Satisfaction of Individual Taxpayers in Kathmandu Valley, Nepal

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Abstract

This study investigates the determinants of taxpayer satisfaction among individuals in Kathmandu Valley, Nepal. Based on primary data obtained from 200 respondents through a structured questionnaire, the research utilizes descriptive statistics, reliability analysis, Kaiser-Meyer-Olkin (KMO) measure, Bartlett's test, and multiple regression analysis to assess satisfaction relationships against five key dimensions: Tax Knowledge and Awareness, Perceived Fairness of the Tax System, Ease of Filing and Procedures, Service Delivery and Support, and Transparency and Trust. Results show high reliability among constructs and high explanatory power of the model ($R^2 = 0.804$, $p < 0.001$). Tax Awareness and Tax Knowledge were the only statistically significant predictors of taxpayer satisfaction, while other variables, being positively correlated, were not statistically significant. The results emphasise the critical importance of taxpayer education and awareness in enhancing satisfaction and voluntary compliance with the tax administration in Nepal. Policy implications and recommendations are provided.

Keywords: tax compliance, tax knowledge, Nepal, tax administration, voluntary compliance

Introduction

Improving voluntary tax compliance now hinges on increasing taxpayer satisfaction, especially in developing countries like Nepal, where the Kathmandu Valley is the economic capital and has a diversified taxpayer base. Three important elements affecting taxpayer satisfaction are examined in this study: Tax Knowledge and Awareness, which increases self-confidence in carrying out responsibilities. Perceived Fairness, which includes fair enforcement practices as well as an equitable distribution of the tax burden; Ease of Filing and Procedures, which focusses on simplified and user-friendly processes, including digital platforms; Together, these interconnected factors impact taxpayer satisfaction levels have a direct effect on compliance behaviour and the effectiveness of the revenue system. Based on the findings, voluntary compliance improves when taxpayers trust that the system is equitable, approachable, and reliable, which lowers enforcement costs while increasing revenue collection. The study contributes policymakers concrete evidence to improve tax administration strategies. It suggests measures like improved taxpayer education, facilitated procedures, fair enforcement, and increased

transparency to foster long-term trust and strengthen Nepal's efforts to raise revenue, which will ultimately support sustainable economic growth through a more efficient taxation system.The study gives policymakers concrete evidence to improve tax administration strategy. It suggests actions like improved taxpayer education, accelerated procedures, fair enforcement, and increased transparency to build long-term trust and strengthen Nepal's efforts to raise revenue, which will ultimately support sustainable economic growth through a more efficient taxation system.

Tax systems serve as fundamental mechanisms for funding public services and promoting the growth of the national economy. Since taxes are the main source of income for governments, they have significant effects regarding how state institutions interact with their citizens (Carnahan, 2015). Some scholars describe this association as fiduciary, based on government responsibility and equitable trust (Mahmood, 2018). While developed nations have successfully raised large amounts of tax revenue to fund infrastructure and initiatives relating to social welfare, emerging economies like Nepal have made measurable progress in this area recently. Based to research by Besley and Persson (2013), developing state operations are associated with greater revenue from taxes as well as structural transformations in taxation systems, especially the implementation of more extensive tax bases. Notably, trade-related taxes have become of lesser significance in all international revenue systems, whereas income taxes and value-added taxes (VAT) have become the main sources of government revenue in developed countries, financing both wealth redistribution and economic development activities.

Researchers in Nepal are starting to examine the relationship between the tax system and taxpayer satisfaction. In their 1978 paper "Resources Mobilisation for Development: The Reform of Finance Tax," Agrawal et al. examined Nepal's tax structure. They discovered significant issues in tax administration, including:

- Slow tax assessments (taking too long to compute taxes)

- Inability to locate new taxpayers (missing those who must register to pay taxes)

- Tax officials' and taxpayers' poor record-keeping

- Delay processing of tax appeals (disputes regarding tax payments)

In Nepal, these problems make tax collection ineffective.

In 2010, the Inland Revenue Department (IRD) and the Revenue Administration Support project (RAS) collaborated to conduct a study report titled "Taxpayers' Satisfaction Level in Nepal." The Ministry of Finance and the German Technical Cooperation (GTZ) show tax preference for Nepalese taxpayers. The report shows that tax collection has a direct relationship with the preference for tax payment among taxpayers.

Over the past decade, tax collection has risen in most low- and lower-middle-income countries, both in absolute terms and as a share of GDP. In recent years, the country's average annually economic growth rate is still between 4 and 5%. However, to sustain and increase this momentum, Nepal must overcome existing challenges in tax collection, implement effective reforms, and develop sector-specific policies to enhance revenue generation.

Statement of the Problem

Nepal is a developing country, and its economic growth has positioned it as a lower-income nation globally, partly due to policy initiatives by the current government. Economic growth is driven by effective government expenditure and well-structured revenue policies. A significant portion of the country's revenue is generated through taxation. The Inland Revenue Department is the primary authority responsible for collecting taxes on behalf of the government from its citizens. To maximise tax collection, the IRD implements several policies, rules, and regulations. The performance of IRD is crucial for Nepal's economic development, necessitating a focus on taxpayer satisfaction to ensure accuracy and compliance. While diverse tax related policies and regulations exist, many citizens remain reluctant to adhere to them. In this context, it would be advantageous for IRD to prioritise factors that directly influence individual taxpayers' satisfaction. This study seeks to develop a model for understanding individual taxpayers' satisfaction by examining three key factors in this regard.

Research Questions

In light of the problem statement, the following research questions have been formulated, which the study aims to address:

1. What are the key determinants influencing the satisfaction of individual taxpayers in Nepal?

2. To what extent does tax knowledge and awareness affect individual taxpayers' satisfaction in Nepal?

3. How do taxpayers perceive fairness in the distribution of the tax burden, and how does it affect their satisfaction?

4. How do filing simplicity, procedural clarity, and online system reliability influence taxpayer satisfaction?

5. How does the professionalism, responsiveness, and efficiency of tax officials affect taxpayer satisfaction?

6. How does the professionalism, responsiveness, and efficiency of tax officials affect taxpayer satisfaction?

7. Does taxpayer satisfaction influence the intention to continue voluntary compliance in the future?

Objectives of the Study

1. To examine the relationship between major determinants (tax knowledge & awareness, perceived fairness, ease of filing & procedures, service delivery & support, transparency & trust) and overall taxpayer satisfaction.

2. To evaluate the effect of tax knowledge and awareness on taxpayer satisfaction.

3. To assess the effect of perceived fairness on taxpayer satisfaction.

4. To analyze the impact of ease of filing and procedural simplicity on taxpayer satisfaction.

5. To assess the effect of service delivery and support on taxpayer satisfaction.

6. To evaluate the effect of transparency and trust in tax administration on taxpayer satisfaction.

7. To explore the relationship between taxpayer satisfaction and compliance intentions.

Literature Review

Taxpayer satisfaction is a critical measure of successful tax administration, quantifying perceptions of fairness, efficiency, transparency, and quality of service. Empirical studies recognise that satisfaction is multi-dimensional, influenced by tax awareness, perceived fairness, ease of filing, quality of service delivery, and institutional trust (Besley & Persson, 2013; Carnahan, 2015; OECD, 2020). Whilst initiatives have been observed in Nepal, issues persist with procedural ease, provision of information, and transparency (Inland Revenue Department [IRD], 2010).

Tax knowledge and awareness are essential to empower taxpayers with procedures, penalties, and obligations. More knowledge is linked to increased satisfaction and spontaneous compliance (Palil, 2010; Ibrahim, Musah, & Abdul, 2015). When taxpayers are aware of calculation techniques, due dates, and sources of advice, compliance becomes less difficult (Deyganto, 2018). Even in Nepal, however, access to accurate, user-friendly information remains low (UNDP, 2023).

Perceived fairness, that is, distributive, procedural, and retributive, is a further motivator for satisfaction. Equity theory suggests taxpayers are happier when the tax burden is equitable, regulations are consistent, and the rich pay their share proportionally (Adams, 1963; Ibrahim et al., 2015). Even in Nepal, grievances of differential treatment and discriminatory exemptions remain (Acharya, 2023).

Simplification of filing and procedure, such as streamlined documents and secure online platforms, lowers compliance costs and enhances satisfaction (Ching, 2010; OECD, 2020). Procedural impediments have disproportionate impacts even in constrained environments (Carnahan, 2015).

Delivery quality, such as responsiveness, timeliness, and professionalism, also determines taxpayer attitude. Experiments show that helpful, responsive, and effective support increases satisfaction (Bharwana, Bashir, & Mohsin, 2013). Taxpayers in Nepal undergo delays, inefficiencies, and a lack of responsiveness (IRD, 2010; Acharya, 2023).

Finally, trust and transparency are the pillars of tax legitimacy. Taxpayers are satisfied when they perceive that revenues accrue to the public, data are secure, and corruption is prevented (Besley & Persson, 2013; Ibrahim et al., 2015). Corruption and perceptions of secretive spending continue to undermine trust in Nepal (UNDP, 2023).

Overall, the literature states that taxpayer satisfaction is dependent on interrelated informational, procedural, relational, and institutional factors. Dealing with them comprehensively in Nepal can increase compliance and citizens' confidence in tax administration.

Research Gap

Existing research on taxpayer satisfaction has largely overlooked Nepal's individual taxpayers, particularly in urban areas like Kathmandu Valley, focusing instead on corporate taxation. While global studies highlight tax knowledge, fairness, service quality, and transparency as key satisfaction

factors, their combined impact remains unexplored in Nepal's unique context. Critical gaps persist regarding digital tax platforms, simplified procedures, and service effectiveness in Nepal's socio-economic landscape. There is a lack of empirical research on the relationship between perceived fairness of the tax system, simplicity of filing and procedure, Tax knowledge and awareness of taxpayers at the local level. By examining how these variables interact to influence taxpayer satisfaction in Nepal's Kathmandu Valley, this study fills these gaps and provides guidance for improving the tax compliance strategy of the country.

Hypothesis of the Study

H_1: There is a significant relationship between the identified determinants and the overall satisfaction of individual taxpayers in Nepal.

H_{11}: Tax knowledge and awareness significantly influence taxpayer satisfaction in Nepal.

H_{12}: Perceived fairness in the tax system significantly influences taxpayer satisfaction in Nepal.

H_{13}: Ease of filing and tax procedures significantly influence taxpayer satisfaction in Nepal.

H_{14}: Service delivery and support from tax offices significantly influence taxpayer satisfaction in Nepal.

H_{15}: Transparency and trust in tax administration significantly influence taxpayer satisfaction in Nepal.

H_{16}: Taxpayer satisfaction significantly influences future voluntary compliance intentions.

Conceptual Framework

A conceptual framework has been designed in the study to define the factors that influence individual taxpayers' satisfaction. The primary purpose of the framework is to analyse the effect of tax knowledge and awareness, perceived fairness of the tax system, Ease of filling process simplicity, Service delivery & support, and Transparency & Trust on individual taxpayers' satisfaction. The conceptual framework of the study is as follows:
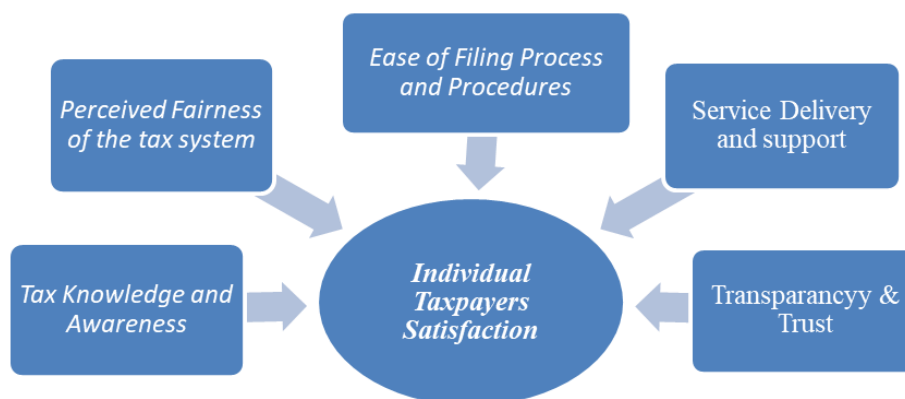

Figure 1. Research Framework

Source: Developed by Researcher, 2025

Methodology

This research employed a survey-based strategy for data collection. A structured questionnaire was designed to gather primary information from individual taxpayers residing in the Kathmandu Valley, Nepal. The study utilised a simple random sampling method. The target group consisted of all individual taxpayers within the valley. Initially, a pilot survey involving 50 participants was carried out, which led to minor revisions in the questionnaire. For the main study, data were collected from a sample of 400 taxpayers over two and a half months, spanning from January 15 to March 30, 2025. The study focuses on five exogenous variables: Tax Knowledge and Awareness (TKA), Perceived Fairness of the Tax System (PFT), Ease of Filing and Procedures (EFP). The questionnaire included demographic information of the respondents and 15 initial items to measure the constructs. Minor adjustments were made to the measurement scales to ensure contextual relevance. All constructs were measured using a 5-point Likert scale. Data analysis involved factor analysis and hypothesis testing, conducted using SPSS version 26.

Data Analysis

The sample size of the survey was 450, and an error-free questionnaire was finally selected for 400 through face-to-face data collection. Four hundred respondents' data were entered into SPSS version 26 for analysis. Missing values were checked after data entry, and none were found. Finally, 400 respondents' data have been considered for analysis in the study. Demographic profile, multiple regression analysis, and the demographic profile of the respondents constitute the study's analysis section.

Demographic Profile

The table below shows the study's demographic profile.

Table 1

Respondent Demographic Profile.Gender

Variables	Frequency	Percent	Cumulative Percent
Male	123	61.5	61.5
Female	77	38.5	100.0
Total	**200**	**100.0**	

Table 2

Respondent Demographic Profile: Age

Variables	Frequency	Percent	Cumulative Percent
18 to 30 years	18	9.0	9.0
31 to 45 years	65	32.5	41.5
46 to 60 years	89	44.5	86.0
above 60 years	28	14.0	100.0
Total	**400**	**100.0**	

Table 3

Respondent Demographic Profile: Occupation

Variables	Frequency	Percent	Cumulative Percent
Government Ecployee	31	15.5	15.5
Private sector employee	109	54.5	70.0
Selfemployed or business owner	60	30.0	100.0
Total	**400**	**100.0**	

Table:

4 Respondent Demographic: Profile .Education

Variables	Frequency	Percent	Cumulative Percent
Intermediate	84	42.0	42.0
Bachelor	86	43.0	85.0
Master	30	15.0	100.0
Total	**400**	**100.0**	

Source: Field data 2025

The respondents were 61.53% male and 38.5% female. Because more men are employed and engaged in business than women, the number of male respondents is higher than that of female respondents. The age group of participants shows that 9.0% aged between 18-30, 32.5% aged between 31-45, 44.5% aged between 45-60, and 14% aged between 61-above.These results reveal that the majority of responders are in the 45–60 age range. In response to the respondents' educational background, 42% are at the Up to Intermediate level, 43% have completed graduate school, and only 15% hold a Master's degree.

KMO and Bartlett's Test

An KMO and Bartlett's analysis of the study has been provided in the following tables, and a necessary explanation is also presented.

Table 5:

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.736
Bartlett's Test of Sphericity	Approx. Chi-Square	503.078
	df	15
	Sig.	0.000

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy was 0.736, above the standard recommended level of 0.70 (Kaiser, 1974). This says that sampling adequacy for factor analysis is good to middling, meaning correlations between the variables are sufficiently close together to yield a good set of factors.

The Bartlett's Test of Sphericity was highly significant (χ^2 = 503.078, df = 15, p < 0.001), rejecting the null hypothesis that the correlation matrix is an identity matrix. This confirms that there are substantial associations among the variables, which make them valid for data reduction through factor analysis.

Together, the following results validate the appropriateness of applying Exploratory Factor Analysis (EFA) to the data set. For taxpayer satisfaction research, this validates the assumption that the items selected to represent tax knowledge, perceived fairness, ease of filing, service delivery, and transparency are connected and can be grouped under underlying factors for subsequent statistical modelling.

Descriptive Statistics and Reliability Analysis

Table 6:

Construct , Its Items, Cronbachs alpha, Mean and Standard Deviation

Constructs	Code	Items	@	Mean	SD
Satisfaction Level of Individual Taxpayer	1	I am satisfied with the overall tax system in Nepal.		4.070	0.256
	TS2	Paying taxes is my civic responsibility.		4.135	0.343
	TS3	I feel motivated to file my taxes honestly	0.88	4.120	0.326
	TS4	I will continue to comply with tax rules in the future.		4.120	0.326
	TS5	I would recommend others to comply with the tax system.		3.920	0.338
Tax Knowledge and Awareness	TK1	I understand how my taxable income is calculated.		4.105	0.307
	TK2	I am aware of the deadlines for income tax filing.		4.225	0.419
	TK3	I know where to find information about my tax obligations.	0.86	4.140	0.348
	TK4	I understand the consequences of not paying taxes on time.		4.120	0.326
	TK5	I feel well-informed about the government's tax policies.		3.975	0.381
Percieved Fairness of the Tax System	PF1	The tax system treats all citizens equally regardless of income.		3.780	0.551
	PF2	I believe I am taxed fairly compared to others in my income bracket.		3.830	0.522
	PF3	I think the tax burden is distributed fairly in Nepal.	0.94	3.915	0.489
	PF4	I feel that tax exemptions and deductions are applied consistently.		3.865	0.421
	PF5	I believe high-income individuals pay their fair share of taxes.		3.815	0.389
Eaxe of Filling and procedures	EP1	The process of filing taxes is easy to understand.		4.050	0.219
	EP2	Online tax filing is convenient and reliable.		4.135	0.343
	EP3	I rarely face technical issues during tax submission.	0.73	4.005	0.255
	EP4	Tax forms are clear and simple to fill out.		4.000	0.246
	EP5	I find it easy to calculate how much tax I owe.		3.980	0.224
Service Delivery and support	SD1	Tax office staffs are polite and professional		3.265	0.525
	SD2	I get timely responses when I contact the tax office.		3.265	0.525
	SD3	My concerns are taken seriously by tax officials.	0.99	3.305	0.461
	SD4	I am satisfied with the support I receive during tax filing.		3.305	0.462
	SD5	The tax office is efficient in processing my documents.		3.305	0.462

	TT1	I trust that my tax payments are used for public benefit.		2.985	0.354
Transparency & Trust	TT2	I believe tax revenue is managed transparently by the government.		2.960	0.386
	TT3	I feel confident that my tax data is kept confidential.	0.88	2.925	0.425
	TT4	The Inland Revenue Department operates in a trustworthy manner.		2.990	0.347
	TT5	I believe corruption in tax administration is low		2.880	0.526

The reliability test reveals that all the constructs had good to outstanding internal consistency, with Cronbach's alpha scores greater than the suggested cut-off of 0.70 (Nunnally, 1978). Service Delivery and Support indicated highest reliability ($\alpha = 0.99$), then Perceived Fairness of the Tax System ($\alpha = 0.94$), Satisfaction Level of Individual Taxpayers ($\alpha = 0.884$), Transparency and Trust ($\alpha = 0.881$), Tax Knowledge and Awareness ($\alpha = 0.856$), and Ease of Filing and Procedures ($\alpha = 0.728$). The results confirm internal consistency of the measuring items for all constructs.

In terms of mean scores, Tax Knowledge and Awareness registered the top average scores across items (mean range = 3.975–4.225) to show that respondents felt they were well-informed concerning tax obligations, due dates, and calculation methods. Satisfaction Level also registered high (mean range = 3.920–4.135) to express a general positive sentiment toward the tax system, civic responsibility, and personal compliance.

Ease of Filing and Procedures had generally high means (3.980–4.135), indicating respondents perceive tax procedures as relatively easy and convenient and ease of online filing. Perceived Fairness of the Tax System reported relatively moderate mean values (3.780–3.915), and there exists some scepticism regarding equity in assigning tax burdens and exemptions.

Service Delivery and Support recorded lower mean values (3.265–3.305), demonstrating dissatisfaction with the responsiveness, professionalism, and efficiency of tax office service. Transparency and Trust recorded the lowest mean ratings (2.880–2.990), demonstrating a lack of public trust in public benefit from tax revenue use, transparency of revenue administration, secrecy of data, and low observed levels of corruption.

The high reliabilities and varying mean scores across constructs indicate that while Nepali taxpayers overall are aware of the process of taxes and are satisfied with their compliance, there are glaring shortfalls in service delivery and, more importantly, trust and transparency of the tax authority. These are policy priority areas to improve taxpayer satisfaction and voluntary compliance.

Regression Model Summary

Table 7:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897[a]	.804	.799	.11828

a. Predictors: (Constant), Eaxe of filling and procedures, Tax Knowledge and Awarness, Perceived fairness of the tax system

The regression model produced a good model fit, and thus the selected predictors explain a very high proportion of the variance in taxpayer satisfaction. The model was 0.897 in terms of R, which is a reflection of a very strong correlation between the independent variables—tax knowledge and awareness, perceived fairness, ease of filing and procedures, service delivery and support, and transparency and trust and the dependent variable, level of satisfaction.

The R^2 value of 0.804 shows that 80.4% of the variance in individual taxpayer satisfaction in Nepal is explained by these five determinants. Adjusted R^2 of 0.799 also shows that even after adjusting for the number of predictors in the model, the predictive power is extremely high and suggests that the model is not overfitted and has good predictive validity. The standard error of the estimate (0.11828) reveals a very low average deviation of observed scores from the prediction of satisfaction scores based on regression, indicative of the model's validity.

Empirically, an R^2 of more than 0.80 is very strong in social sciences, particularly in perception and behavioural research (Hair et al., 2019). The ability to explain that taxpayer satisfaction in Nepal is significantly driven by the selected dimensions indicates tax awareness and knowledge are the most determining factors according to the coefficient analysis.

These findings imply that enhancing taxpayer education, simplifying procedures, encouraging equity, quality service delivery, and encouraging transparency individually or collectively can explain the vast majority of taxpayer satisfaction variation. Policy-wise, the findings provide strong support for targeted efforts in taxpayer education, procedural simplicity, and trust-building activities in the Inland Revenue Department to enhance and sustain levels of taxpayer satisfaction.

ANOVA Results

Table 8

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	11.140	5	2.228	159.269	.000[b]
Residual	2.714	194	.014		
Total	13.854	199			

a. Dependent Variable: Satisfaction level

b. Predictors: (Constant), Eaxe of filling and procedures, Tax Knowledge and Awarness, Perceived fairness of the tax system

The ANOVA results confirm that the regression model is statistically significant in explaining variation in the level of satisfaction of individual taxpayers in Nepal. The value of the F-statistic of 159.269 with $p < 0.001$ indicates that the set of predictors, tax knowledge and awareness, perceived fairness, ease of filing and procedures, service delivery and support, and transparency and trust as a group has a statistically significant impact on taxpayer satisfaction.

The SSR of 11.140 for the SSE of 2.714 shows that a significant amount of the total variation in satisfaction (13.854) is explained by predictors within the model. Specifically, the model explains most of the variation, and this is consistent with the high R^2 (0.804) reported in the model summary. The

relatively low residual sum of squares also shows that the unexplained variance is small, making the model strong.

In real terms, the highly significant F-test value provides strong evidence against the null hypothesis that none of the predictors will influence taxpayer satisfaction. This accords with theoretical expectation that a range of factors, including knowledge, fairness, procedural ease, service quality, and transparency, are important drivers of satisfaction rates in the context of the tax administration of Nepal.

Coefficients Analysis

Analysis of coefficients reveals that among the five predictors, only tax awareness and knowledge by itself is statistically significant predictors of satisfaction by individual taxpayers in Nepal.

Table10 :

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.518	.204		2.539	.012
Tax Knowledge and Awarness	.767	.040	.830	19.352	.000
Perceived fairness of the tax system	.025	.022	.041	1.131	.260
Ease of filling and procedures	.026	.055	.018	.472	.637
Service Delivery and support	.022	0.20	.041	1149	.252
Transparency and trust	.042	0.28	.054	1489	.138

a. Dependent Variable: Satisfaction level

The unstandardised coefficient (B = 0.767) indicates that as tax awareness and knowledge rise by one unit while holding other variables constant, the level of satisfaction will rise by 0.767 units. The beta weight for the standardised factor ($\beta = 0.830$) and high t-value (t = 19.352, p < 0.001) reflect the important positive impact of the factor.

Conversely, fairness of the tax system (B = 0.025, p = 0.260), simplicity of filing and procedures (B = 0.026, p = 0.637), service delivery and support (B = 0.022, p = 0.252), and transparency and trust (B = 0.042, p = 0.138) all have positive though statistically nonsignificant effects on satisfaction once all other variables are controlled for. While these variables are conceptually significant and weakly positively correlated with each other, their independent contribution towards explaining satisfaction is minimal in the current model.

Tax awareness and knowledge dominating in the model means that the informed taxpayer, who can compute taxable income, is aware of deadlines, knows where to find quality information, and is aware of noncompliance penalties, is considerably more likely to be extremely satisfied with the tax system. This outcome supports previous research work (Palil, 2010; Ibrahim et al., 2015; UNDP, 2023) where the crucial role of taxpayer education and readily accessible information in driving positive tax administration attitudes is highlighted.

Policy-wise, the implications are that improving taxpayer satisfaction in Nepal will be highly dependent on developing robust people tax education programs, making tax data more comprehensible and available and supporting taxpayers to be able to easily navigate their obligations. While service quality, fairness, ease of procedures, and transparency are fundamental to credibility in the system at large, they don't appear to translate into direct influence on satisfaction, perhaps by virtue of their influence on perceived knowledge and feeling confident in navigating the tax system.

In summary, the multiple regression analysis confirmed that all five underlying dimensions have a positive influence on individual taxpayers' satisfaction in Kathmandu Valley, Nepal. Among them:

H1: Tax Knowledge and Awareness has a positive and statistically significant impact on individual taxpayers' satisfaction.

H2: Perceived Fairness of the Tax System has a positive but statistically non-significant impact on individual taxpayers' satisfaction.

H3: Ease of Filing and Procedures has a positive but statistically non-significant impact on individual taxpayers' satisfaction.

H4: Service Delivery and Support has a positive but statistically non-significant impact on individual taxpayers' satisfaction.

H5: Transparency and Trust have a positive but statistically non-significant impact on individual taxpayers' satisfaction.

While all predictors align with the theoretical expectation of a positive relationship, the results highlight Tax Knowledge and Awareness as the most influential and significant drivers of satisfaction in the Nepalese tax context.

Results and Discussion

This study's findings and implications carry substantial information relevant to the determinants of taxpayer satisfaction at the individual level in Nepal. Descriptive results revealed that taxpayers are more tax-aware and knowledgeable (mean range: 3.975–4.225), just as aforementioned evidence proved that a well-educated taxpayer is better equipped to understand their obligations and perceive the system positively (Palil, 2010; Ibrahim et al., 2015). This is in line with the regression analysis, where tax knowledge and awareness were the sole significant predictors ($\beta = 0.830$, $p < 0.001$) of satisfaction, explaining a large proportion of variance in the model ($R^2 = 0.804$). The size of this relationship underscores the pivotal role of taxpayer education in determining positive attitudes toward the tax system.

Though ease of procedures and ease of filing also were highly rated on descriptive scales (mean range: 3.980–4.135), they didn't predict satisfaction in the multivariate model to any meaningful extent. This suggests that ease of procedures, while valued, is perhaps something respondents don't notice, and has little marginal influence once taxpayers are already aware. The same applies for perceived fairness (mean range: 3.780–3.915), which literature has shown to be crucial for tax morale (Adams, 1963; Ibrahim et al., 2015), but whose statistical effect here was overwhelmed by the ubiquitous pressure of knowledge.

In contrast, service delivery and support (mean range: 3.265–3.305) and transparency and trust (mean range: 2.880–2.990) were considerably weaker in perception. These findings reverberate concerns in previous Nepal-specific studies (IRD, 2010; UNDP, 2023) that inefficiency, poor responsiveness, and subjective corruption undermine trust in tax administration. Interestingly, despite low mean scores, both measures did not significantly predicted satisfaction in the regression model. This may indicate that satisfaction, in the current scenario, is much more powerfully driven by a person's capacity to understand and fulfil tax obligations than institutional trust or service experience. Alternatively, weaker constructs may have indirect effects, such as influencing satisfaction through knowledge and fairness perceptions that were not captured in the direct regression lines.

The test of reliability also adds to the construct validity of the results, where Cronbach's alpha values of greater than 0.70 on all the constructs ensure internal consistency. The KMO value (0.736) and significant Bartlett's Test ($p < 0.001$) confirm the suitability of the data for factor analysis, ensuring the robustness of the measures of the constructs.

Policy-wise, what the findings suggest is a strategic necessity: knowledge creation among taxpayers through targeted education programs, frank communication, and easily available guidance. Although improvement in services and creatively channelling an emphasis on transparency are requirements for long-term trust in the system, these might not yield short-term returns in satisfaction unless complemented with knowledge creation. That is, a trained taxpayer not only becomes more compliant but also happier, even in the case of service deficiency and lack of trust.

Conclusion and Policy Implications

This study was intended to ascertain the determinants influencing the satisfaction of individual taxpayers of Nepal, particularly focusing on five key constructs: tax awareness and knowledge, perceived fairness, ease of filing and procedures, service delivery and support, and transparency and trust. The results indicate that while taxpayers are highly satisfied with their own compliance activities and possess good knowledge of tax processes, tax awareness and knowledge are the most and strongest variables explaining most of the variation in satisfaction scores.

Perceived fairness, ease of filing, service delivery, and transparency were related positively at a descriptive level but statistically were non-significant in the multivariate equation. This suggests that taxpayer satisfaction here is largely determined by individual capacity to understand and remit tax, rather than institutional trust or service experience in and of themselves. Low transparency and service delivery scores are especially significant and reflect ongoing institutional credibility and responsiveness deficits, which could compromise long-term compliance if left unaddressed. Policy implications from these findings are clear:

1. Prioritise taxpayer education: The direct influence that tax consciousness has on satisfaction indicates the need for large-scale taxpayer information campaigns, plain-language guides, and internet resources that communicate calculation methods, due dates, and penalties in clear language.

2. Mar education with procedural simplification: Though ease of filing performed well, putting simplification together with education will provide it the largest contribution to satisfaction and voluntary compliance.

3. Enhance delivery of services: Enhancing low ratings on responsiveness to and efficiency in serving citizens entails capacity building for tax administrators, simplification of processes, and investment in IT support systems.

4. Enhance transparency and trust: Though transparency did not play a significant role in predicting satisfaction within this framework, creation of credibility through open revenue reporting, anti-corruption efforts, and public visibility of benefits from tax collections is fundamental in ensuring long-term compliance maintenance.

In total, this research insists that an educated taxpayer is a satisfied taxpayer, even when institutional trust is low. With special education, coupled with procedural transparency and incremental trust, Nepal's tax agency can enhance taxpayer satisfaction, promote voluntary compliance, and strengthen the social contract between citizens and the state.

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