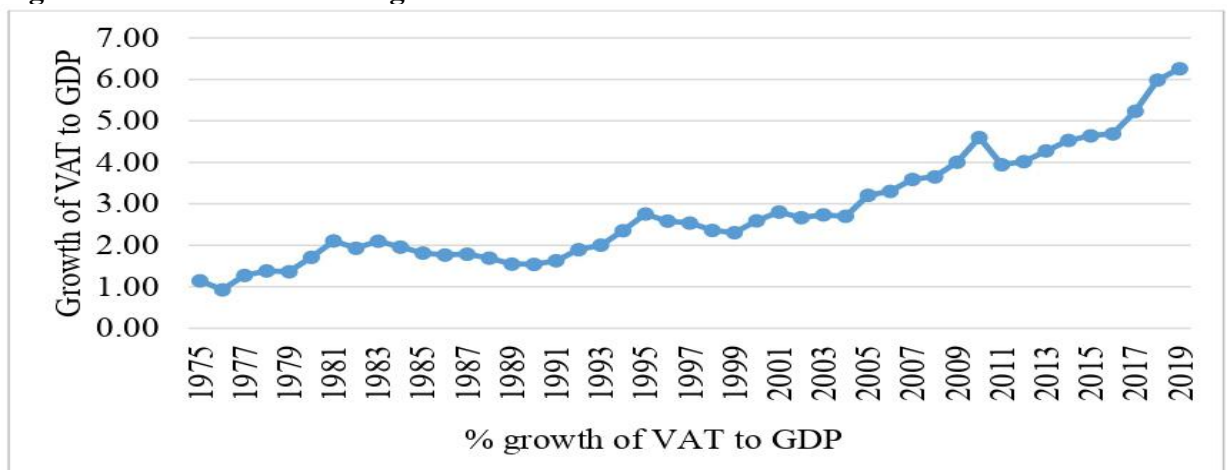
The three types of indirect taxes that are most frequently used in Nepal are excise tax, customs tariff, and value added tax.

In September 1995, it was promised that the Value Added Tax will be implemented within the same Fiscal Year 1995–96. To ensure the effective implementation and administration of VAT, the government renamed the sales tax and excise department and its offices as the value added tax department and value added tax office, respectively, on July 16, 1996. In addition, the government established one VAT department in the city and seventeen VAT offices spread throughout several regions (Subedi, 2016).

It is a superior indirect tax that has been designed to replace the old sales tax. It also takes the place of the contract tax, entertainment tax, and hotel tax. Value Added Tax management is currently under the purview of the Inland Revenue Department, which was established on July 17, 2001 by the merger of the Department of Value Added Tax and the Department of Taxation (Subedi, 2016).

Nepal has put in place a comprehensive value-added tax system that is credit-based and based on consumption. This suggests that the tax base is made up of solely domestic consumption. Certain products and services related to social welfare, education, culture, and other related fields are not subject to taxes. The 10% single-rate VAT was raised to 13% from February 15, 2004 (Subedi, 2016). The trend on percentage growth of VAT to GDP has been shown in figure 1.

Figure 1: Trend on Percentage Growth of VAT to GDP

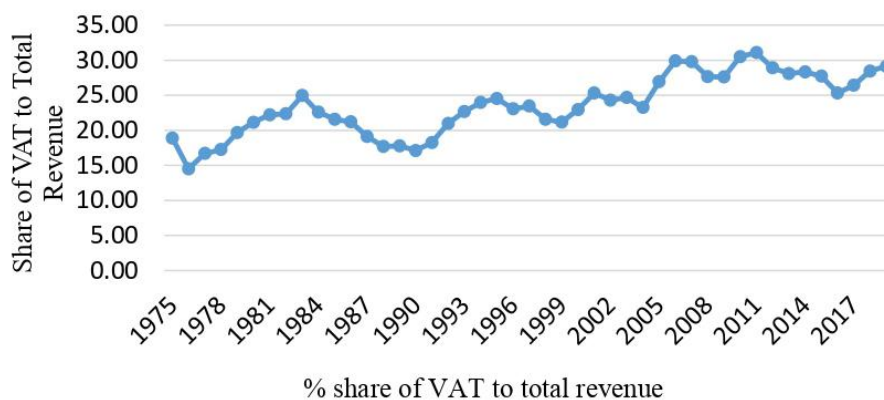


Calculation from Appendix B

The figure 1 shows the percentage trend increase of VAT relative to GDP. The percentage increase of VAT to GDP throughout the period ranges from 1.15 to 6.26. It

is clear from the figure1 that Nepal's VAT is increasing. Similarly, Figure 2 demonstrate VAT as a percentage of total revenue.

Figure 2: Percentage share of VAT to Total Revenue

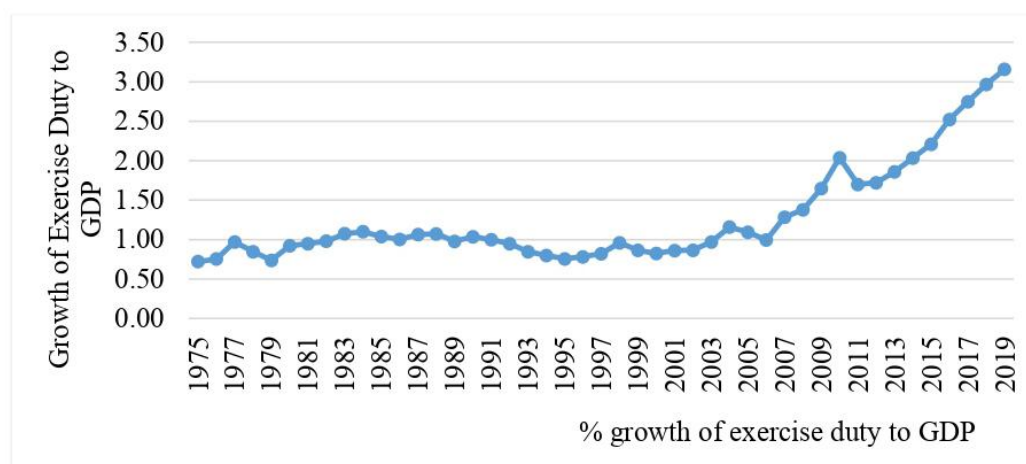


Excise Duty in Nepal

A separation was made in 1965 to create a distinct Excise Department from the Customs Department. With the purpose of generating income from various local commodities, this tax improves excise management.

Determining the exact amount that excise duty contributes to Nepal's economic growth is difficult since it relies on several factors, such as the tax rate, the size of the economy, and the structure of the tax system. Here, we examined how Excise Duty influenced Nepal's economic development using the graphs that were on show. Figure 3 show the percentage growth of excise duty to GDP.

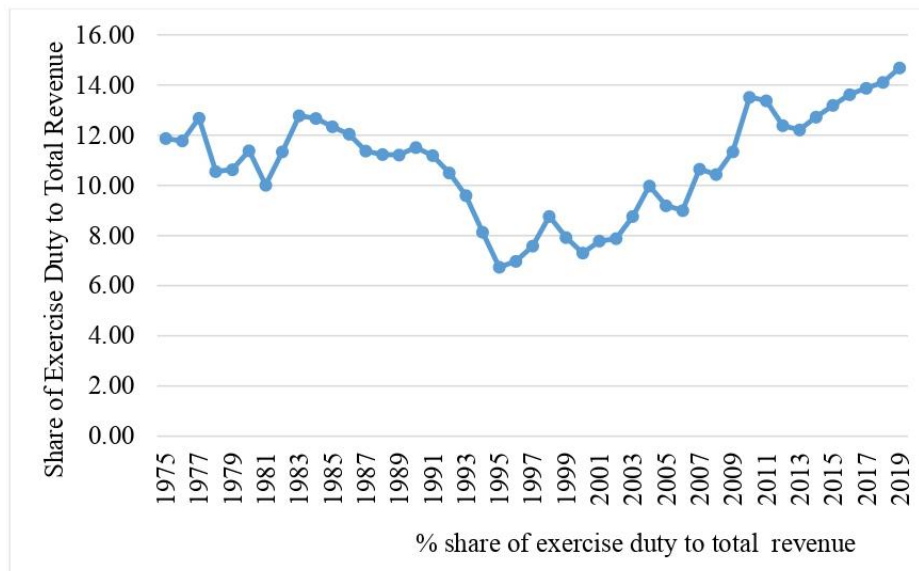
Figure 3: Trend on Percentage Growth of Excise Duty to GDP



Calculation is based on Appendix B.

Figure 3 explain the trend of the percentage rise in Excise Duty to GDP. Over the course of the period, exercise's percentage contribution to GDP has varied from 0.72 to 3.16. Now, percentage share of excise duty to total revenue is given below:

Figure 4: Percentage share of Excise Duty with Total Revenue



Calculation based on Appendix C.

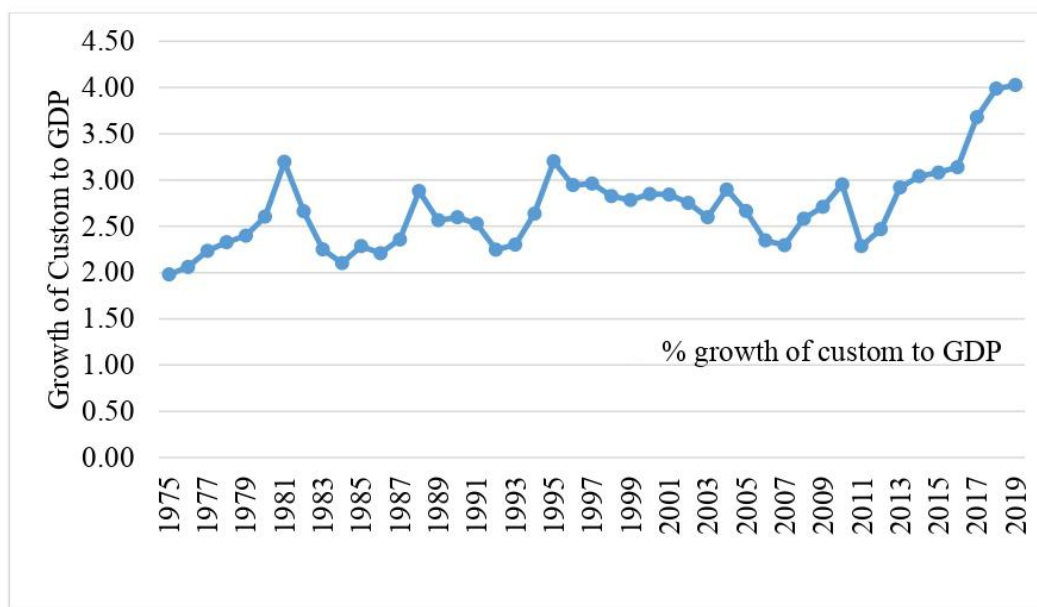
Figure 4 shows the percentage of government income that came from excise duty between 1975 and 2019. A series of economic shocks between 1983 and 1996 resulted in a sharp fall in the percentage of excise duty with total revenue. It appears that after then, the excise obligation percentage of total tax rises. In 1975, exercise duty made up 11.87% of total income; by 2019, that percentage had increased to 14.69%.

Custom Duty in Nepal

Nepal's Customs Act, implemented in 2019, significantly boosts government revenue by facilitating trade and addressing transit issues, despite limited industries and private companies (Singh, 2010). The 2019 Customs Act controls the economy by imposing duties on goods exported from Nepal and imported from other countries, aiming to raise income and encourage or discourage product imports or exports. Customs revenue includes, among other things, excise returns from India, declaration fees, demurrage costs, and export and import duties.

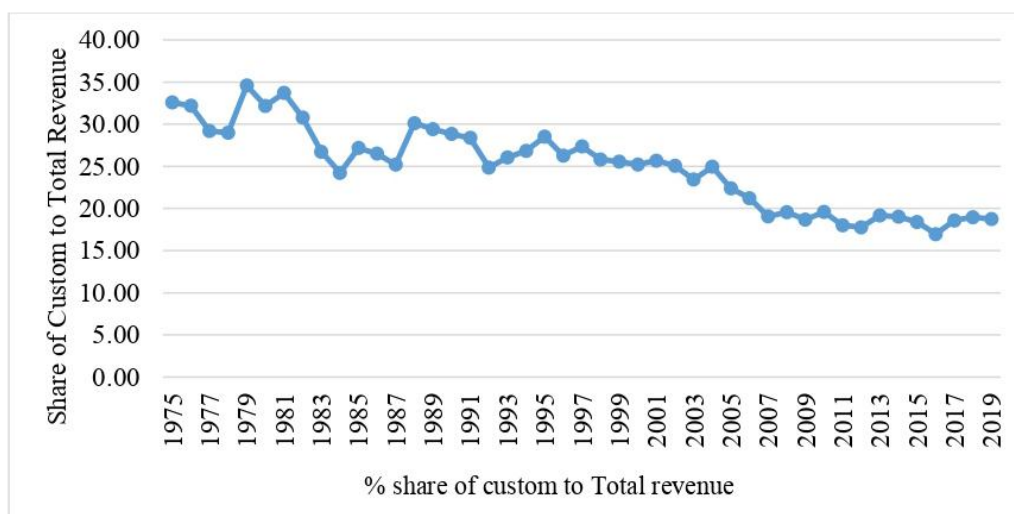
Customs duty on imported products at the Nepal border is calculated based on transaction value, including cost, insurance, and freight. A valuation committee increases transaction value by 5% to 10%. Under-invoicing can result in revaluation and duty collection (Upadhyay, 2019).

Customs can boost domestic industry growth by protecting it from foreign competition, resulting in job creation and increased exports. However, tariffs can increase import costs, weakening demand and affecting trade and economic growth. Figure 5 explains the trends on percentage growth of custom to GDP.

Figure 5: Trend on percentage Growth to GDP

Calculation based on Appendix B.

Figure 5 explain custom tax's increasing share of GDP from 1975 to 2019. Custom duty contributions to Nepal's GDP development remain substantial despite the graph's trend variations. Figure 6 show the percentage share of custom duty to total revenue.

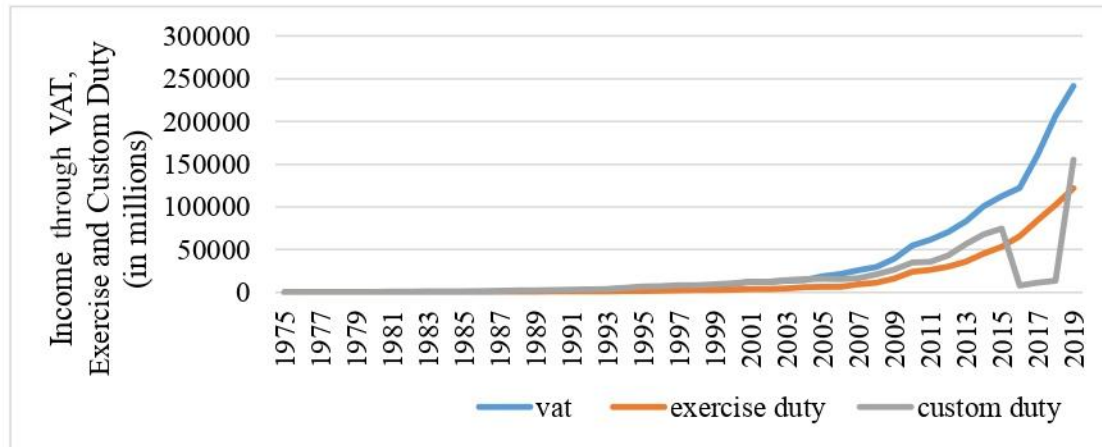
Figure 6: Percentage share of Custom Duty to Total revenue

Calculation based on Appendix C.

Figure 6 explains the customs tax's share of overall government revenue from 1975 to 2019. Customs appears to have contributed more to overall revenue in 1979, accounting

for 34.59% of total income. After that, the percentage of customs seems to be decreasing till the deadline. Customs made for 18.73% of total income in 2019 compared to 32.57% in 1975. Similarly, figure 7 shows the trend of VAT, Excise and Custom Duty in Nepal.

Figure 7: Trend of VAT, Excise Duty, and Custom Duty



Note: Calculation based on Appendix B

Figure 7 explores Nepal's major indirect tax components, namely VAT, customs, and excise duty from 1975 to 2019. Up to 1993, the percentages of VAT, excise duty, and custom duty that make up indirect tax were almost equal. After the time, a little shift in the trends for excise duty, customs, and VAT is seen.

There wasn't much of a distinction between excise duty, customs, and VAT until 2008. There is a little alteration to the VAT, excise, and custom duty structure. Since 2014, the customs duty has decreased. Between 2015 and 2017, the pattern did not change. Following the time, the customs duty went raised. Compared to customs duties, excise duty and VAT have a much better structure. VAT makes up a larger portion of indirect tax than Excise and custom duty.

ADF Test for Unit Roots

Table 1: Result

Variables Remarks	Level		First Difference	
	t-statistics	Probability	t-statistics	Probability
LNGDP I(1)	-2.079	0.543	-6.278	0.000
LNVAT I(1)	-2.871	0.182	-7.041	0.000
LNEXCUSD I(1)	-1.427	0.839	-6.373	0.000

LNEXP i(1)	-0.726	0.965	-5.532	0.000
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Source: Calculation Based on Appendix A.

To determine whether or not the variables under investigation have a unit root, the unit root test has been performed. This suggests that the stationarity of the variables is confirmed using the Augmented Dickey Fuller test. The results shown in Table 1 show that the study's variables are not stationary at the level.

At first difference, the following variables are stationary: LGDP, LVAT, LEXCUSD, and LEXPORT. This indicates that for both the intercept without trend and the intercept with trend, have unit root. Up to order 1, the variables are integrated. Therefore, the variables may be utilized to assess the long-term connection between variables using the Engle and Granger Co-integration approach.

Regression Analysis

Table 2: Results of Regression Analysis

Dependent Variable: LNGDP 1975-2019)				
Variable	Co-efficient	St. Error.	T-Statistics	
Prob.				
LVAT	0.16486	0.075592	2.17147	
0.0357				
LNEXCUSD	0.57205	0.08173	6.99939	
0.0000				
LNEXP	0.16903	0.02143	7.88657	
0.0000				
C	4.10931	0.15724	26.13481	
0.0000				
R-Squared		0.99841	F-Statistic	
8593.18				
Adjusted	R-	Squared	0.99829	statistic)
0.000000				
	Durbin-Watson			Stat
1.06579				

Calculation Based on Econometric Model

Table 2 reveals significant long-run coefficients and effects of indirect taxation on GDP. Changes in VAT, Excise and Custom Duty, and export resulted in 0.16% and 0.575% GDP changes, respectively.

The null hypothesis is rejected as the probabilities of VAT, Excise, and Custom duty are less than 5%, indicating their effectiveness as determinants of economic growth. The regression's R² (0.998) indicates that independent variables, such as VAT, customs and excise, and total exports, account for 99.8% of the systematic fluctuations in Nepalese economy output growth.

The remaining 0.02% of variation can be attributed to additional factors not included in the model. The model's F-statistics value is less than 5% critical, indicating significant overall performance, but low Durbin and Watson statistics reveal serial correlation in residuals.

Engel and Granger Co-integration Test

The Engle and Granger Co-integration test uses a two-step method to test the unit root of residuals, confirming co-integration among variables when the null hypothesis is rejected.

Table 3: Residual Test of Econometric Model

Null Hypothesis: ECT has a unit root		
Exogenous: None		
Lag Length; 0(Automatic- based on SLC, Max Lag = 9)		
	t-Statistic	Prob.
Augmented Dickey-Fuller Test Results	-4.11306	0.0001
Critical Test Values	1 Percent Level	-2.61858
	5 Percent Level	-1.94849
	10 Percent Level	-1.61214
Mac Kinnon (2010), One Sided P-Values		

Calculation Based on Econometric Model

Table 3 provides an explanation of the static value of -4.11306 for the ADF test. Nevertheless, the conventional Dickey-Fuller distribution would tend to excessively reject the null, therefore the test critical values and p-value listed in Table 4.3 cannot be used to support or refute the null hypothesis (Harris & Sollis, 2003). The actual critical value is calculated from (Maciknon, 2010) equation

$$C_k(\mathcal{P}) = \beta_{\infty} + \beta_1 T_k^{-1} + \beta_2 T_k^{-2} + e_k$$

$C_k(\mathcal{P})$ is the $\mathcal{P}$ percent quantile from k^{th} experiment, T_k is sample size for the experiment, and β_{∞} , β_1 , β_2 are the values given by Maciknon (2010) in the table 1.

Estimates of Critical Values

The null hypothesis that the residual series contain a unit root is rejected by Table 3, which examines how the ADF test statistics were more negative than the critical values for 45 observations. This suggests that the regressions are legitimate and the variables are co-integrated.

Table 4: Result of Heteroskedasticity Test

F-Statistics	0.52916	Prob. F (4,39)
0.715		
Obs R- Squared	2.26509	Prob. Chi-Square (4)

0.687		
Scaled Explained SS	4.02340	Prob. Chi-Squared (4)
0.403		

Calculation Based on Econometric Model

As p-value are more than 5 percent, so there is no problem.

Major Findings

Using GDP, VAT, Excise Custom Duty, and Total Government Expenditure as dependent and independent variables, this study examines the overall effects of VAT, Custom, and Excise on Nepal's economic growth from 1975 to 2019. It also looks at how Nepal's economic growth is impacted by indirect taxes. This paper used a unit root test to check the stationarity of variables LNGDP, LNVAT, LNEXCUSD, and LNEXP, revealing non-stationary at levels and stationary at first difference. This paper employs a regression technique that integrates co-integration and error correction models, resulting in various findings. The paper has produced various findings, which are listed below.

- (i) A favorable trend has been seen in the GDP-related trends of VAT, excise, and custom duty.
- (ii) It is calculated that the independent variables, primarily VAT and EXCUSD, have positive and significant long-run coefficients (p-value <0.05). It bolsters the argument that VAT and EXCUSD have a significant role in determining the nation's economic expansion.
- (iii) According to the regression's R^2 score, the independent variables account for around 99.8% of the variations; the remaining 0.2% are attributable to additional influencing factors that are beyond the purview of the model. Moreover, the model's overall importance was proved by the strong F-statistics.
- (iv) It is discovered that the Error Correction term has a positive and substantial coefficient. The short-run coefficient of VAT is negligible, nevertheless.
- (v) The diagnostic test verifies that the model has serial auto-correlation but not heteroskedasticity.

Policy Recommendations

Tax Rate Optimization

The government should conduct regular reviews of indirect tax rates to ensure they are set at levels that maximize revenue without stifling economic growth. This involves finding a balance between generating necessary revenue and maintaining a conducive environment for business and investment.

Broadening the Tax Base

Efforts should be made to broaden the tax base by reducing exemptions and increasing the efficiency of tax collection. This can help in raising more revenue without necessarily increasing tax rates.

Strengthening Tax Administration

Investing in modernizing tax administration through digitalization and better training for tax officials can improve compliance and reduce tax evasion. This can ensure that the government collects the revenue it is due without imposing higher rates.

Progressive Taxation

Implementing more progressive elements within the indirect tax system can help mitigate the regressive nature of these taxes. For example, luxury goods can be taxed at higher rates, while essential goods are taxed at lower rates or exempted.

Public Awareness and Education

Increasing public awareness about the importance of taxes and how they are used can improve compliance. Educational campaigns can help citizens understand the benefits of paying taxes and how these funds contribute to national development.

Transparency and Accountability

Ensuring transparency in the use of tax revenues can build public trust. The government should regularly publish detailed reports on how tax revenues are being spent, especially on public services and infrastructure projects.

Economic Diversification

Policies aimed at diversifying the economy can help reduce reliance on any single source of revenue. By promoting growth in various sectors, the government can create a more resilient economic structure that can better absorb tax policy changes.

Incentives for Compliance: Providing incentives for compliance, such as tax credits or rebates for businesses that demonstrate good tax practices, can encourage voluntary compliance and foster a culture of tax honesty.

Periodic Policy Review

Establishing a mechanism for the periodic review of tax policies can ensure they remain relevant and effective in a changing economic environment. This can involve stakeholder consultations, impact assessments, and adjustments based on empirical evidence. By focusing on these research areas and policy recommendations, Nepal can better understand the dynamics between indirect taxes and economic growth, ultimately crafting policies that promote sustainable economic development.

Future Research

Future research may also look at how certain indirect tax types affect Nepalese economic growth and how effectively the government may employ these taxes to advance economic development.

Conclusion

This paper discovered a favorable correlation between indirect taxes and economic development in Nepal using and analyzing secondary data from an econometric model. This shows that the nation's economic growth is positively impacted by the government's usage of indirect taxes.

This paper also discovered that indirect tax income to the government has grown dramatically over time, demonstrating the significance of indirect tax in Nepal's fiscal strategy. Overall, the paper's conclusions have significant ramifications for Nepal's policymakers. Policymakers must consider the potential drawbacks of taxes like VAT, customs, and excise duty.

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Appendix A

VAT, EXCUSD, Total Expenditure and GDP

Fiscal Year	GDP at current prices (in millions)	Custom and Excise (in millions)	VAT (in millions)	Total export (in millions)
1975	16601	448.20	190.5	889.6
1976	17394	489.60	161.6	1,185.8
1977	17280	554.00	220.9	1,164.7
1978	19727	625.80	273.1	1,046.2
1979	26128	819.30	356.8	1,296.8
1980	23351	823.20	399.9	1,150.5
1981	25530	1058.00	537.7	1,608.7
19882	30988	1129.00	599.2	1,491.5
1983	33821	1124.60	710.8	1,132.0
1984	39290	1258.00	770.7	1,703.9
1985	46587	1547.70	845.2	2,740.6
1986	55734	1790.10	985.5	3,078.1
1987	63864	2184.30	1,143.2	2,991.4
1988	76906	3040.00	1,300.3	4,114.5
1989	89270	3162.40	1,385.0	4,195.3
1990	103416	3756.90	1,594.7	5,156.2
1991	120370	4244.60	1,959.5	7,387.5
1992	149487	4778.20	2,835.9	13,706.5
1993	171492	5397.60	3,438.4	17,266.5
1994	199272	6847.30	4,693.2	19,293.4
1995	219175	8675.60	6,037.9	17,639.2
1996	248913	9273.30	6,431.7	19,881.1
1997	280513	10611.20	7,126.6	22,636.5
1998	300845	11388.70	7,108.7	27,513.5
1999	342036	12470.20	7,882.5	35,676.3
2000	379488	13946.00	9,850.0	49,822.7
2001	441519	16356.90	12,381.9	55,654.1
2002	459443	16623.30	12,267.3	46,944.8
2003	492231	17560.70	13,467.3	49,930.6
2004	536749	21776.20	14,498.2	53,910.7
2005	589412	22147.90	18,897.0	58,705.7
2006	654084	21850.40	21,615.4	60,234.1
2007	727827	26051.20	26,145.4	59,383.1
2008	815658	32291.60	29,784.6	59,266.5
2009	988272	43065.40	39,604.2	67,697.5
2010	1192774	59534.00	54,896.5	60,824.0
2011	1562681	62255.70	61,659.1	64,338.5

2012	1758379.2	73646.80	70,669.3	74,261.0
2013	1949294.8	93134.00	83,391.1	76,917.1
2014	2232525.3	113291.00	101,110.6	91,991.4
2015	2423638.5	128211.30	112,518.2	85,319.1
2016	2608184.4	147625.09	122,318.60	70,117.2
2017	3077144.9	197732.19	161,032.10	73,049.1
2018	3455949.3	240316.53	206,795.40	81,359.8
2019	3858930.4	277224.15	241,612.59	97,109.5

Source: NRB, Economic Survey and CBS

Appendix – B

Percentage share of VAT, Excise and Custom to GDP (at current price)

Fiscal Year	GDP (in millions)	% VAT to GDP	%Excise to GDP	%Custom to GDP
1975	16601	1.15	0.72	1.98
1976	17394	0.93	0.75	2.06
1977	17280	1.28	0.97	2.23
1978	19727	1.38	0.85	2.33
1979	26128	1.37	0.74	2.40
1980	23351	1.71	0.92	2.60
1981	25530	2.11	0.95	3.20
1982	30988	1.93	0.98	2.66
1983	33821	2.10	1.08	2.25
1984	39290	1.96	1.10	2.10
1985	46587	1.81	1.04	2.28
1986	55734	1.77	1.00	2.21
1987	63864	1.79	1.06	2.36
1988	76906	1.69	1.07	2.88
1989	89270	1.55	0.98	2.57
1990	103416	1.54	1.04	2.60
1991	120370	1.63	1.00	2.53
1992	149487	1.90	0.95	2.25
1993	171492	2.00	0.85	2.30
1994	199272	2.36	0.80	2.64
1995	219175	2.75	0.76	3.20
1996	248913	2.58	0.78	2.94
1997	280513	2.54	0.82	2.96
1998	300845	2.36	0.96	2.83
1999	342036	2.30	0.86	2.78
2000	379488	2.60	0.83	2.85
2001	441519	2.80	0.86	2.84
2002	459443	2.67	0.86	2.75

2003	492231	2.74	0.97	2.60
2004	536749	2.70	1.16	2.90
2005	589412	3.21	1.09	2.66
2006	654084	3.30	0.99	2.35
2007	727827	3.59	1.28	2.30
2008	815658	3.65	1.38	2.58
2009	988272	4.01	1.65	2.71
2010	1192774	4.60	2.04	2.95
2011	1562681	3.95	1.70	2.29
2012	1758379.2	4.02	1.72	2.47
2013	1949294.8	4.28	1.86	2.92
2014	2232525.3	4.53	2.03	3.04
2015	2423638.5	4.64	2.21	3.08
2016	2608184.4	4.69	2.52	3.14
2017	3077144.9	5.23	2.75	3.68
2018	3455949.3	5.98	2.97	3.99
2019	3858930.4	6.26	3.16	4.03

Source: <https://data.mof.gov.np/data.aspx>

Appendix – C

Percentage share of VAT, Excise and Custom to Total Revenue (TR)

Fiscal Year	Total revenue (in millions)	% VAT to TR	%Excise to TR	%Custom to TR
1975	1008.4	18.89	11.87	32.58
1976	1113.6	14.51	11.77	32.19
1977	1322.9	16.70	12.68	29.19
1978	1582.1	17.26	10.56	29.00
1979	1811.7	19.69	10.63	34.59
1980	1890	21.16	11.39	32.17
1981	2419.2	22.23	10.01	33.72
1982	2679.5	22.36	11.34	30.79
1983	2846.6	24.97	12.78	26.73
1984	3409.3	22.61	12.67	24.22
1985	3916.8	21.58	12.34	27.18
1986	4644.5	21.22	12.04	26.50
1987	5973.4	19.14	11.37	25.20
1988	7350.4	17.69	11.23	30.13
1989	7780.7	17.80	11.21	29.43
1990	9312.8	17.12	11.51	28.83
1991	10729.5	18.26	11.19	28.37

1992	13512.7	20.99	10.50	24.86
1993	15148.4	22.70	9.59	26.04
1994	19580.9	23.97	8.13	26.84
1995	24605.1	24.54	6.74	28.52
1996	27893.1	23.06	6.98	26.27
1997	30373.5	23.46	7.58	27.36
1998	32937.9	21.58	8.76	25.81
1999	37251.3	21.16	7.93	25.55
2000	42893.7	22.96	7.30	25.21
2001	48893.8	25.32	7.78	25.67
2002	50446.6	24.32	7.88	25.08
2003	54538.9	24.69	8.76	23.44
2004	62331	23.26	9.98	24.96
2005	70122.7	26.95	9.19	22.39
2006	72281.9	29.90	9.00	21.23
2007	87712.1	29.81	10.65	19.05
2008	107622.5	27.68	10.43	19.57
2009	143474.5	27.60	11.34	18.67
2010	179909	30.51	13.52	19.58
2011	198375.9	31.08	13.38	18.00
2012	244373	28.92	12.38	17.76
2013	296642	28.11	12.22	19.18
2014	356840	28.33	12.73	19.02
2015	405846.4	27.72	13.19	18.40
2016	482750.2	25.34	13.62	16.96
2017	609180	26.43	13.88	18.58
2018	726717.3	28.46	14.11	18.96
2019	829634	29.12	14.69	18.73

Source: NRB, Economic Survey and CBS