# Tax Payers Awareness in Nepal Regarding with Value Added Tax and Income Tax

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## Abstract

*This study analyzes the moral behavior of Nepalese taxpayers. Additionally, the study seeks to address the underlying reasons for non-compliance. Data were collected by 400 participant questioners and analyzed using thematic analysis. The result suggests that these taxpayers do not have sufficient technical knowledge and perceive the VAT system as complex. Tax knowledge and tax complexity are seen as contributing factors to taxpayer non-compliant behavior. Data is collected using a well-structured questionnaire. For analysis and interpretation, the researcher used the following statistical tools from her SPSS: Based on their analysis and interpretation, the researchers present important findings that the majority of consumers pay tax but are less aware of VAT. Consumers avoid paying tax in Nepal as VAT tends to be high.*

***Keywords:*** *tax awareness, tax awareness, tax knowledge, tax law, tax ethics.*

## Introduction

Taxes and the tax system are essential to nation building. These are necessary to build government capacity for meaningful economic development. The basic purpose of financial authorities is to collect taxes and duties mandated by law. However, taxpayers are not always willing to comply with the obligations imposed by law. Tax compliance is the ability and willingness of a taxpayer to comply with tax laws, declare the correct income each year, and pay the correct amount of tax on time (Dewi, 2023).

Tax compliance is a challenge for developing and developed countries around the world (Charlet & Owens, 2017). The majority of countries with stable economies are associated with efficient and effective tax systems and systems that improve individual and organizational tax compliance. Developed countries around the world, including the United States, China, Japan, and Germany, have efficient tax systems that monitor and track all tax filings by individuals and businesses in a timely manner, and this is considered of paramount importance. It accounts for the ability to mobilize appropriate resources for socioeconomic development (Arum, 2022).

Further, it is observed by (Olowookere and Fasina, 2019) in Nigeria, that tax penalties, service quality and compliance costs on the other hand are attributed to enhanced performance of tax collection institutions in form of levies submitted at a given period of time regardless of the legal or administrative sanctions imposed on tax violators. Individual financial situations and rising costs of living can make members of the public blatantly violate submitting taxes on time as required by law. Subsequently, it is noted by (Aksnes, 2014) in Egypt that the cost of operating business in developing countries such as India and Namibia is a key factor that influences business entities not to adhere to VAT policies.

Masinde and Muyundo (2020) explored unlocking revenue potential in Kenya and showed that Kenyan micro and small enterprises continue to play an important role in economic development through indirect

taxes. However, despite MSE growth, KRA faces many challenges in collecting revenue from his MSE in the form of his VAT. Her many challenges related to VAT non-compliance in the micro and small business sector extend to taxation, administration, and systems.

Further, Alabede (2019) acknowledges that developing countries face many VAT compliance challenges. VAT is one of the indirect taxes that developing countries use to mobilize resources for socioeconomic development, despite challenges of violations from various stakeholders, including individuals and businesses. Despite the structural differences between tax systems in developing and developed countries, tax evasion and tax avoidance are major problems contributing to the poor performance of government revenue mobilization in developing countries.

According to Klemm and Parys (2019), VAT is recognized as one of the approaches used by developing countries, especially Kenya, to generate income to fund development projects. It is one of the indirect taxes and accounts for 80% of all tax revenues (Saleemi, 2015).

Taxation is the most effective and powerful tool available to a country's government. It is taxation that gives the government the supreme power to control a country's economy. The main purpose of taxation is to provide funds for economic development and economic stability. The majority of government revenue comes from taxes, which is far superior to mobilizing external resources. For developing countries, maximizing revenue from domestic sources is better, safer and more fruitful. Taxation not only contributes to economic development and stability, but also to the equal distribution of a country's national income (Adesola, 2021).

Taxes are generally divided into direct taxes and indirect taxes. Indirect taxes play a dominant role in the tax structure of Nepal. The Value Added Tax (VAT) regime was seen as an attractive alternative to the global indirect tax regime. This is the newest form of taxation, but it was innovated in the late 20th century. It has emerged as a key component of global tax reform in all attempts at tax reform. VAT is now preferred (Adesola, 2021).

Taxes become the state's primary source of income. VAT is the latest innovation in taxation. The VAT he sees as the reformed tax system of the 21st century and has already been widely implemented in over 135 countries around the world. A value-added tax is a multi-level goods and services-based tax that companies impose on their added value at various stages of production and distribution. It is imposed on different levels. It is imposed on the added value of goods and services. VAT is a consumer dependent indirect tax (Gwali, 2018 and Adhikari. 2020).

Specifically, this is a sales tax supplement or an improved sales tax. VAT is seen as an efficient way to generate revenue because it is less taxing on the economy than other taxes, including customs duties and other domestic business taxes, excluding retail-level sales taxes. Goods are routed through different channels (that is, producers, agents, wholesalers, retailers, consumers) by adding value to each channel. When this process started, the country imposed a 10% levy on value added, known as VAT. Therefore, the VAT rate is currently 13% and is levied at every stage of the sale of goods and services.

VAT is a new and important innovation in the field of modern taxation. Born in France, he has achieved worldwide popularity on both an academic and practical level. After France introduced her VAT for the first time in her 1954.

As an important fiscal policy tool and an important tool of government policy, taxes play a key role in increasing the rate of capital formation and thus achieving economic growth. The role of taxation in a country's economic development lies in its function of increasing the country's productive capacity. Therefore, every state needs resources to pay civil servants or do development work. H. A huge amount of money called income. The main source of income is taxes.

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national income.

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VAT is normally levied using the tax credit procedure. Each company applies a tax rate on its taxable turnover, which is paid on the purchase of goods and services for business purposes, including tax paid on the purchase of capital goods as part of the consumption-based value-added business tax. Get VAT deductible. As a result, the only non-deductible tax will be the tax levied on sales to households, not businesses.

## Purpose of the Survey

The purpose of the study is to analyze the moral behavior of Nepalese taxpayers. In addition, this study has several other objectives.

1.  To examine the key determinants of taxpayer behavior in Nepal.
2.  To assess the effects of marital status and education level on taxpayer behavior in Nepal.
3.  To analyze the economic deterrence, tax justice, and the regulatory role of religiosity in explaining tax payer behavior as tax knowledge changes in Nepal.

## Literature Review

Literature Review presents theoretical concepts and empirical studies relevant to this study. This made it possible to compare results and develop underlying ideas to ultimately complete the objectives of this study. Taxes are the primary source of revenue for the state. VAT is the latest innovation in taxation. VAT is considered the reformed tax system of the 21st century and is already widely implemented in over 135 countries around the world. A value-added tax is a multi-level goods and services-based tax that companies impose on their added value at various stages of production and distribution. It is imposed on different levels. It is imposed on the added value of goods and services. VAT is an indirect tax that is dependent on the consumer. Conducting a literature review helped to understand the theoretical aspects of the research topic, and tax compliance behavior helped develop strategies for comprehensive tax compliance. The following theoretical and empirical studies were conducted for the study.

Fisher's Model of Tax Compliance Jackson and Milliron (1986) developed an audit model of tax compliance by identifying 14 key factors underlying the development of an audit framework. Key drivers were grouped into four main categories: demographics, opportunities for non-compliance, attitudes and perceptions, and tax regimes and structures. In addition, Fischer, Wartick, and Mark (1992) integrated economic, sociological, and psychological factors into Fisher's comprehensive model of tax compliance.

Tax Justice Tax justice, often referred to as fairness in tax law or enforcement, and government spending (Kirchler, 2007). The tax system is created and administered in a fair and competent manner. Tax compliance where the tax authorities believe that they are practicing proper and fair tax practices and procedures. Fair treatment is far more valuable than justice in the form of benefits or penalties. Confidence in tax administration can be strengthened by a sense of justice.

Tax Knowledge of tax law is assumed to be important to tax preferences and attitudes. Tax knowledge includes knowledge of taxes, avoidance options, general educational qualifications, or knowledge of tax law (Devos, 2016). Tax knowledge is an awareness of one's ability to comply with tax law, and includes technical tax knowledge and general tax knowledge of tax regimes and tax compliance (Wong & Lo, 2015). Bornman (2019) emphasized that taxpayers need to be aware of her control variables. Therefore, in this he has two control variables: marital status (married and single) and education level (up to school, postgraduate and postgraduate). The study also used marital status and education level to see if these had a greater impact on tax compliance behavior when used individually. Additionally, these variables were also used as control variables to measure the effects of ECD, JUST, TXK, and REL.

Tax Compliance Actions Tax compliance means that taxpayers file all required tax returns in a timely manner and accurately fulfill their tax obligations in accordance with the Internal Revenue Code, regulations, and

court decisions in effect at the time the returns are filed. Refers to the ability to disclose (Roth, 1989). By balancing the benefits of successful tax evasion against the risks of detection and punishment, a rational person is seen as the one who maximizes the expected utility of the tax evasion game. Individuals pay taxes as a result of this process for fear of being arrested and fined for failing to report all income.

## Research methodology

This study has been used both descriptive and causal comparative research design

The study determined 400 sample sizes as per the recommendation of Yamane (1967) which follows the rule that requires sampling it at a 95 percent confidence level at 255963 populations.

This research is based on the primary data. The primary source of the data has been used to determine the perception of the taxpayers regarding tax compliance behavior of Nepalese entrepreneurs and how the economic tax deterrence, tax justice, tax knowledge, and religiousness affect the tax compliance behavior and how this behavior changes when controlling the controlled variables: marital status and education level.

## Presentation and Analysis of Data

For most of the research work, empirical studies play a vital role to find out the actual status of research subject matters. There have been various empirical studies conducted before and after the implementation of VAT system in Nepal. It is viewed that this system has not been implemented effectively as expected. There was a strong opposition from the business community during the implementation period of VAT. In the beginning period of implementation, there was lack of skilled and trained manpower and officials. Administrative structure was also not set up properly. However, in present context, different informative programs, seminars and meeting are held to make the businessmen, consumers and public aware to the VAT. For the purpose of survey, questionnaire were prepared to know the opinion of various people from different fields including Enterpreneur,private sector  employee and others, about various aspects of VAT. The result and interpretation of the empirical studies scan be presented as follows:

## Analysis of Statements

**TAX Knowledge**

Table 1

Status of TAX Knowledge

| Items | Mean | Std. Deviation |
|---|---|---|
| Tax is the most important factor for raising government revenue in Nepal. | 4.4275 | 0.83755 |
| Issue of Tax invoice by Tax registered firm is necessary for the sales of goods and services. | 4.1325 | 0.85544 |
| Tax increases the price of goods and services to final consumer. | 4.1225 | 0.98992 |
| Vat is transaction based income tax. | 3.9175 | 0.86751 |
| VAT is charged on all VAT chargeable goods by single rate (i.e.13%) | 3.9125 | 1.19935 |
| VAT increases the price of goods and services then sales tax. | 3.7825 | 1.12622 |
| VAT is charge on sales rather than income. | 3.77 | 1.10687 |
| VAT is refundable tax to the suppliers. | 3.54 | 1.21329 |
| The final consumer cannot recover VAT on a purchase made by them. | 3.4575 | 1.26181 |
| Tax is paid by final consumer rather than businessman. | 3.4475 | 1.33104 |

It was found that majority of the taxpayers perceived VAT as an important instrument for increasing the government revenue of the country. They also argued that issuance of VAT invoice is necessary. Likewise, taxpayers argued that VAT would increases the price of goods and services to final consumers. Therefore, it was found that the tax payers had more knowledge especially on three domains of VAT Knowledge i.e. increasing government revenue, issuance of VAT invoice and eventual price bear by the final consumers.

*TAX Law*

Table 2

Status of knowledge on TAX Law

| Items | Mean | Std. Deviation |
|---|---|---|
| I believe it is my obligation as a citizen to support to the government by paying the VAT. | 4.26 | 0.8149 |
| The payment of VAT to the government. | 4.1925 | 0.90415 |
| VAT will be more effective in future for strong source of government revenue. | 4.11 | 0.95403 |
| Public awareness program is necessary in Nepal for raising VAT revenue. | 4.065 | 1.11754 |
| The VAT system in place motivates me to voluntarily comply with my VAT obligations. | 3.8 | 2.77746 |
| You have face problem in claiming TAX refund in VAT problems. | 3.7425 | 1.11548 |
| Billing system is the main problem in the present VAT implementation. | 3.65 | 1.21499 |
| The provision of fine and penalty under the Nepalese VAT system reasonable. | 3.6125 | 1.1115 |
| Current legal provision and rules of VAT are sufficient in Nepal. | 3.415 | 1.20057 |
| The present threshold is enough in Nepal. | 3.255 | 1.24453 |

It was found majority of the taxpayers accepted that paying VAT is the moral obligation as a citizen for the purpose of supporting the government. Likewise, they were also aware that paying VAT is not a choice but mandatory activity of eligible taxpayer. Also, taxpayers envisioned that VAT would be more important source of government revenue for future not only as present and past. The taxpayers also argued that public awareness program is necessary in Nepal for raising VAT revenue. Therefore, on the basis of findings, it can be concluded that the taxpayers had more knowledge especially on four domains of VAT laws i.e. obligation to pay VAT as a citizen, VAT not a choice but mandatory, significant source of future government revenue and importance of public awareness program on increases VAT revenue.

## TAX Impact

Table 3

Taxpayers' perception on TAX effectiveness

| Items | Mean | Std. Deviation |
|---|---|---|
| VAT contribution significantly increases the gross domestic product (GDP) of Nepal. | 3.955 | 1.05154 |
| Contribution of VAT is the highest position in the tax revenue of Nepal. | 3.8825 | 0.96749 |
| Impact of VAT on economic efficient depends on the level of development of the country. | 3.825 | 1.1303 |
| Tax payers face many complications in paying VAT. | 3.8225 | 0.97126 |
| Proper maintaining purchase and sales book to be stricted for effective collection of VAT. | 3.775 | 1.02323 |
| VAT system encourages the foreign trade in Nepal. | 3.565 | 1.19555 |
| There is lengthy procedure to refund VAT for damage inventory. | 3.5475 | 1.10942 |
| A different type of information campaign program launched by government is sufficient for Increasing tax payer's awareness regarding VAT. | 3.5225 | 1.26629 |
| Nepalese Tax administrations are efficient to collect the VAT. | 3.52 | 1.24236 |
| Deduct all personal expenses in calculating VAT liabilities. | 3.365 | 1.22291 |

The findings on taxpayers perception on effectiveness of VAT showed that majority of them argued that VAT will contribute significantly in increasing the size of Nepalese economy. The taxpayers also argued that contribution of VAT is the highest position in the tax revenue of Nepal. In general, the perception of tax payers regarding effectiveness of VAT in Nepal showed on positive domains. All the items intended to

measure the VAT effectiveness were more than neither agree nor disagree and concentrated on Agreement side. As a whole, the findings showed that majority of the taxpayers agreed that VAT has a positive impact on increasing national economic size and other economic indicators.

## Correlation Analysis

Table 4

Correlation matrix

|  | X1 | X2 | X3 | X4 |
|---|---|---|---|---|
| X1 | 1 |  |  |  |
| X2 | .409** | 1 |  |  |
| X3 | .405** | .552** | 1 |  |
| X4 | .747** | .833** | .813** | 1 |

*\*\* Correlation is significant at the 0.01 level (2-tailed)*
Where,
X1= TAX Knowledge
X2=TAX  Law
X3=TAX Impact
X4=TAX Awareness

As shown in Table the correlation coefficient between VAT Law and VAT Awareness is highest followed by VAT Impact and VAT Knowledge. This indicates the strength of relationship between VAT Law and VAT Awareness is stronger compared to other independent variables. As all the correlation coefficient is significant at required level of significance, it is referred that there is positive linear relationship between the independent variables and dependent variable included in the study however in order to understand the extent of changes in dependent variable due to change in independent variable, further statistical test needs to be conducted.

## Hypothesis Testing

The hypothesis of the study is tested using multiple linear regression analysis. The dependent variable is 'TAX Impact' and independent variables are TAX General Knowledge and TAX Law. The level of significant is 5% and Entry method is 'Enter' which means all independent variables are entered into the equation at the same time. Therefore, the model of the study is:

$$VA = \beta 0 + (\beta 1 \times VK) + (\beta 2 \times VL) + \mu$$

| VA=VAT Awareness | $\alpha$= Constant term |
|---|---|
| VK=VAT Knowledge | $\mu$ = Error term |
| VL=VAT Law | $\beta 1$, $\beta 2$= coefficient of Independent variables: VK and VL respectively. |

The assumptions of multiple linear regressions such as normality of residuals, absence of outliers, absence of multicollinearity, and presence of homosedasticity are ensured through various statistical test and analysis which together makes best linear unbiased estimates of the model parameters.

First of all, the outlier was detected and eliminated from the dataset. An outlier is an observation that has a large residual. In other words, the observed value for the point is very different from that predicted by the regression model. As there are two rules of thumb for identifying outliers based on residuals whereby rule no 1, a conservative method argues that the cases with absolute value of ZRESID (Standardized Residuals) greater than 2 are deemed to be outliers. On the other hand, rule no 2 argues that the cases with absolute value of ZRESID (Standardized Residuals) greater than 3 are deemed to be outliers. Following the second rule, the case no 8, 11, 115, 231, 244, 285, 374, 388 and 413 had absolute value of standardized residuals

with 3.235, 3.256, 3.274, 3.284 , 3.299, 3.311, 3.356, 3.608 and 3.768 respectively and these nine cases were eliminated from the study which resulted net sample size of 304 from 409 for the study.

Secondly, the normality of residuals was assessed using one-sample Kolmogorov-Smirnov (K-S) Test. For this test the null hypothesis ($H_o$) is 'Errors are normally distributed' and alternate hypothesis ($H_1$) is 'Errors are not normally distributed'. One sample K-S test showed that the error terms are normally distributed, since p-value of the test was 0.578 i.e. greater than 0.05.

Thirdly, the homoscedasticity was assessed using null plot, adjacent figure, indicates random pattern or it does not show fanning pattern, therefore there is no problem of heteroscedasticity.
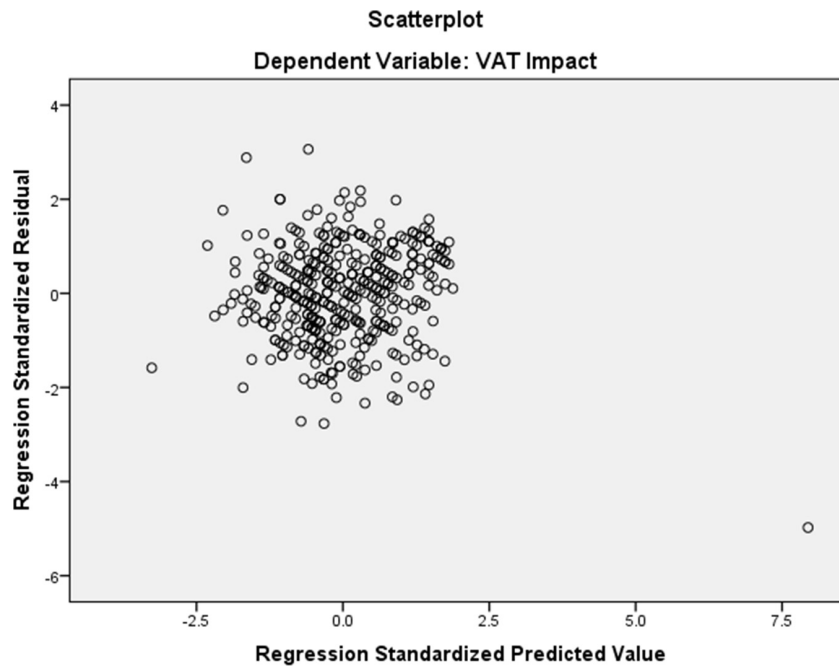


Figure 1: Scatter plot

Fourth, multicollinearity was assessed using Variance inflation factor (VIF) because VIF is an indicator of multicollinearity. When VIF exceeds 10, the variable is said to be highly collinear. Since, the values of VIF are all less than 10 and ranges from 1.166 to 1.745 for all predictors so there is not the presence of multicollinearity.

Table 5

Variance inflation factor (VIF)

| Predictors | VIF |
|---|---|
| VAT Knowledge | 1.200 |
| VAT Law | 1.200 |

**Table  Summary statistics of the estimated model**

Table 6

Model Summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|
| 0.586 | 0.344 | 0.34 | 4.25961 |

**ANOVA**

Table 7

ANOVA

|  | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 3771.368 | 2 | 1885.684 | 103.927 | 0 |
| Residual | 7203.272 | 397 | 18.144 |  |  |
| Total | 10974.64 | 399 |  |  |  |

Table 8

Coefficients

| | Coefficients | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
| | B | Std. Error | B | | | Tolerance | VIF |
| (Constant) | 12.445 | 1.793 | | 6.942 | 0 | | |
| VAT Knowledge | 0.217 | 0.045 | 0.215 | 4.834 | 0 | 0.833 | 1.2 |
| VAT Laws | 0.42 | 0.04 | 0.464 | 10.422 | 0 | 0.833 | 1.2 |
| Dependant variable: VAT Impact | | | | | | | |

The estimated regression model of TAX Impact on TAX Knowledge and TAX Laws is highly significant, since F value turned out to be 103.927 and p-value <0.05. The R-square value turned out to be 0.344, which means approximately 34% of the variation in the VAT Impact, is explained by variation in the independent variables. All slope coefficients are highly significant

On the basis of the summary statistics of the estimated model, the following decision was taken. Moreover, TaxLaws has greater impact on knowledge sharing behavior followed by trust and reward system on the basis of standardized beta coefficient. This findings was in consistent with the higher correlation coefficient between Tax Laws and Tax Awareness.

The study results confirmed that Tax Knowledge had a significant and positive effect on taxpayers awareness on Tax, with the estimated coefficient (B=0.217) and p value<0.05 significance level. This result suggests that the higher the knowledge about Taxwill increase the effectiveness of Tax.

A statistical positive relationship between the Tax Laws and TAX Awareness is found to be significant with regression coefficient (B=0.420) and p<0.05 level. Thus the relationship between the awareness of taxpayers on prevailing VAT Laws will increase the perceived effectiveness of VAT on improving the economy of Nepal.

## Relationship between taxpayers' characteristics on TAX Awareness

The characteristics of tax payers as incorporated in the study are gender, age, marital status, education and occupation. For the purpose of determining the relationship between characteristics of tax payers and Tax Awareness, the independent samples t test and one way ANOVA have been conducted. The findings of the study is presented and elaborated as below:

**Gender and Tax Awareness**

Table 9

Gender and Tax Awareness

| Table Differences in Tax Awareness on the basis of taxpayers gender | | | |
|---|---|---|---|
| Gender | Mean | Std. Error Mean | N |
| Male | 114.343 | 0.89787 | 198 |

| | | | |
|---|---|---|---|
| Female | 112.46 | 0.93585 | 202 |
| Value of It\| = 0.103 and p-value > 0.05 | | | |

The significant differences in the mean Tax Awareness between the two groups of taxpayers (male and female) is not observed as the p-value (0.148) obtained from assessment of Levene's Test for Equality of Variances on the assumptions of Equal variances assumed is greater than the level of significance (0.05). Therefore, the test result failed to show evidence against gender of the taxpayers as the predictor of Tax Awareness.

### Age and TAX Awareness

Table 11

Table Test results of TAX  Awareness across age groups

| Age | Mean | Std. Error Mean | N |
|---|---|---|---|
| Less than 30 years | 111.249 | 0.67856 | 329 |
| 31-40 | 121.708 | 1.84577 | 48 |
| 41-50 | 125.65 | 1.51879 | 20 |
| Above 50 | 133.667 | 2.66667 | 3 |
| F Value from ANOVA= 20.535and p-value =0.000 | | | |

ANOVA test shows that there is significant difference in the mean awareness on Tax across different age groups of taxpayers. Therefore, the test results showed the evidence against age group as the predictor of employee commitment. Therefore, it is concluded that there is significant differences in the mean Tax awareness in at least one pair of the mean across different age groups of the tax payers.

### Marital status and Tax Awareness

Table 11

Differences in VAT Awareness between married and unmarried taxpayers.

| Marital status | Mean | Std. Error Mean | N |
|---|---|---|---|
| Married | 119.5913 | 1.15377 | 115 |
| Unmarried | 110.8912 | 0.73485 | 285 |
| Value of It\| = 0.099 and p-value < 0.05 | | | |

The significant differences in the mean Tax Awareness between the two groups of taxpayers (married and unmarried) is observed as the p-value (0.000) obtained from assessment of Levene's Test for Equality of Variances on the assumptions of Equal variances assumed is less than the level of significance (0.05). Therefore, the test result showed evidence against marital status of the taxpayers as the predictor of Tax Awareness.

### Academic Qualification and TAX Awareness

Table 12

Test results of TAX Awareness across level of education

| Level of education | Mean | Std. Error Mean | N |
|---|---|---|---|
| High school | 111.3395 | 1.01606 | 162 |
| Bachelor degree | 114.7355 | 1.10003 | 155 |
| Masters degree | 114.8916 | 1.23627 | 83 |
| F value from ANOVA = 3.444 and p-value = 0.033 | | | |

There exist significant differences in the mean TaxAwareness among the different groups of taxpayers on the basis of level of education, the significant differences is observed as the p-value (0.033) is less than the level of significance (0.05). Therefore, the level of education is considered as the significant predictor that can have impact on tax payer's awareness on Tax.

*Occupation and TAX Awareness*

Table 13

Test results of TAX Awareness across various occupation

| Occupation | Mean | Std. Error Mean | N |
|---|---|---|---|
| Entrepreneur | 114.6842 | 1.28311 | 114 |
| Private sector employee | 115.7786 | 1.12581 | 131 |
| Government sector employees and others | 110.4258 | 0.96586 | 155 |
| F value from ANOVA = 7.018 and p-value =0.001 | | | |

There exist significant differences in the mean Tax Awareness among the different groups of taxpayers on the basis of occupation, the significant differences is observed as the p-value (0.001) is less than the level of significance (0.05). Therefore, the occupation is considered as the significant predictor that can have impact on tax payer's awareness on Tax.

## Major Findings of the Study

• An assessment of taxpayers' general tax knowledge reveals that the majority of taxpayers claim that the VAT is an important source of revenue for the government. became. They also argued that issuing VAT invoices is a necessary activity.

• An assessment of taxpayers' knowledge of applicable VAT laws reveals that VAT is recognized as a moral obligation of citizens and will continue to be a source of government revenue. The taxpayer argued that a public awareness program was critically needed to spread the importance of his VAT in increasing the size of the country's economy and maintaining positive macroeconomic health. bottom.

• The correlation coefficients between VAT knowledge, VAT law, VAT impact and VAT awareness were significantly positive. Furthermore, the correlation coefficient between VAT method and VAT awareness was stronger than VAT influence and VAT knowledge.

• Multiple regression analysis to determine the impact of VAT knowledge and VAT methods on VAT impact revealed that VAT knowledge and VAT methods were positively linearly significant with VAT impact. became. Analysis of standardized beta coefficients found that the impact of VAT law was higher than that of VAT knowledge.

• Independent-samples t-tests and one-way ANOVA were used to examine the relationship between different domains of taxpayer characteristics and his VAT perceptions. All taxpayer characteristics, including gender, age, marital status, education level, occupation, and their relevance to consumption tax perceptions, were assessed. Interestingly, we found that all taxpayer characteristics other than gender were considered significant predictors of taxpayer awareness.

• The contribution of sales tax revenues to total tax revenues is trending upward, albeit in varying proportions. Beneficial for healthy economic development. Although there are various difficulties in implementing VAT, the trend of collecting VAT income is not too bad. It is expected to generate more and more revenue in the coming days. VAT generated a revenue of Rs.7,093.04crore in the financial year 2011/12. It came up to Rs. In the year 2016/17 he was 16.1683 billion, an increase of 175.93% compared to the year 2016/17.

## Conclusion

As one of the world's least developed countries, Nepal has always suffered from social and economic

problems. Poor performance of internal revenue successfully and adequately overcomes the curtain of mass poverty, hunger, disease, unemployment, over-reliance on agriculture, lack of adequate industry, low income levels, socio-political and geographical constraints. cannot be torn. For developing countries like Nepal, VAT is the best taxation model. The reason is that the VAT system is transparent, widens the tax base and prevents tax evasion. Therefore, it goes without saying that the VAT is the government's main source of revenue. VAT expands the tax base, eliminates tax cascades, builds a tax system favorable to investment, establishes a simple and modern tax system that exempts exports and basic commodities from taxation, and ultimately allows you to increase your revenue. Public revenue, the primary source of funding for public spending needs, is not keeping up with public spending. There are two types of revenue: tax revenue and non-tax revenue. Tax revenue accounts for about 75% of total revenue and non-tax revenue accounts for about 25% of total revenue. Increasing your income through tax-exempt income is a very difficult task due to its strict nature. Therefore, every effort should be made to generate more income through taxes imposed on goods, income and real estate.

However, in practice, this system is still not valid today. The main problem, or the reason for all problems, is the taxpayer's lack of awareness of their VAT. VAT needs to be successful and this depends heavily on the public perception, honesty, faith and morality of tax authorities and the business community. It takes willpower and action. Unnecessary interference with economic activity should be avoided. Governments need the full cooperation of tax authorities, taxpayers and businessmen, and consumers to generate more revenue. That said, governments need to learn from what they have done in the past to streamline the way systems operate. It is equally important that governments justify the rationality of their policies and increase consumer confidence in the policies they implement for the benefit of the people through actions, not words. In addition, the study concludes that educating entrepreneurs about more important tax justice and perceived fairness, and tax knowledge, can have a positive impact on tax honesty. has also reached Fairness to tax authorities can improve tax compliance. To promote tax compliance, fair treatment is more important than the fair benefits and penalties taxpayers receive. This conclusion supports the Fischer model. Likelihood of non-compliance can affect taxpayer compliance directly through income level, income source and occupation, and indirectly through attitudes and perceptions, and the fairness of the tax system. and conclude that peer influence is the most important consideration in changing taxpayer attitudes. and recognition. This fairness perception can also increase taxpayer confidence in tax authorities and improve tax compliance behavior. Therefore, the study recommends planning well for future tax regimes considering the negative impact on tax equity.

This study also addressed the important role of religious beliefs in maintaining high levels of tax compliance and found that demographic variables influence tax compliance through opportunities and their impact on attitudes and perceptions of non-compliance. Tax policy should therefore focus on ethics and religion to avoid further tax evasion tendencies in the subject and promote tax integrity. Therefore, the study recommends introducing general ethics education including fairness and justice practices to all entrepreneurs in Nepal in order to increase their level of moral development and improve overall tax compliance. I am proposing.

## Implications

Based on the main findings and conclusions the following recommendations were made. The impact of tax rate structures and government spending gave them an incentive to avoid and avoid paying VAT.

- During the research period, most business people and consumers remained unaware and ignorant about VAT. Therefore, it is necessary to organize his VAT program through training courses, seminars, report presentations, paper publications, journal publications and media to raise awareness of his VAT among the general public.
- Many taxable entrepreneurs are still outside the tax net. Therefore, there is a need to make enforcement more effective and encourage voluntary compliance. Here, taxpayer education and taxpayer services are key functions of modern tax administration to promote voluntary compliance.
- As registered taxpayers are both sellers and buyers of goods and services, invoices must be fair and transparent when transacting. To that end, governments and their professional organizations have

- launched awareness programs to educate vendors about billing systems and help people become more competent, rational, selective, and watchful for vendor fraud. and should be promoted.
- Suppliers are required to make accounts transparent through appropriate and up-to-date billing systems. They must develop professional skills not only in marketing, but also in accounting and reporting, taking into account the law. In this regard, both state and private institutions should organize training courses on accounting and tax issues.
- Consumers are de facto taxpayers. They pay taxes, levies, levies, donations, etc. on behalf of the government. It is very important that the money that consumers pay to the government in lieu of taxation goes to the public treasury.
- Taxpayers should not tolerate tax deterrence or harassment. We need a comfortable and encouraging tax environment so that taxpayers feel that they are paying.
- The government should try to increase the tax base by drawing hidden taxpayers into the tax net. All her VAT taxpayers are required to conspicuously display their registration certificate and this is becoming more and more common. However, this should be monitored regularly by tax authorities.
- Many rules and regulations related to VAT are limited to paper and are not used in practice. Therefore, all rules must be strictly applied to generate effective revenue. We also need to create strict rules for tax authorities and take action against those directly or indirectly involved in corruption.
- Require voluntary registration and incentives for honest taxpayers.
- VAT is the most effective source of income and additional income must be sought through intensive tax education programs. The principles of taxpayer education and service must be accurate, understandable, fair and balanced.
- Separately, decision-making bodies and taxpayers must finally build an organized civil society to stop the tyrannical and exploitative behavior of the economy and the monopolistic behavior of the state.

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