

STATUS AND PROVISION OF PERSONAL PERMANENT ACCOUNT NUMBER (P-PAN) WITHHOLDEES IN NEPAL

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Abstract

The research highlights the fossil print of the income tax system into the modern concept of a permanent tax system. The tax was initially introduced to fulfil the economic need of the state for war and the like. Later on, this became the permanent source of income for the sustainability of the government. Nepal had gone through various reforms in the tax system. Recently, the Government of Nepal made personal PAN cards mandatory from the fiscal year 2019/2020. This study highlights the consequences and impacts of such rule implementation. Onward, it would help to formulate the prerequisites for implementation and help to design policy. Additionally, it advocates for tax literacy among citizens, equal respect for the public and transparency of services provided to the public. This is a mixed type of research and thus deals with both quantitative and qualitative data. Most of the data collected from the government record so-called secondary data and are well cited. This study is interpretive. It was found that 71% had felt an extra burden about taking P-PAN forcefully. IRD should play a vital role in the optimum level of tax collection by bringing new policies, a healthy tax system and making literate on the tax system to the citizens. Also, IRD needs to educate well to the citizens about the benefit of tax paying. Arguably, the study enhanced to create tax awareness and support for healthy tax system practice.

Keywords: Income Tax, IRD, P-PAN, Tax Literacy, Tax System, Withholdee

Introduction

Tax is the major source of income for the government. Tax revenue can be of two types direct tax and indirect tax, though the government have tax revenue and non-tax revenue which are collectively called total tax revenue (Atkinson, 1995). Direct tax is consisting of personal income tax (PIT), corporate income tax (CIT), land tax, wealth tax, gift tax etc., while indirect taxes consist of excise tax, customs tax, sales tax etc. Tax plays a major role in revenue generation and

onward that revenue is disbursement, for the welfare establishment and overall nation's development. Additionally, it is the monetary cycle in which we pay a certain amount on our profit and the nation collects it all and, again spent it for us. Tax is the liability and responsibility of all citizens. If we have profit we need to pay but in condition, with having no generation of profit we are waived.

In the history of the modern world, usually at the time of war, they have enabled the tax system. Surprisingly, those countries, that had implemented permanent tax systems in the early period, merely all are in the developed countries list. United Kingdom was the first to implement permanent income tax since 1842 AD. Though, it had some trace of temporary income tax between 1798-1802 and 1803-1816 (Aidt & Jensen, 2009). In the late 19th and early 20th century, many American and European countries implemented permanent income tax systems. Italy started in 1864, Japan in 1887, Sweden in 1903, Germany in 1920, and Switzerland in 1939. In modern Nepal, a democratic ruling system was introduced preceding the Rana regime in the year 1950. And year 1951, the then finance minister declared to levy an income tax. Soon after, the first elected party in 1959 came as the ruling government in the year 1960 Business and Salaried Tax Act was introduced. To date, there are numerous rectifications done to that 1960 Act. Ancient era, during the Licchavi regime we can see, a clear tax system on agricultural products respective to the land's fertility known as bhaga-bhoga-kara and nailya-kara tax on the export of goods to India and Tibet (R. Shah, 1990). During the Malla regime, Ram Shaha had announces a reform package with no more than one percentage profit for people among the traders (Bhattarai, 1999). Bir Shumsher in 1889, started land taxing as per its productivity (Stiller, 1968). On 16th May 1947 Padma Shumsher made a declaration about the national budget on an annual basis (Pande, 2076).

For, fiscal year (FY) 2019/2020, the Federal Democratic Republic of Nepal, announce P-PAN as mandatory to each individual. Around two-thirds of the people are engaged in agriculture which contributes 27.6% to the Gross Domestic Product (GDP). FY 2017/18, among total revenue generated, 90% was from tax revenue and 10% as non-tax revenue and the tax-to-GDP ratio reached 21.9%. And the contribution of corporate income tax (CIT) and personal income tax (PIT) was 54.11% and 29.19% respectively of the total income tax (Inland Revenue Department, Ministry of Finance, GoN, Nepal, 2018).

Conceptual Framework

The theories and concepts, which are used in this study to generate background information, has been used to analyse changing trend of taxation in Nepal are stated. The study focuses, on rectifications made in the tax system and its impacts seen on the public. So, the researcher tried to include some literature reviews related to this study. My research aim is to create awareness among the citizens about the tax system on income. For this purpose, one of the best tools is to guide them with a hassle-free map for collecting P-PAN cards and the second tool is, to make them understandable regarding the benefit of being an active taxpayer. For an easy and quickest collection of P-PAN cards and to check tax deposited on their P-PAN need the use the IRD e-service (Inland Revenue Department, Ministry of Finance, GoN, Nepal, 2022). Tax literacy is essential in today's information age. It involves having a basic understanding of the tax system. Reviewing previous research studies helps identify their limitations and contributes new findings to expand knowledge. Income from employment is known as remuneration, while income from business and investment includes profits and gains. Profits are earned through income-generating activities, while gains result from increased asset value. The income tax act operates on a self-assessment system, where taxpayers calculate their taxes using prescribed forms. Tax authorities generally accept taxpayers' declarations, but may amend them if necessary. Income tax rules guide specific tax matters. If a taxpayer disagrees with a tax administration decision, they can file an objection for review with the Inland Revenue Department and then appeal to the Revenue Tribunal if needed.

Meaning and Definition of Income Tax

Taxes on income are the most important single source of revenue for the government of developed and also developing countries either it contributes more or less (Wang & Wang, 2020). Defining income precisely poses a challenge when establishing an income tax. Therefore, income tax laws in various countries provide examples rather than precise definitions. For instance, the Indian Income Tax Act, of 1961, defines income to include profits, dividends, charitable contributions, perquisites, capital gains, and lottery winnings, among others. Similarly, according to the Income Tax Act 2058, income refers to earnings from employment, business, and investment, as determined by the act. Income tax is a levy imposed on individuals based on their production, receipts, or gains within a specific period. It applies to individuals assessed whose total income surpasses

the maximum exemption limit, at prescribed rates. Throughout history, income tax has been viewed as a tax that adheres to the principle of ability to pay.

History of Income Tax in Nepal

The Nepalese Tax system was based on Vedas, Smitis and Purans. Directives propounded by Manu, Yagnabalka, Chanakya etc guided the taxation system. At that time, the principle of collecting tax from the people was the imposition of tax without harming the activities of people. Although there was a tax system in Nepal in ancient times also, the concepts of income tax were brought only by the first budget. The budget introduced in 2008 B.S. (1951) stated the introduction of an income tax system in Nepal. However, it was introduced only in 2017 B.S. (1960) when the Finance Act 2016 and Business Profit and Remuneration Tax Act, 2017 were enacted. The marginal rate of taxation prescribed by these Acts was 25 %. Since the income tax was imposed only on income from business profit and remuneration; the Act could not cover all the sources of income and so was replaced by Income Tax Act, 2019 in 2019 B.S. (1962). Income Tax Act, 2019 with 29 sections divided the heads of income into 9 parts covering business, profession and occupation, remuneration, house and land rent, cash or kind investment, agriculture, insurance business, agency business and other sources. The Act was amended in 2029 extensively. However, considering this Act incapable of fulfilling the needs of the time was replaced in 2031 B.S. by another Act.

Legal Provision of Income Taxation in Nepal

Revenue collection has been a significant government function in Nepal since ancient times. However, due to limited economic activities during that period, tax collection was not substantial. Taxes were imposed on merchants, travellers, and farmers in the form of cash, goods, or labour. Occasionally, gold and agricultural products were also used for tax payment, but these taxes were temporary and raised for specific purposes. In the Lichhavi era, income taxes on agricultural income and business were introduced as direct taxes for the first time. Taxes on agricultural income were called "Bhga," and taxes on business were known as "Kara." There were also taxes on irrigation and the preservation of religious monuments during the reign of King Ansubarma. Between 1768 and 1846, various taxes were levied to generate maximum revenue, including land taxes, customs duties, transit and market duties, and taxes on forest products, birds, animals, and fines. Taxes were collected at the royal palace, government, and local levels. However, these taxes were narrow in scope and primarily imposed on occupations and economic activities, rather than income or

property. There was no income tax in the modern sense. During the Rana regime, there was no formal provision for tax imposition and collection. Taxes were imposed based on the prime minister's objectives, needs, and whims, with no distinction between personal income and state treasury. Budget preparation and revenue administration systems were absent. The surplus revenue was considered the personal income of the Rana prime minister. Until 1951, the main sources of revenue in Nepal were land tax, lump sum contracts for customs and excise duties, forest royalties, and entertainment tax. Income was not taxed for regular state revenue but for specific expenditures or emergencies. Direct taxes were virtually non-existent, except for land tax collected on a contractual basis and a small percentage of "Salami" paid by government employees, which was abolished in 1951. The Rana rulers neglected the development of an effective revenue administration system. Since the establishment of democracy in 1951, taxes have been levied and collected by the law.

History of Income Tax in the International Context

Income Tax was first introduced in Great Britain in 1799 to finance wars with France. Only in 1980, it was accepted as a permanent tax. In the United States of America, the first federal income tax was imposed in 1862 to finance civil war expenditures. However, it became a permanent feature only in 1913 after the 16th amendment to the U.S. Constitution. In neighbour country India, at first income tax was introduced in 1860. After introducing Income Tax Act 1886 in 1886, it was imposed as a permanent. Italy adopted income tax in 1864, New Zealand in 1891, Australia in 1915 and Canada in 1917. After the first world war, the income tax become an important source of tax revenue in many developed countries. By 1939, it has become the most important source of revenue in most developed countries and had made an appearance in several developing nations. (Agrawal, 1978:113). Since the First World War decade, Income tax has shown as an important source of revenue in developed countries (Tanzi, 2018). At the beginning of introducing time, it was generally levied at a flat rate. Only after 1909, the principle of progression was introduced in the UK and New Zealand.

Statement of Problem

The United Kingdom, in 2006 made more than 30% of total tax revenue from the personal income tax (Aidt & Jensen, 2009). Arguably, income tax is an innovative product in the last 200 years, in all most all developed countries (Becker & Mulligan, 2003). There is a lack of tax literacy among the general public and the major reason behind this is the less exposure of practical knowledge in the

education system of Nepal (Magar, 2010). Nepal, a developing country, has experienced multiple revisions in its tax system due to political instability and bureaucracy. Initially, corporate and personal taxes were treated together. In FY 1983/84, personal income tax contributed 8.2%, while corporate income tax only accounted for 2.4% of total tax revenue. Citizens often face challenges with lengthy government processes, lack of cooperation, and wasted time, despite funding the government through taxes. There is a pressing need for a shift in the attitudes of government service providers to prioritize efficient and respectful service for citizens.

GoN released, the Nagarik app on the occasion of the fourth national ICT day, and former PM Sharma Oli, assured to provide all government services on it. It's a mobile app rather than a full web service page, Inside the application there is the presence of a module for PAN, vehicle tax, Malpot so on (Government of Nepal, Nepal, 2019). Furthermore, upon successful activation of the app and entering the required identification number we can see the tax deposited to our PAN, like tax paid by an employer, or tax paid by the Nepal stock exchange. The problem statement revolves around the need to address the issues of inconsistency and flexibility in the tax system in Nepal, along with the necessity for tax system reforms. This study aims to answer specific research questions and objectives related to the number of P-PAN withholdees, understanding the current P-PAN system, and providing comprehensive guidelines for P-PAN application. It also focuses on the roles of P-PAN owners (withholdees) and employers (withholders) in tax payment processes.

During my visit to various IRD offices in Kathmandu, I observed confusion among clients regarding the appropriate counter-to approach. Many uneducated individuals required P-PAN for salary purposes but faced difficulties in the application process. The lack of cooperation between officials and clients was evident, with everyone treated equally in a single queue. Despite the increased number of P-PAN applicants, I did not find any extension counters or dedicated units for their assistance. This highlights the need for improved taxpayer education and interaction programs, as outlined in the second strategic plan.

Methods

In research, the choice of research philosophy should align with strategic aims and hypotheses, but it is important not to favour one approach over others, as combining and mixing different research strategies and approaches is acceptable and beneficial (George, 2021). Research design encompasses the strategic and

structured approach to investigate and find answers to research questions, aiming to gather relevant information efficiently and cost-effectively. The primary evaluation in this research is based on secondary sources such as books, reports, dissertations, and online resources that provide valuable information for literature reviews. The interpretive nature of research relies on qualitative analysis and quantitative analysis serves as the exploratory nature of research with the help of the table.

Results

Nepal has seen many ruling governments in its history, including a monarchy, a Rana regime, a Panchayat system, a democracy, and a federal system. This political instability has made it difficult for the government to collect taxes and raise revenue. The idea of introducing income tax in Nepal originated in the early 1950s. However, it was not until 1959 that the first elected government in Nepal introduced the Business Profits and Salaries Tax Act. This act imposed a tax on business profits and salaries, but it did not apply to agricultural income. In 1962, the government replaced the Business Profits and Salaries Tax Act with the Income Tax Act. This act extended the coverage of income tax to include agricultural income. The Income Tax Act was amended several times over the years, and in 2002, it was replaced by the current Income Tax Act. The current Income Tax Act is a progressive tax, which means that the tax rate increases as income increases. The tax rate ranges from 5% to 35%. There are also several exemptions and deductions available, such as for dependents, medical expenses, and charitable donations. The government of Nepal is working to improve the efficiency of its tax collection system. However, there are still many challenges, such as tax evasion and corruption. The government is also working to reduce the reliance on direct taxes, such as income tax, and to increase the reliance on indirect taxes, such as sales tax. Despite the challenges, the government of Nepal is committed to collecting taxes and raising revenue to finance its development programs.

Discussion

Although there was a tax system in Nepal in the ancient period, the concepts of income tax were brought only after the first budget was formulated. The budget introduced in 2008 B.S. (1951) stated the introduction of an income tax system in Nepal. However, it was introduced only in 2017 B.S. (1960 AD) by the first elected government, when the Finance Act 2016 and Business Profit and Remuneration Tax Act, 2017 were enacted. The marginal rate of taxation prescribed by these

Acts was 25%. Since the income tax was imposed only on income from business profit and remuneration, the Act could not cover all the sources of income and so was replaced by Income Tax Act, 2019 in 2019 B.S. (1962 AD) (R. K. Shah & Paudel, 2018). Income Tax Act, 2019 with 29 sections divided the heads of income into 9 parts covering business, profession and occupation, remuneration, house and land rent, cash or kind investment, agriculture, insurance business, agency business and other sources (IRD, 2022). The Act was amended in 2029 extensively. However, considering this Act incapable of fulfilling the needs of that time was replaced in 2031 B.S. by another Act.

Income Tax was introduced in Nepal by the first Parliamentary Government in 1959. The Income Tax Act of 1962 replaced the previous tax act from 1959. In 1974, a new Income Tax Act was enacted, which underwent several amendments and remained in effect for 28 years. However, in 2002, the Income Tax Act of 1974, along with other income tax-related provisions, was repealed, and the current Income Tax Act of 2058 came into effect. This Act governs all income tax matters in Nepal and applies throughout the country. The imposition and collection of income tax are carried out by the government per the law, as specified in the Constitution of Nepal (1990) and the Interim Constitution of Nepal (2007). Taxes are levied at both the national level by the central government and at the local level by local governments in various forms. Each year, the Government of Nepal presents the Finance Bill in parliament to propose tax measures, and the tax rates are determined through this bill, which is published in the Nepal Gazette.

Benefits of having P-PAN. Having a P-PAN card offers several benefits. Firstly, it ensures that you are listed as a taxpayer, making a direct contribution to the development of the nation. Additionally, the P-PAN card serves as an additional government-authenticated identification card. By paying taxes, you contribute directly to nation-building efforts. In the long run, this can provide social security benefits and facilities. Since the fiscal year 2019/20, submitting a P-PAN has become compulsory for salary payments. Obtaining a tax clearance certificate demonstrates your contribution to the nation's development. It also supports and justifies your income as legal and reliable. Furthermore, having a P-PAN card can increase your chances of obtaining visas for studying or tourism abroad. The card also allows for the linking of multiple PAN cards, facilitating efficient income calculation. Finally, by fulfilling your tax obligations, you contribute to a healthy tax system, ensuring the government's functioning and the provision of citizen facilities.

Tax slab rate. In Nepal, natural persons, including individuals and couples, are required to pay personal income tax under the social security tax heading of the Inland Revenue Department (IRD). The government has set a base rate of 1% for taxable income up to a certain level. This fixed slab rate system is a convenient way to collect small amounts from a large number of taxpayers. However, as salaries increase over time, the government has increased the tax slab rates. The tax rate is progressive, meaning that higher earners pay a higher percentage of their income in tax. The maximum tax rate is 40%.

In the below table, the social security tax rates in Nepal for single and couple plans changed several times from FY 2063/64 to FY 2070/71. In general, the tax rate was 1% for the first 100,000 rupees, 15% for the next 75,000 rupees, and 25% for the balance amount. However, there were some specific provisions for individuals with pension income, handicapped couples, and special charges under the 25% slab. There was also a facility for insurance plan wave, remote allowance wave, and foreign allowance.

Table 2: Taxpayers assessed rate from 2063-2071

SN.	Particulars/FY	063/64	064/65	065/66	066/67	067/68	068/69	069/70	070/71
1	Tax Exemption limit for individuals at 1%	100K	115K	115K	160K	160K	160K	160K	200K
	Additional 75K	15%							
	Additional 85K		15%	15%					
	Additional 100K				15%	15%	15%	15%	15%
	Balance Amount	25%	25%	25%	25%	25%	25%	25%	25%
	>2500K					40%	40%	40%	40%
2	Tax Exemption limit for couples at 1%	125K	140K	140K	200K	200K	200K	200K	250K
	Additional 75K	15%							
	Additional 85K		15%	15%					
	Additional 100K				15%	15%	15%	15%	15%
	Balance Amount	25%	25%	25%	25%	25%	25%	25%	25%
	>2500K					40%	40%	40%	40%

(Source: NBSM & Associates & Chartered Accountants, KTM, 2070)

From FY063/64 to FY070/71, it seems that mostly it has a 15% and 25% tax exemption limit for individuals and couple plans. The government pay scale seems more flexible and familiar.

Table 3: Taxpayers assessed rate from 2071-2079

S N.	Assessed Plan	FY 071/72	072/73	073/74	074/75	075/76	076/77	077/78	078/79	
1	Individual	Up to 250K at 1 %			350K at 1%	Up to 350K at 1%	Up to 400K at 1%			
		Next 100K at 15%			100K at 15%	Next 100K at 10%	Next 100K at 10%			
		>350K at 25%			>450K at 25%	Next 200K at 20%	Next 200K at 20%			
							Next 1350K at 30%	Next 1300K at 30%		
							Balance 36%	Balance at 36%		
2	Couple	Up to 300K at 1%			400K at 1%	Up to 400K at 1%	Up to 450K at 1%			
		Next 100K at 15%			100K at 15%	Next 100K at 10%	Next 100K at 10%			
		>400K at 25%			>500K at 25%	Next 200K at 20%	Next 200K at 20%			
		(NBSM & Associates & Chartered Accountants, KTM, 2070)					Next 1300K at 30%	Next 1250K at 30%		
							Balance at 36%	Balance at 36%		

(Source: NBSM & Associates & Chartered Accountants, KTM, 2070)

In the financial year 075/76, the tax slabs for individuals and couples have been changed. Individuals will have to pay 1% tax up to 350,000, 10% tax for the next 100,000, 20% tax for the next 200,000, 30% tax for the next 1,350,000 and 36% tax for the rest. Couples will have to pay 1% tax up to 400,000, 10% tax for the next 100,000, 20% tax for the next 200,000, 30% tax for the next 1,300,000 and 36% tax for the rest (Source: Inland Revenue Department, 2002). The tax rates for FY 076/77 to 078/79 were stable for three years. For assessed singles, the tax rate was 1% for the first 400,000 rupees, 10% for the next 200,000 rupees, and 30% for the remaining amount. For assessed couples, the tax rate was 1% for the first 450,000 rupees, 10% for the next 100,000 rupees, 20% for the next 200,000 rupees, 30% for the next 1,250,000 rupees, and 36% for the remaining amount.

Table 4: Personal Income Tax Rate FY 2022/23 (2079/80)

SN	Single Person	Rate	Couple Person	Rate
1	Up to 500000	1% i.e. 5000	Up to 600000	1% i.e. 6000
2	500000-700000	10% i.e. 5000+20000	600K-800K	10% i.e. 6000+20000
3	700K-1000K	20% i.e. 25000+60000	800K-1100K	20% i.e. 26000+60000
4	1000K-2000K	30% i.e. 85000+300K	1100K-2000K	30% i.e. 86000+270K
5	Above 2000K	36% i.e. 385K+additional	Above 2000K	36% i.e. 356K+additional

(PKF T R Upadhya & Co., 2022)

Recently, in this current FY 079/80, the government have changed the tax slab rate for PIT. From the current FY, in the individual scheme, the rate is 1% up to 500K, 10% for the additional 200K, 20% for the additional 300K, 30% for the additional 1000K, and 36% for the balance amount i.e. over 20 lakhs. In the couples scheme, the rate is 1% up to 600K, 10% for the additional 200K, 20% for the additional 300K, 30% for the additional 900K, and 36% for the balance amount i.e. over 20 lakhs.

THE PROCESS TO GET PAN CARD

There are many processes with different platforms to apply for P-PAN or B-PAN like via IRD official webpage, Nagrik mobile application and recommendation letters from the corporate body.

Procedures for Personal PAN Registration through IRD official webpage.

1. Applicants should open <https://ird.gov.np>, the official website of IRD.
2. Click on the link to the Taxpayer Portal.
3. Among integrated Tax System, Click on the Registration (PAN, VAT, EXCISE, TDS) module's + sign.
4. Click on Application for Registration.
 - Complete the compulsory "Get Submission Number" form before applying for PPAN.
 - Fill in username, password, re-password, contact number, and email id.
 - Tick the appropriate box (Personal PAN, Income Tax, VAT, Excise) and provide the holder PAN.

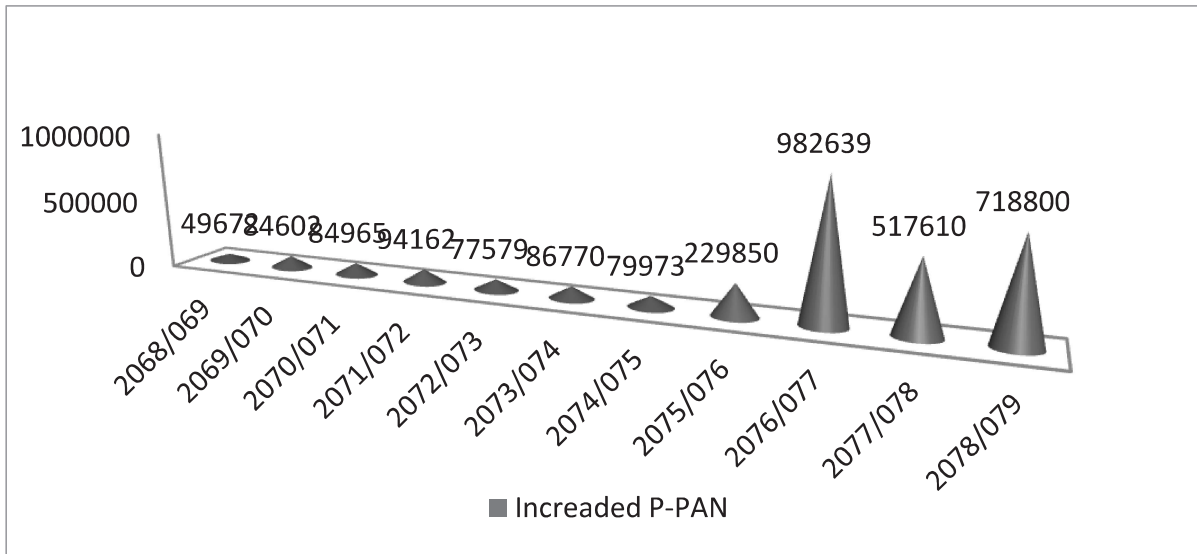
- Choose the verifying office (IRO/LTO or TSO) and preferred branch location.
 - Click Ok and confirm by clicking Yes.
5. You should have a screen displaying the submission number. Kindly note down it for future use.
 6. Click on the Continue button, you must have the below screen.
 - Fill all fields, temporary address only if different.
 - * marked fields are mandatory.
 - Upload the applicant's passport-size photo.
 - Upload documents (citizenship, passport, work permit) using the Drop-up button.
 - Nepali citizens must upload a citizenship card.
 - Documents should be in JPEG format, not exceeding 500KB.
 - Save option available to save entered data.
 - Click print for a summary of entered data.
 - Submit button for successful form submission to the IRD office.
 - Cancel button to terminate the registration process before submission.
 7. Clicking submit generates an OTP code sent to the registered mobile number and email; input it and click verify to complete verification.
 8. Individuals can visit the respective IRD offices with the submission number to obtain a printout of their PPAN Card, which will be verified and provided to them (Inland Revenue Department, 2020a).

Procedure for P- PAN registration through Nagrik mobile application. Nagarik Mobile App is revolutionizing Nepal with digital services on mobile and tablets, potentially replacing paper documentation and contributing to the government's vision of Digital Nepal for good governance and prosperity.

- To activate the Nagrik app, it is mandatory to use your mobile number.
- Need to verify with the OTP code.
- We can see the PAN option, we can apply over here for PPAN.
(Inland Revenue Department, 2020b).

Status of P-PAN withholdee. P-PAN holder is known as a P-PAN withholdee. Till FY 057/58 there was a total of 1,04,617 P-PAN holders. After a decade, in FY 2068/69 this number got thrice with 3,24,666 P-PAN holders. In the year of this decade in FY 2066/67 the number increases to 1,48,368 (Inland Revenue Department, Ministry of Finance, GoN, Nepal, 2067), and it was the highest increment throughout the decade.

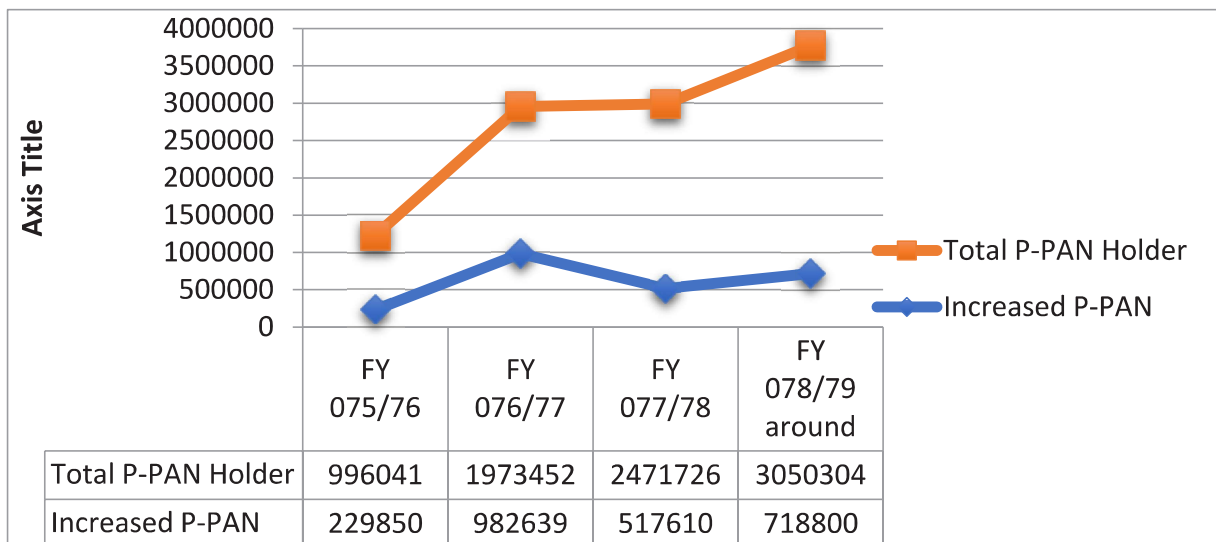
Table 5: Status of P-PAN holder



(Inland Revenue Department, Ministry of Finance, GoN, Nepal, 2078)

In the above table, we can see, from FY 2068/69 to FY 2074/75 there is a very small growth in the P-PAN holder’s increment. Though all FY have the policy to take P-PAN from the IRD office, salary staff were requested to take their P-PAN with the humble application. But it seems it was ineffective until the mandatory rule was implemented. In FY 2075/76, the growth was of 229850 of P-PAN holders, this FY has slightly well as compared to the remaining FY.

Table 6: Increment of P-PAN holders after mandatory from FY 2076/77



As already discussed, P-PAN was requested to take by employees and employers need to submit their staff P-PAN before their salary disbursement but until FY 2075/76 it seems ineffective. In FY 2076/77, P-PAN was made mandatory for all employees and asked employers to distribute salary only via bank tractions by doing E-TDS with employees' P-PAN. This is the main reason behind the peak of P-PAN in FY 2076/77. In FY 2076/77 this number increased to 982639 (Inland Revenue Department, Ministry of Finance, GoN, Nepal, 2078), in FY 2077/78 this number increased to 517610 and for last FY 2078/79 this number was raised with 718800 and figured out with total 3050304 P-PAN (The Ministry of Finance, 2022).

Conclusion

The Study has concluded that the Income Tax Act has to be passed through the parliament by Finance Act/Ordinance Constitution, Income Tax Rules and Provisional Tax Realization Act to get amended. Every year Government of Nepal tables the Finance Bill in the parliament to impose amendments to tax. The tax authorities have basically to accept the taxpayer's declaration. The study concludes that there are fewer integrated programs for taxpayers' education, guidance and counselling. As per IRD in FY 2019/20 when P-PAN was made mandatory 9,62,839 people have taken their P-PAN. In FY 2077/78, the increased number of P-PAN holders was 5,17,610 and is predicted to be around 7,18,800 in FY 2078/79. The main reason behind making P-PAN mandatory was to bring all salaried staff under the PIT system and make the employer do E-TDS with the staff's PAN number. The majority of the respondents' has opined that it was an extra burden for citizens to make P-PAN without starting up dedicated services for P-PAN applicants or special services parallel to the mandatory rule. IRD had not paid enough attention to the citizen's tax literacy. The changes in income taxation for reforms play a significant role in meeting the objectives of the country and the changes are effective according to the Research study.

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