

Revenue collection under major tax headings in H1 below target

The government has managed to meet the overall revenue collection target in the first half of the fiscal from non-tax sources like royalties from public corporations and government entities. More worryingly, however, the revenue collection under the major tax headings missed the set target in the review period.

Finance Minister Gyanendra Bahadur Karki expressed deep concerns regarding the 'weak' collection performance under the major tax headings.

The government has missed the collection target under value added tax (VAT), income tax and customs tariff, which are the three major taxes that contribute over two-third to the total revenue.

Performance of VAT collection has remained weak since beginning of this fiscal. However, collection from income tax and customs tariff were also below target in first half.

During the half-yearly review of revenue collection at the Ministry of Finance today, Finance Minister Karki instructed the tax administration to strengthen tax enforcement by plugging the loopholes and controlling leakages.

In the first half of the fiscal, the government collected 45.9 per cent of the total annual target worth Rs 730.05 billion and revenue growth stood at 20.73 per cent compared to the corresponding period of the previous fiscal. The government had targeted to collect Rs 334.14 billion within the first six months of this fiscal, whereas the collection stood at Rs 335.1 billion, according to the Revenue Division under MoF.

Collections under three major taxes — VAT, income tax and customs tariff — stood at Rs 92.4 billion, Rs 72 billion and Rs 61.95 billion, respectively. The collected amount under VAT, income tax and customs tariff were 91.6 per cent, 97 per cent and 98 per cent of the target, respectively.

The government has also missed revenue collection target under registration fees, vehicle tax, health and education service tax. However, collection under other tax heading was nearly 51 per cent above the target to stand at Rs 9.63 billion. Similarly, the collection of Rs 46.98 billion in excise was nearly one per cent above target, as per Revenue Division.

Collection under non-tax exceeded the target by 45.68 per cent to stand at Rs 38.14 billion. This helped the government to bridge the shortfall witnessed in major tax headings and meet the overall revenue collection target.

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Half-yearly revenue collection

Heading	Annual target	Half-yearly target	Collection
Value added tax	Rs 215.97bn	Rs 100.82bn	Rs 92.4bn
Income tax	Rs 167.2bn	Rs 74.15bn	Rs 72bn
Customs tariff	Rs 137.33bn	Rs 63.17bn	Rs 61.95bn
Excise	Rs 102.88bn	Rs 46.76bn	Rs 46.98bn
Registration fees	Rs 18.41bn	Rs 9.21bn	Rs 7.22bn
Vehicle tax	Rs 9.89bn	Rs 6.13bn	Rs 5.71bn
Health service tax	Rs 1.27bn	Rs 0.77bn	Rs 0.62bn
Education tax	Rs 0.99bn	Rs 0.58bn	Rs 0.45bn
Other tax	Rs 12.27bn	Rs 6.38bn	Rs 9.63bn
Non-tax	Rs 63.85bn	Rs 26.18bn	Rs 38.14bn

Source: Revenue Division, MoF

Source: The Himalayan Times, 25th January 2018