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An Empirical Study on Taxation and Revenue Generation in Nepal

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Abstract

This study investigates the impact of taxation on revenue generation in Nepal. It further aims to elucidate the theoretical underpinnings of taxation, including its objectives, classification, and key components within the Nepalese context. Employing both primary and secondary data sources, the research analyzes and evaluates the relationship between taxation and revenue generation. The secondary data were taken from the Economic Survey Report of the Government of Nepal and 200 eligible primary responses taken from tax administrators and tax payers respectively. The findings demonstrate a significant influence of taxation on Nepal's Gross Domestic Product (GDP) and total revenue. Additionally, the study sheds light on the negative impact of tax evasion and avoidance on revenue generation. To address these issues, the research recommends the implementation of stricter penalties for tax evasion and avoidance, along with the establishment of a comprehensive taxpayer database across federal, state, and local government levels. This database would facilitate the identification of all potential taxable income sources, thereby enhancing tax compliance.

Keywords: GDP, tax avoidance, tax compliance tax evasion, revenue generation

Introduction

Taxation is the process by which the government imposes a mandatory levy on all income, goods, services, and property owned by individuals, corporations, partnerships, and trusts (Samuel & Simon, 2011). One of the primary ways the government generates revenue is through income tax. In Nepal, the government considers the budget, returning the money collected to taxpayers in the form of services. Over the years, the government has either encouraged or discouraged certain private sector activities based on its policy of permitting or supporting such businesses (Ola, 1999). Taxation is recognized as a vital tool for fostering economic growth and development in most societies, serving as a critical mechanism for the state's long-term infrastructure development. Consequently, taxes are the government's primary source of income, and their inherent power to impose taxes ensures a steady revenue stream regardless of circumstances. However, the impact on the poor has not been significant over time because tax revenue has been low, resulting in minimal physical development. Many believe that Nepal's ineffective and inefficient tax administration is responsible for the revenue loss caused by widespread tax evasion and avoidance. The inefficiency in tax administration is a major factor contributing to large-scale tax evasion in Nepal.

Nepal is a developing, agriculture-based country with an unstable economy. Ranked 11th out of 121 countries, its per capita income is approximately $420, the lowest in the South Asian Association for Regional Cooperation (SAARC) and nearly the lowest globally. Several factors contribute to its economic backwardness, including geography, scarce resource endowment, a landlocked position, lack of development institutions, inadequate infrastructure, and development-unfriendly laws. Nepal has a deficit budget because income collection is lower than expenditure on social and economic infrastructure, further weakening the country's economic status. Throughout the year, the country's resource imbalance has widened.

The Nepalese government is striving to improve living standards through various economic development programs. To achieve this, Nepal must manage diverse resources such as manpower, money, machinery, and materials. The government collects revenue from both internal and external sources to acquire these specific resources. Financial sustainability is another crucial aspect of governance, with government revenue referring to the income generated by the government. The primary motive for taxes is to finance government expenditures and redistribute wealth, thereby subsidizing the country's development (Musgrave & Musgrave, 2004; Bhartia, 2009). The country's growth will be determined by its needs, and governments can seek alternative funding sources for long-term development, irrespective of whether the collected taxes are sufficient (Unegbu & Irefin, 2011). Government funding comes from both internal and external sources. External sources may include grants and loans from other nations or international institutions, but these can be unstable and influenced by the donor countries' objectives. Over-reliance on external sources can hinder national development. Therefore, internal resources, generated within the country through public borrowing, government bonds, and taxes, should be effectively utilized for development. For regular development operations, the Nepalese government emphasizes involving internal resources.

Developing countries with low per capita incomes, like Nepal, rely heavily on indirect taxes rather than direct taxes. Income tax comprises a significantly smaller percentage of direct tax receipts. While indirect taxation plays a substantial role in the early stages of economic growth, direct taxation becomes more significant at later stages of economic development. Economic resources, such as income tax, should be appropriately deployed to achieve financial stability and social equity. Both developed and developing countries prioritize the proper use of these resources. People's taxes are invested in public spending, even when they receive no direct benefit from them.

Nepal continues to struggle with maximizing income tax collection. Currently, income tax contributions are insignificant. For economic growth, governments must consider their citizens' security, health, education, and other development activities. This necessitates generating a substantial income fund. Each year, the government allocates a large portion of the fund to maintaining peace and security for public protection and developing various socio-economic infrastructures, such as transportation, drinking water, electricity, communication, irrigation, and other public welfare activities. To meet growing expenses, the government must manage revenues from multiple sources. This research focuses on analyzing the data on the contribution of income tax to Nepal's national revenue, identifying obstacles to its effective utilization, and evaluating how taxes facilitate fiscal redistribution of income and support economic growth. Primarily its purpose is to examine the effects of tax revenue and overall revenue on Nepal's GDP. It also aims to assess how taxes affect Nepal's revenue generation capacity and to determine the impact of tax avoidance and evasion on Nepal's revenue generation.

This research is significant because it offers valuable insights for policymakers, researchers, and the general public, helping to educate on the importance of taxes in achieving economic stability and development. By understanding the role of taxation in revenue generation and economic growth, stakeholders can formulate better strategies to enhance tax administration and compliance, thereby improving revenue collection and funding for essential public services and infrastructure projects. Although the study has limitations, such as a short completion time and reliance on potentially incomplete annual reports from the Inland Revenue Department, its findings are crucial for understanding and addressing the challenges in Nepal's tax system. The paper is divided into five sections: the introduction, literature review, results and findings, and discussion and conclusion.

Literature Review

There can be nothing new about taxes in Nepal or the rest of the world because globally as well as in Nepal, taxes are a well-established concept. Taxation implies the process by which the government imposes an obligatory charge on all incomes, goods, services, and property owned by people, trusts, partnerships, and businesses. People as well as businesses must pay taxes to the Inland Revenue Authorities of Nepal. A tax is a fee imposed by the government on an individual, partnership, or business entity's income, profit, or wealth (Tobansi-Ochiogu, 1994). Government taxes are obligatory charges imposed on an individual or his property by the government to provide security, social services, and opportunities for the economic development of society (Ola, 1999). One of how the government generates revenue is through taxes, which are then used to support the operation of public utilities and other welfare services (Okon, 1997).

Direct taxes are those that the taxation authority legitimately imposes on specific persons, groups of people, or corporate entities and must be paid directly by the person or people who are in charge of it. Direct taxes include income tax, capital gains tax, petroleum tax, and capital transfer tax. Indirect taxes are levies imposed on purchases such as goods and services. In addition to the cost of the goods and services that they purchase, final users, or consumers, are also in charge of paying these taxes. This kind of tax normally has a third party bearing the incidences. Value Added Tax, Import Duties, and Export Duties are types of indirect tax (Yunusa, 2003).

According to the United Nations international experts (2000), since tax revenue plays an essential role in development, constructing a national tax system to ensure that the tax burden is distributed fairly and equally will enable the government to achieve the maximum feasible amount of revenue achievable is necessary. Due to the increasing need for government spending, decreased possibilities for raising additional tax revenues, non-compliance with corporate persons due to tax avoidance and technical issues, inadequate record keeping, and cash transactions, the majority of developing countries are facing extreme budgetary pressure. Capital goods acquired from an additional business are not chargeable for the tax base in the year of acquisition. (Khadka, 1989). The main objectives of Nepal's income tax are to collect revenue, prevent the concentration of wealth in the hands of a few individuals, redistribute resources for the benefit of society as a whole, enhance the economy, reduce unemployment, and eliminate regional disparities. In highly industrialised nations, tax evasion is a greater problem because the chances of being caught and the consequences of doing so are different (Tripathay, 1968). Amatya discussed how taxable earnings are produced from various sources of income and the legal aspects of income tax(Amatyya, 1965). Government tax laws and regulations are being modified to create a better taxing system (Kandel, 2003). Governments have a variety of tax tools at their disposal to fund their operations (Desai, Foley, & Hines, 2004). In poorer, more open, more inflationary economies, tax income fluctuation is more likely (Bleaney, Gemmel, & Greenaway, 1995).

Public spending needs to be funded by government revenue, which necessitates the adoption of various policies and procedures. Closing or reducing them frequently increases revenue, even though reducing tax rates may decrease the cost of tax expenditures. Taxation is an essential strategy for raising government revenue and promoting national development since tax reforms can result in significant revenue. Income tax in Nepal seeks to contribute to economic growth and public welfare by improving revenue, avoiding wealth concentration, distributing wealth, promoting the economy, reducing unemployment, and eliminating regional disparities. Taxes impose micro-challenges on income distribution, and resource efficiency, and macro-burdens on capacity production, employment, price, and growth (Musgrave & Musgrave, 2004). One of the most serious problems in income tax collection is a lack of effective fraud prevention strategies within our tax laws and regulations. If tax collectors collect these taxes, they do not pay them to the state (Asada, 1997; Angahar & Sani, 2012; Okpe, 2012). Individuals and organizations suffer from a lack of manpower, funds, resources, and equipment to face ever-increasing problems and obstacles. Political instability and threats pose significant challenges to Nepal's businesses and regulatory compliance. Taxation is an instrument for redistributing income and wealth, commonly benefitting wealthy individuals more than the poor, to use the funds collected to finance social programmes for those in need (Akintoye, 2013; Oduh, 2012; Angahar & Sani, 2012).

Unluckily, in Nepal, tax contributions have been unsatisfactory, hindering people's hopes for development activities. Corruption, tax evasion, avoidance, and tax-hidden indicators are all notably connected with inadequate revenue. The more the population of a nation lacks tax awareness or education, the higher the desire and chance of tax evasion, avoidance, and disobedience of applicable tax legislation (Adegbie & Fakile, 2011).

Methodology

The study's research design is a survey and analytical research design. This is so that the necessary data may be collected using tools including surveys, interviews, rating scales, inventories, self-reports, observation, and others. The study used primary and secondary datacollecting techniques. To gather opinions on tax revenue policies that would increase tax income by attracting more taxpayers to Nepal The issue has been examined using information made public by several governmental and non-governmental groups. The Ministry of Finance has released an economic survey, the Tax Revenue Department has released statistics, and the Central Bureau of Statistics has released the statistical Year Book and other reports. A simple linear regression model has been used to examine the relationship between GDP and tax income, overall revenue, and government expenditure. A survey was employed as the main source. The respondents individually obtained the surveys. The respondents were requested to complete closed-ended questions that had been designed. Respondents completed questionnaires with the options to strongly agree, agree, Fairly Agree, strongly disagree, and disagree.

To analyze data, we applied the following equations.

$$\text{Likert Scale(Mean Point)} = \frac{\sum FX}{N}$$

$$\text{Mean Point of Scale} = \frac{\sum X}{N}$$

Where

(F = Frequency, X = Scale, N = Number of Scales and Frequency, e = Margin of error, which is normally set at 5% = 0.05, Cut off point = mean + e = 3.00 + 0.05 = 3.05)

A group of 250 individuals from tax administrators and 270 individuals from taxpayers, was taken as the population for this study. The duly filled-up responses from the respondents included 200 taxpayers and 200 tax administrators. Secondary sources for the research included publications such as economic survey reports of government, periodicals, and recommended circulars.

Results and Findings

The overall amount of government revenue in Nepal depends mainly on taxes. The modest fluctuations in the tax revenue contribution can be seen in the study periods. There has been a steady rise in both total revenue and tax revenue relative to GDP. It appears to be that the GDP growth rate is unstable.

Table 1

Gross Domestic Product, Total Revenue, and Tax Revenue *(Rs. in ten million)*

Year	Gross Domestic Product	Total Revenue	Tax Revenue
2000/01	44151.9	5564.7	3886.5
2001/02	45944.28	5713.16	3933.06
2002/03	49223.13	6756.89	4089.6
2003/04	53674.84	7361.44	4817.3
2004/05	58941.16	8451.39	5410.47
2005/06	65408.4	8610.96	5743.04
2006/07	72782.7	10351.29	7112.67
2007/08	81565.8	12794.32	8515.55
2008/09	98805.3	16985.73	11705.19
2009/10	119277.4	21849.17	15629.49
2010/11	136695.4	19982	19837.63
2011/12	152734.4	24437.3	21172.18
2012/13	169501.1	29602.11	25921.49
2013/14	196454	35662.08	31244.13
2014/15	213015	40586.64	35595.57
2015/16	225316.3	48196.16	42109.66
2016/17	267449.3	60917.75	55386.65
2017/18	304493	72671.75	65941.15
2018/19	345879	83966	73860.4
2019/20	376704	79378	70005
2020/21	426632	93832	87011

Source: *Economic Surveys 2003/04-2020/21*

Table 1 illustrates Nepal's GDP, total income, and tax revenue from 2000/01 to 2020/21. In 2000/01, the GDP stood at 44,151.9 million rupees, which increased to 426,632 million rupees by 2020/21. Total income rose from Rs. 55,647 million in 2000/01 to Rs. 938,320 million in 2020/21. Tax revenue also saw a significant increase, growing from Rs. 3,886.50 million in 2000/01 to Rs. 87,011 million in 2020/21. The study period demonstrated notable growth in GDP, total income, and tax revenue. Total revenue, tax revenue, expenditure by the government, and GDP growth have all been linked because the state utilises fiscal policy to exert economic control.

Effect of Tax Revenue on Gross Domestic Product (GDP)

Tax income has a significant positive impact on the Gross Domestic Product (GDP) of the Nepalese government. Economic growth in Nepal is influenced by tax revenue. To assess the effect of tax revenue on GDP, a regression analysis was conducted with GDP as the dependent variable and tax revenue as the independent variable. R2 = 0.981, p 0.05, indicates that the whole model is statistically significant. This implies that an increase in tax income is correlated with a rise in GDP. Similar to this, the R-square value indicates that independent variable tax income is responsible for a 981% change in GDP. The outcome demonstrates that tax revenue has a considerable influence on GDP. The regression research between tax revenue and GDP reveals that tax revenue has a significant impact on GDP (Table 2).

Table 2

Regression of Tax Revenue and GDP

Model Summary

Model	R	R Square	AdjustedR Square	Std. Error of the Estimate	Durbin-Watson
1	991[a]	0.981	0.98	13178.39962	0.26

a. Independent Variable: Tax Revenue

b. Dependent Variable: G D P

Coefficients

	Unstandardized Coefficients		Standardized Coefficients			
Model	**B**	**Std. Error**	**Beta**		**t**	**Sig.**
1	(Constant)	44213.49	4456.99		9.92	0
	Tax Revenue	4.212	0.141	0.99	29.914	0

a. DV: GDP Source: *Based on Table 1*

Effect of Total Revenue on GDP

Total government expenditure has an association with GDP revenue. GDP and total revenue are in a positive relationship.

Table 3

Regression of Total Revenue and GDP

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.989[a]	0.979	0.978	13974.099	0.344

a. IV: TR

b. D V: GDP

Coefficients

	Unstandardized Coefficients		Standardized Coefficients			
Model	**B**	**Std. Error**	**Beta**		**t**	**Sig.**
1	(Constant)	35126.52	4971		7.07	0
	Total Revenue	3.918	1.139	0.989	28.2	0

a. DV: GDP Source: *Based on Table 1*

Additionally, this study has attempted to investigate how total revenue affects GDP. According to this study, a rise in total revenue leads to an increase in GDP. To investigate the influence of total revenue on GDP, data from 2000/01 to 2020/21 were regression. Because the total association is statistically significant, the regression fit (R2 = 0.978). At a crucial threshold of 5%, The correlation between total revenue and GDP is significant.

When doing primary data analysis, the researcher used the judgmental sampling approach to select 400 people from the population. Within this sample, 200 individuals consisted of respondents from the IRD and Various IROs, while the remaining 200 respondents were taxpayers.

Table 4

Total Responses of Respondents

Responses	Tax Authorities	%	Taxpayers	%
Strongly Agreed	116	58%	112	56%
Agreed	73	37%	68	35%
Fairly Agree	9	5%	16	7%
Disagreed	2	0%	4	2%
Strongly Disagreed	0	0%	0	0%
Total	200	100%	200	100%

Field Survey (2022)

As shown in Table 4, both tax authorities and taxpayers firmly believe that taxes are essential for government revenue generation. This is reflected in the substantial number of respondents who strongly agreed: 116 (58%) from tax authorities and 112 (56%) from taxpayers.

The Likert Scale was used to calculate the figures in Table 5 below, which illustrates how much tax, has contributed to how well governments can generate revenue.

Table 5

Figure Computation

Tax Authorities	**F**	**X**	**FX**
Strongly Agreed	116	5	580
Agreed	73	4	292
Fairly Agree	9	3	27
Disagreed	2	2	4
Strongly Disagreed	0	1	0
Total	**200**	**15**	**903**

***Source**: Field Survey (2022)*

The average response score regarding the effectiveness of taxes is 4.51, surpassing the threshold of 3.05. Based on the decision rule, this suggests that taxes are perceived as effective for government revenue generation. Consequently, it is acknowledged that taxes are a primary tool for the government to generate revenue.

The Likert Scale was used to calculate the figures in Table 6 below, which illustrates how much tax, has contributed to how well governments can generate revenue.

Table 6

Figure Computation

Tax Payers	F	X	FX
Strongly Agreed	112	5	560
Agreed	68	4	272
Fairly Agree	16	3	48
Disagreed	4	2	8
Strongly Disagreed	0	1	0
Total	**200**	**15**	**888**

Source*: Field Survey (2022)*

The calculated mean point for responses regarding the effectiveness of taxes is 4.44, which exceeds the designated cut-off point of 3.05. According to the decision rule, this indicates that taxes are considered effective for revenue generation by the government. As a result, it is significantly accepted that taxes are one of the Main instruments by which the government generates revenue.

Table 7

Responses of Respondents

	Respondents			
Responses	**Tax Authorities**	**%**	**Taxpayers**	**%**
Strongly Agreed	135	68%	98	49%
Agreed	52	26%	78	39%
Fairly Agree	12	6%	20	10%
Disagreed	1	1%	4	2%
Strongly Disagreed	0	0%	0	0%
	200	100%	200	100%

Source: *Field Survey (2022)*

Taxation has a negative influence on Nepal's ability to generate revenue, and both tax officials and taxpayers agreed. This is evident from the 135 (68%) and 98 (49%) respondents for tax authorities and taxpayers, respectively, who strongly agreed.

The computation of data to assess how taxes have affected Nepal's government revenue using a Likert scale is shown in Table 8 below.

Table 8

Figure Computation

Tax Authorities	F	X	FX
Strongly Agreed	135	5	675
Agreed	52	4	208
Fairly Agree	12	3	36
Disagreed	1	2	2
Strongly Disagreed	0	1	0
Total	**200**	**15**	**921**

Source*: Field Survey (2022)*

With a cut-off point established at 3.05 and an average response of 4.60, the decision rule states that if the average exceeds the cut-off, it indicates effectiveness or agreement, while falling below signifies ineffectiveness or disagreement. Since the calculated average of 4.60 is above the cut-off point of 3.05, it is generally acknowledged that taxes have had a positive impact on Nepal's revenue generation. Using a Likert scale, data are computed to show how much taxes have impacted Nepal's capacity to generate revenue.

Table 9

Figure Computation

Tax Payers	F	X	FX
Strongly Agreed	98	5	490
Agreed	78	4	312
Fairly Agree	20	3	60
Disagreed	4	2	8
Strongly Disagreed	0	1	0
Total	**200**	**15**	**870**

Source: Field Survey (2022)

The cut-off point is set at 3.05, and the average response is 4.35. According to the decision rule, a mean point above the cut-off is considered effective, while a mean point below it is deemed ineffective. Given that the computed mean of 4.35 is above the 3.05 cut-off, it is widely recognized that taxes have positively influenced Nepal's revenue generation ability.

Table 10

Responses of Respondents

	Respondents			
Responses	**Tax Authorities**	**%**	**Taxpayers**	**%**
Strongly Agreed	114	57%	105	53%
Agreed	69	35%	69	35%
Fairly Agree	8	4%	15	8%
Disagreed	5	3%	4	2%
Strongly Disagreed	4	2%	7	4%
Total	**200**	**100%**	**200**	**100%**

Source: *Field Survey (2022)*

According to Table 10, both tax officials and taxpayers strongly agreed that tax evasion and avoidance hurt Nepal's ability to generate revenue. This is evident from the 114 (57%) and 105 (53%) respondents, respectively, for tax authorities and taxpayers, who strongly agreed.

The calculations used to assess how much tax avoidance and evasion have impacted Nepal's revenue collection are shown in Table 11 below.

Table 11

Figure Computation

Tax Authorities	F	X	FX
Strongly Agreed	114	5	570
Agreed	69	4	276
Fairly Agree	8	3	24
Disagreed	5	2	10
Strongly Disagreed	4	1	4
Total	**200**	**15**	**884**

***Source**: Field Survey (2022)*

The average response to score for the efficiency of taxes is 4.42, exceeding the cut-off mark of 3.05. According to the decision rule, tax evasion and avoidance are considered to negatively affect revenue production in Nepal.

The calculations used to assess how much tax avoidance and evasion have impacted Nepal's revenue collection are shown in Table 12 below.

Table 12

Figure Computation

Tax Payers	F	X	FX
Strongly Agreed	105	5	525
Agreed	69	4	276
Fairly Agree	15	3	45
Disagreed	4	2	8
Strongly Disagreed	7	1	7
Total	**200**	**15**	**861**

***Source**: Field Survey (2022)*

The average response concerning the impact of tax evasion and tax avoidance on revenue generation in Nepal is 4.30, which exceeds the cut-off point of 3.05. According to the decision rule, this indicates that tax evasion and tax avoidance are viewed as harmful to revenue generation. Consequently, it is recognized that these issues have negatively affected Nepal's ability to generate revenue.

Discussion and Conclusion

The literature review offers a comprehensive overview of the taxation system, its purposes, and challenges, both globally and specifically in Nepal. There is a strong consistency in acknowledging the foundational role of taxes in government revenue and public services, aligning with established theories by Ola (1999) and Okon (1997). The categorization of direct and indirect taxes is consistent with Yunusa (2003). Furthermore, the role of taxation in resource redistribution and economic development, as discussed by Akintoye (2013) and Oduh (2012), aligns with the previous studies' description of Nepal's tax objectives. The regression analysis showing a statistically significant correlation between total revenue and GDP with an R2 of 0.978 highlights a crucial aspect of economic policy in Nepal. This strong relationship underscores the importance of effective tax collection and revenue generation in driving economic growth. The high R2 value indicates that nearly 98% of the variability in GDP can be attributed to changes in total revenue, suggesting that improvements in tax policy and collection efficiency could significantly boost Nepal's economic performance. This finding aligns with the theoretical framework provided in the initial text, which emphasizes the role of taxes in funding public utilities and welfare services (Okon, 1997), promoting economic development, and redistributing resources (Akintoye, 2013; Oduh, 2012). The study highlights the well-established nature of taxation both globally and in Nepal, pointing out that taxes are essential for providing security, social services, and opportunities for economic development (Ola, 1999).

However, the discussion also brings to light some inconsistencies and challenges. The prior studies mention the difficulties in tax collection, such as non-compliance, tax evasion, and inadequate record-keeping, which are prevalent in developing countries like Nepal (Khadka, 1989). These challenges can undermine the potential positive impact of tax revenue on GDP. The strong correlation found in the regression analysis may therefore reflect an ideal scenario where tax collection mechanisms are efficient and effective, which may not fully align with the on-ground realities of tax contributions being unsatisfactory due to corruption and tax evasion. Additionally, while the regression result suggests a robust link between total revenue and GDP, it is essential to consider the broader economic context. Factors such as political instability, lack of tax awareness, and challenges in regulatory compliance can significantly impact the efficiency of tax systems and the actual realization of revenue growth (Adegbie & Fakile, 2011).

In conclusion, despite planned development efforts, Nepal's economic growth remains stagnant, hindered by continuous political instability and corruption, which have adversely affected the investment climate both internally and externally. Tax revenue in Nepal comes from various sources, including public companies, private corporations, individuals, compensation, and interest taxes. Over the research period, all revenue sources showed an increase almost every year, with individual revenue growing at higher rates than others, except for state companies. Corporate bodies are crucial for national development due to their substantial investments and potential for future growth. To maximize the benefits of globalization and economic progress, creating an investment-friendly environment is essential to generate more revenue. However, individuals often engage in tax evasion through various fraudulent practices, which undermines revenue collection. The present study examines taxes as a revenue source for Nepal's structural and economic development, with Likert Scale results indicating that taxes are a primary and consistent revenue source for the Nepalese government. The findings also highlight that tax avoidance and evasion significantly harm revenue collection in Nepal.

To enhance Nepal's overall revenue generation and ensure effective use of such funds for significant growth, the following recommendations are made: The government should clearly articulate the fundamental goals of its tax system and their interrelations to provide direction for tax authorities and clarity for taxpayers on the importance of timely tax payments. Developing a comprehensive database on taxpayers to identify all potential income sources is crucial for detecting tax evaders. Motivating tax officials with proper training, functional vehicles, and telephones at tax offices will enable them to perform their duties effectively. Ensuring taxpayer funds are used beneficially will encourage continued tax compliance. Strict and rigid penalties should be applied to tax cheats and defaulters to discourage tax avoidance. Lastly, the government should shift its income sources from unproductive to productive economic sectors, such as agriculture and extractive industries, to generate both direct and indirect taxes more effectively.

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