

TAX PAYERS MORAL BEHAVIOR IN NEPAL REGARDING VALUE ADDED TAX

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ABSTRACT

This study analysis the Tax Payers' moral behavior In Nepal. Further, the Study attempts to deal in the underlying reasons for non-compliance. Data was gathered through Questioner with four hundred participants, and analyses using thematic analysis. Results suggest .Those taxpayers have inadequate technical knowledge and perceive VAT system as complex. Tax Knowledge and tax complexity are viewed as contributing factors towards non-compliance Behavior among taxpayers. The data are collected through well structured questionnaire. For the Purpose of analysis and interpretation the researcher has used the following statistical tools of SPSS. On the basis of analysis and interpretation the researcher introduces the major findings that the majority of the consumers pay tax but, they are not much aware of the VAT. Due to the High tendency of VAT the consumers try to avoid the payment of tax in Nepal.

Keywords: VAT payer's awareness, VAT perception, VAT knowledge and VAT

Ethics.

INTRODUCTION

Value-added tax is regarded as one of the approaches adopted by countries in developing countries especially Nepal in raising revenue to fund development projects. Being one of the indirect taxes, it is attributed with 80% contribution of total tax revenue (Saleemi, 2015). Compliance to VAT has been the key concern among developing and developed countries of the world for the last decade. It is argued that the rationale behind economic development of any country is based on VAT compliance. Despite high cases of non-compliance to VAT from industry players including micro and small enterprises and large firms, developing countries should strive to develop mechanisms that will enhance VAT compliance from the formal and informal sector for socio-economic developments. Tax compliance as the taxpayers' willingness to obey tax laws in order to attain economic development and goal. From a wider perspective, tax compliance requires a degree of honesty; adequate tax knowledge and capability to use this knowledge, timeliness, accuracy, and adequate records in order to complete the tax returns and associated tax documentation.

A key component of any tax system is the manner in which it is administered. No tax is better than its administration, so tax administration matters a lot. An essential objective of tax administration is to ensure the maximum possible compliance by taxpayers of all types with their tax obligations. Unfortunately, in many developing countries, tax administration is usually weak and characterized by extensive evasion, corruption and coercion. In many cases, overall tax compliance levels are low and large proportion of the informal sector of the economy escapes the tax net entirely.

Economic development and growth are important indicators to reflect the real situation of a country in overall development of the nation. Therefore, it has been an important concern and target of the government policy tools in any underdeveloped countries like Nepal. Achievement of high rate of economic growth, reduction of income disparities and poverty are few development strategies towards which most of government efforts have been directed in the developing countries (Acharya, 2019).

Taxation is the most effective and powerful tool reserved in the hands of government of a country. It is taxation, which invest paramount power in the government to hold over the economy of country. The major objective of taxation is to make fund available for the economic development and economic stability. A major part of government revenue comes from taxation is much better than external resource mobilization. It is better for developing countries to maximize revenue through domestic source, which is much safer and fruitful as well. Taxation not only contributes in economic development and stability but also helps equal distribution of national income of a country (Adesola, 2021).

Taxes are usually classified into direct taxes and indirect taxes. There is a predominant role of indirect taxes in Nepalese tax structure. Value Added Tax (VAT) system has been considered as an attractive alternative to exist as an indirect tax system spreading around the world. Although it is the youngest form of taxation which; was innovated in the second half of the twentieth century. It has been emerging as a main element of the worldwide tax reform, in every attempt of tax reform; VAT is now gaining the primary preference (Adesola, 2021).

Tax becomes the main source of revenue of the state. Value Added Tax is the latest innovation in the field of taxation. VAT is considered as the reform tax system of the 21st century, which has already been implemented popularly in more than 135 countries in the world. VAT is multi staged, commodity and services based tax which is levied on the value added of business at different stages of production and distribution. It is imposed on different stages. It is imposed on additional value of goods and services. The value added tax is indirect tax depends upon consumer (Gwali, 2018 and Adhikari. 2020).

Especially it is supplementary of sales tax or improved form of sales tax. Since VAT generates less cost to the economy than other taxes, including customs duties and other domestic trade taxes except retail level sales tax, it is considered an efficient way of generating revenue. The goods are passed through different channels (i.e. producer-agent-whole seller-retailer-consumer) by adding the value in each channel. In this process, after beginning government has charged 10% on the added value that is called VAT. Therefore, at present, VAT rate is 13% collected at every stage of selling goods and services.

VAT is a recent and an important innovation in the field of modern taxation system. After its origin in France, it gained worldwide popularity at the academic level as well as practical level. After France adopted VAT for the first time in 1954.

Taxes as a major fiscal policy instrument and important government policy tools have an important role in increasing the rate of capital formation and thereby achieving the rate of economic growth. The role of taxation in economic development of country lies in its function of resources that country's productive capacity is enhanced. So every states needs resources whether to pay salary to government employees or to conduct development work, i.e. huge amount of money called revenue. The major source of revenue is tax.

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Value added tax usually shortened to VAT) is a levy on the amount a business add to the price (hence the name "value added") of goods during their production and distribution. Since it is a tax on commodities purchased, ultimately for consumption, rather than on the income of an individual or corporation, it is essentially a consumption tax.

The VAT is usually collected by the tax credit method; each firm applies the tax rate to its taxable sales, but is allowed a credit for value-added tax paid on its purchases of goods and services for business use, including the tax paid on purchases of capital equipment under a consumption-type value-added tax. As a result, the only tax for which no credit would be allowed would be that collected on sales made to households, rather than to businesses.

Since the sum of the values added at all stages in the production and distribution of a good are equal to the retail selling price of the good, the revenue base of a retail sales tax and a value-added tax with the same coverage are theoretically identical, and a given tax rate will

yield the same amount of tax revenue under either approach and under equal conditions of implementation, in other words, no exceptions or exemptions.

This is a study on contribution of Value Added Tax (VAT) in government's total revenue. The VAT refers to an indirect tax. VAT is a general consumption tax assessed on the value added to goods and services by the business enterprises at the successive stage of production and distribution. Value added for a firm is the gross receipt from the sales after subtracting all expenditure on goods and services purchased from other firm (Dewi, 2019).

It is a sales tax, hotel tax, contract tax, and entertainment tax. The type of VAT is determined on the basis of treatment of capital goods of a firm. Input tax paid for capital goods is allowed or not is the fundamental questions in the study of types of VAT. There are three types of VAT. Consumption, income, and gross national product types VAT. It is the major sources of public income by imposing to people in consumed goods and services.

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VAT is a recent and an important innovation in the field of modern taxation system. After its origin in France, it gained worldwide popularity at the academic level as well as practical level. After France adopted VAT for the first time in 1954, the Ivory Coast adopted it in 1960 and then Senegal in 1961. Since 1967 onwards VAT gained worldwide momentum and as a result from that time to 2001, with the exception of 1974, 1978, 1979 and 1981, each year some or the other country has been adopting VAT. In Nepal VAT was introduced in mid-November 1997 as a major part of tax reform program and in the process of implementation various other reform- oriented activities have taken place.

Formulation of VAT Act and regulation, establishment of an appropriate organizational structure and personnel system, computerization system, imparting knowledge regarding various aspect of this tax to potential tax payers and to various sections of the society, etc. VAT is a modern tax that is based on the principle of self- assessment. VAT has done with administrative procedures such as taking approval of the price of the purpose of sales tax, submission of annual statement of accounts tax, assessment by the tax officer stamping of invoice, submission of the invoice at the tax office along with the tax returns.

VAT is the transparence tax system that is based on the taxpayer's transaction. VAT is not only transparent but also it demands transparency as other tax system as well. Unless such environment is created vat cannot be implemented effectively. VAT is the youngest member of the sales tax family, which is broad based. Since the base of the VAT is extensive, under this tax resume more revenue can be collected through lower rates. The effective implementation of this tax can help in reducing the rates of custom duties and income tax along with reducing

smuggling of imported goods and hence improves the balance of payment, reduces the unintended distortions, services horizontal equity in a greater degree and makes the tax system simple and natural. In similar manner VAT has many provisions to correct its regressive nature.

“VAT is levied on all goods and services, unless specifically exempt by the law and collected at different stages in the process of production and distribution” (Dewi, 2019).

“VAT is a modern and scientific tax system. It is not similar to custom, excise duty, income tax, or sales tax that has born the tradition and historical heritage. It is not a tax that has imposed and amended and accordingly inserted or deleted. It is a tax of the 21st century since it highly developed and refined. It is a tax that suits the present speeds of knowledge, development and skills .Moreover; it present context of liberalization, privatization and globalization. It is easily adoptable with the open economy system and matches with the private sectors and the market economy of present days. It is a tax that is transparent and has an in-built system of self control” (Dewi, 2019).

Tax is the price individuals pay to government for the law and order (Hughes, 2020). Tax compliance entails filing taxes on time and accurately reporting tax liability in accordance with tax law and court decisions (Roth, 1989). The taxpayer should follow the tax law, report the real tax base, compute correct the tax liability, submit tax statement on specified time, and pay due amount on time (Freanzoni , 2000).

Tax avoidance reduced tax liability using loopholes of tax law and creative designing income and deduction, so it is not illegal. Tax evasion is the purposeful breaking of the law in order to reduce the tax amount. Evasion is the act of not reporting or reporting falsely (Wenley, 2004). The evasion is willful act with the intention to reduce tax liability (Sour, 2004).

The annual report of IRD disclosed that less than 1 per cent of population is registered at the tax office. The IRD has been selecting less than 1 per cent of registered taxpayers for full audit, and IRD selected 3800 taxpayers for the full audit in the fiscal year 2021/22.

Objectives of the study

The study aims at uncovering the Tax Payers’ moral behavior In Nepal. Further, the study also has some other objectives:

1. To analyze the major determinants of tax payers behavior among in Nepal.
2. To analyze the effect of marital status and education level on tax payers behavior in Nepal.
3. To analyze the moderating role of religiousness in explaining tax payers behavior with the change in economic deterrence, tax justice and tax knowledge in Nepal.

Review of literature

Literature Survey presents the theoretical concepts and empirical studies related to this study. This has enabled to develop ideas, which are served as a ground for comparing findings and finally concluding the aim of this study. Tax becomes the main source of revenue of the state. Value Added Tax is the latest innovation in the field of taxation. VAT is considered as the

reform tax system of the 21st century, which has already been implemented popularly in more than 135 countries in the world. VAT is multi staged, commodity and services based tax which is levied on the value added of business at different stages of production and distribution. It is imposed on different stages. It is imposed on additional value of goods and services. The value added tax is indirect tax depends upon consumer. Conducting the literature survey helps to know the theoretical aspects of the research topic and the tax compliance behavior has helped to develop a strategy for the higher-level tax compliance. Theoretical review. The following theories and empirical studies have been carried out for the study.

Economic crime model Becker (1968) introduced tools for developing optimal public and private policies to reduce social loss and combat illegal behavior, such as injuries, apprehension costs, conviction costs, and imprisonment costs. The study took into account behavioral factors, the number of offenses and costs, the corresponding punishments, public expenditures on police and the judicial system, the number of sentences, and the money spent on security and arrests. Tax evasion was one of the 15 violations covered by the model.

Fisher model of tax compliance Jackson and Milliron (1986) developed tax compliance research model by identifying 14 key factors used as a base for developing the research framework. The major factors were classified into four main categories naming as demographics, noncompliance opportunities, attitude & perception, and tax system and structure. Further, Fischer, Wartick, and Mark, (1992) incorporated economic, sociological, and psychological factors into a comprehensive one in the Fisher model of tax compliance.

The model depicted the relationship between demographic variables and tax compliance and major personal characteristics for which there is evidence of a relationship are age, gender, and education. The model suggested that demographic variables indirectly affect taxpayer compliance with the impacts on noncompliance opportunities and attitudes and perceptions. Likewise, the model also apprehended that noncompliance opportunity can affect taxpayer compliance directly through income level, income source, and occupation and indirectly through attitudes and perceptions. Major considerations for altering taxpayers' attitudes and perceptions of tax compliance are the fairness of the tax system and peer influence. Finally, the model also suggested that the tax load, easy tax system, high chance of caught and high fine and interest determine tax compliance.

RESEARCH METHODOLOGY

The main concentration of the study is to identify the level of knowledge and information about VAT and its impact on tax payers. For achieving these objectives, both primary as well as secondary sources of data were used in the study. Opinion survey technique was adopted while collecting primary data to find out the viewpoints of respondents representing different groups related to VAT. While conducting the opinion survey, Questionnaires were distributed to the tax experts, VAT officials, businessmen, and consumers as per necessity.

Methodology is the research method used to test the hypothesis. It refers to the systematic method causing the problem, formatting the hypothesis, collecting the data and analyzing the facts to reach the certain conclusion.

Research Design

Research design is the outline of a plan to test the hypothesis and framework of the study. It is also known as the conceptual structure within which research is conducted. Research designs are invented to enable the researcher to answer research question as validity, objectively, accurately, and economically as possible.

In this study, Descriptive cum Analytical research design have been used and the data has been collected from different sources like consulting with the tax experts, businessmen/traders and consumers.

Population and Sample

In course of this study, 400 samples size from Jhapa, Morang and Kathmandu has been selected.

Sources of Data

Both primary as well as secondary sources of data have been collected in order to achieve the real and factual result from this research. All the possible and useful data as far as available have been collected.

Methods of Presentation and Analysis of Data

The information, received from different sources, has been firstly tabulated into separate formats systematically in order to achieve the desired objectives. After that, the data has been tabulated and analyzed. For the purpose of analysis, generally the following tools have been used:

1. Statistical tool (as per need)
2. Multiple Correlation
3. Percentage
4. Tabulation and trend presentation
5. Other i.e. graphs, charts and diagrams as needed

Empirical Studies

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 Entrepreneur, private sector employee and others, about various aspects of VAT. The result and interpretation of the empirical studies scan be presented as follows:

Respondent's Profile

Profile of the Respondents

		Sample=400	
Gender	<i>Male</i>	198	49.5%
	<i>Female</i>	202	50.5%
Marital status	<i>Married</i>	115	28.8%
	<i>Unmarried</i>	285	71.3%
Age(in years)	<i>Less than 30</i>	329	82.3%
	<i>30-40</i>	48	12.0%
	<i>41-50</i>	20	5.0%
	<i>Above 50</i>	3	0.8%
Occupation	<i>Entrepreneur</i>	114	28.5%
	<i>Private sector employee</i>	131	32.8%
	<i>Government owned employee and others</i>	155	38.8%
	<i>High school</i>	162	40.5%
Education	<i>Bachelor degree</i>	155	38.8%
	<i>Masters degree</i>	83	20.8%

Correlation Analysis

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= VAT Knowledge

X2=VAT Law

X3=VAT Impact

X4=VAT Awareness

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 'VAT Impact' and independent variables are VAT General Knowledge and VAT 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

VK=VAT Knowledge

VL=VAT Law

α = Constant term

μ = Error term

β_1, β_2 = coefficient of Independent variables:
VK and VL respectively.

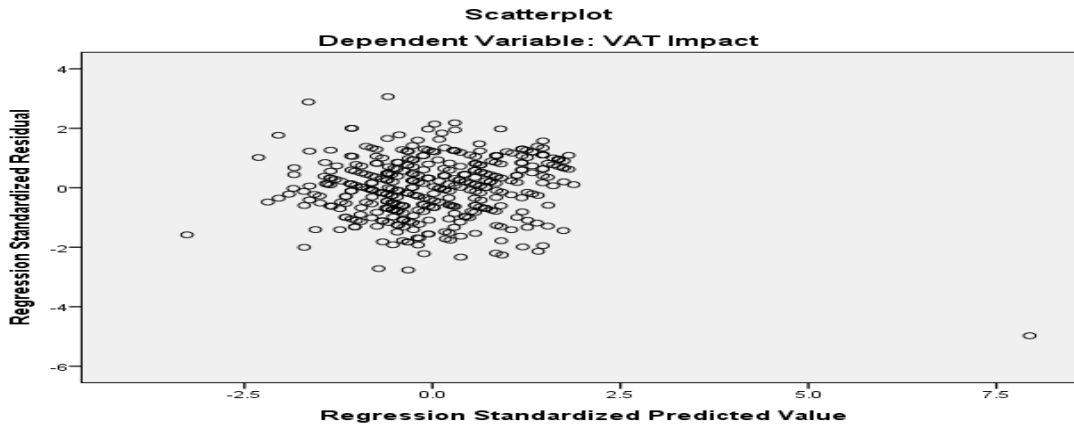
The assumptions of multiple linear regressions such as normality of residuals, absence of outliers, absence of multicollinearity, and presence of homoscedasticity are ensured through various statistical test and analysis which together makes best linear unbiased estimates of the model parameters.

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_0) 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.



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.

Predictors	VIF
VAT Knowledge	1.200
VAT Law	1.200

Summary statistics of the estimated model

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
0.586	0.344	0.340	4.25961

ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3771.368	2	1885.684	103.927	.0000

Residual	7203.272	397	18.144
Total	10974.640	399	

	Coefficients				Collinearity Statistics			
	Unstandardized Coefficients		Standardized Coefficients		T	Sig.	Tolerance	VIF
	B	Std. Error	B					
(Constant)	12.445	1.793			6.942	0.000		
VAT Knowledge	0.217	0.045	0.215		4.834	0.000	0.833	1.200
VAT Laws	0.420	0.040	0.464		10.422	0.000	0.833	1.200

Dependant variable: VAT Impact

The estimated regression model of VAT Impact on VAT Knowledge and VAT 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, VAT Laws 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 VAT Laws and VAT Awareness.

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

A statistical positive relationship between the VAT Laws and VAT 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 VAT 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 VAT 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 VAT Awareness.

Table 4.7: Differences in VAT Awareness on the basis of taxpayers gender

<i>Gender</i>	<i>Mean</i>	<i>Std. Error Mean</i>	<i>N</i>
Male	114.3434	0.89787	198
Female	112.4604	0.93585	202

Value of $|t| = 0.103$ and $p\text{-value} > 0.05$

The significant differences in the mean VAT 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 VAT Awareness.

Age and VAT Awareness.

Test results of VAT Awareness across age groups

<i>Age</i>	<i>Mean</i>	<i>Std. Error Mean</i>	<i>N</i>
Less than 30 years	111.2492	0.67856	329
31-40	121.7083	1.84577	48
41-50	125.6500	1.51879	20
Above 50	133.6667	2.66667	3

F Value from ANOVA= 20.535 and p-value =0.000

ANOVA test shows that there is significant difference in the mean awareness on VAT 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 VAT awareness in at least one pair of the mean across different age groups of the tax payers.

Marital status and VAT Awareness.

Table 4.9: Differences in VAT Awareness between married and unmarried taxpayers.

<i>Marital status</i>	<i>Mean</i>	<i>Std. Error Mean</i>	<i>N</i>
Married	119.5913	1.15377	115
Unmarried	110.8912	0.73485	285

Value of $|t| = 0.099$ and $p\text{-value} < 0.05$

The significant differences in the mean VAT 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 VAT Awareness.

Academic Qualification and VAT Awareness.

Test results of VAT Awareness across level of education

<i>Level of education</i>	<i>Mean</i>	<i>Std. Error Mean</i>	<i>N</i>
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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 VAT Awareness 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 VAT.

Occupation and VAT Awareness.

Test results of VAT Awareness across various occupation			
<i>Occupation</i>	<i>Mean</i>	<i>Std. Error Mean</i>	<i>N</i>
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 VAT 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 VAT.

Major Findings of the Study

- Assessment of the taxpayer's general knowledge on VAT revealed that majority of the taxpayers argued that VAT is an important source for increasing the government revenue. Likewise they also argued that issuance of the VAT invoice is necessary activity.
- Assessment of the taxpayer's knowledge regarding the prevailing VAT laws revealed that the VAT is perceived to be moral obligation of citizens and it is also source of government revenue in future. The taxpayers argued that the public awareness programs are extremely necessary to conduct to make public realize regarding importance of the VAT
- Similarly, assessment of the effectiveness of VAT for the economic growth of the country revealed that majority of the taxpayers argued that VAT is effective in increasing the size of the economy and maintaining positive macroeconomic health in the country.

- The correlation coefficient between the VAT knowledge, VAT Law, VAT Impact and VAT Awareness was significantly positive. Moreover the correlation coefficient between VAT Law and VAT Awareness was stronger compared to VAT Impact and VAT Knowledge.
- The results from the multiple regression analysis in order to identify the impact of VAT Knowledge and VAT law on VAT impact revealed that the VAT Knowledge and VAT law had a positive linear and significant relationship with VAT impact. While analyzing the standardized beta coefficient, it was found that the impact of VAT law is higher than of VAT Knowledge.
- The relationship between the various domains of tax payers' characteristics and VAT awareness was examined with the help of independent samples t test and one way ANOVA. Each of the tax payers' characteristics such as gender, age, marital status, level of education and occupation and its relationship with the VAT awareness was assessed. It was interestingly found that except gender, all other remaining tax payers' characteristics were deemed to be significant predictor of tax payer's awareness.

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