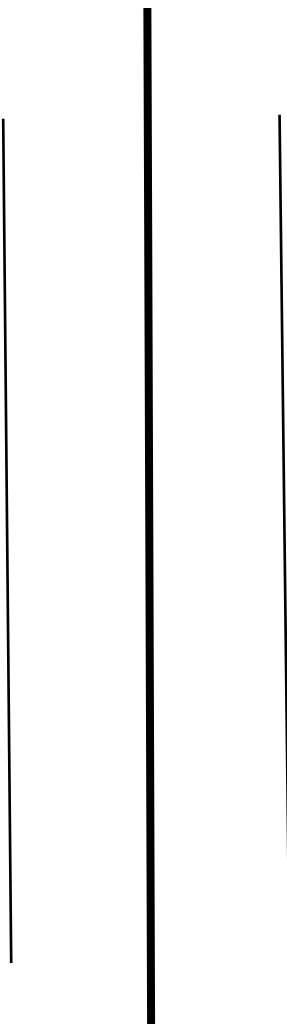


Domestic Revenue Mobilization Strategy



Government of Nepal

Ministry of Finance

Singha Durbar, Kathmandu

2024

Forward

I am glad to introduce the Domestic Revenue Mobilization Strategy (DRMS) for fiscal years 2024/25 to 2028/29. It is a comprehensive medium-term revenue mobilization strategy aligned with the Sixteenth Plan designed to spearhead reforms in tax policy and administration. With a primary focus on enhancing economic efficiency and equity, the DRMS aims to encourage private investment while ensuring consistent mobilization of domestic revenue to bolster public expenditure.

In the wake of the COVID-19 pandemic and ongoing global supply chain disruption, Nepal's economy has significant impact on different sectors, such as, slow growth of gross domestic production, decline in industrial output, increase in unemployment rate, and relatively low growth of revenue collection. Addressing these challenges is of paramount importance in ensuring fiscal stability and maintaining fiscal deficit at prudent level.

Formulated through a participative process, the DRMS seeks to balance the imperative of revenue generation for socio-economic development with the expectation of private sector stakeholders and taxpayers. I extend my sincere thank all stakeholder organizations and participants for their invaluable contributions while framing the revenue mobilization strategy. I also appreciate the technical assistance and support from the IMF, which has been instrumental in shaping this strategy.

As we embark on the implementation phase, I urge all the policy actors and stakeholders to actively engage in the implementation of the revenue mobilization strategy. I hope that all of us have unflinching and genuine commitment to efficiently and effectively implement the DRMS. I believe that we will be able to realize the objectives outlined in the DRMS and help propel Nepal towards a more just, vibrant and prosperous economy in the days to come.

Barsha Man Pun 'Ananta'

Finance Minister

Preface

The Domestic Revenue Mobilization Strategy (DRMS) is a medium-term strategic plan structured to outline a comprehensive framework for steering reforms in both tax policy and administration. Its primary objective is to enhance efficiency and equity within the economic landscape, facilitating and encouraging private sector investment while ensuring a steady inflow of both tax and non-tax revenues and to maintain fiscal stability and manage budget deficit. Encompassing a span of five years, from fiscal year 2024/25 to 2028/29, the DRMS delineates a path towards sustainable revenue mobilization in line with the Sixteenth Plan.

In the aftermath of the COVID-19 pandemic and global supply chain disruption due to geopolitical tensions, Nepal's economy, like others, has been facing economic slowdown, reduced industrial output, escalated unemployment in key economic sectors, and relatively low level of revenue collection. Consequently, maintaining fiscal stability and reducing fiscal deficit have become a daunting task for the government. The DRMS has been formulated through a consultative process with a view to harmonize the imperative of revenue generation for financing socio-economic development of the country along with bolstering support for private sector investors and general taxpayers.

Ministry of Finance is thankful to all stakeholder organizations and participants for their valuable contribution and constructive inputs during the strategy formulation process. We also extend our sincere thanks to the IMF for providing technical assistance and support while improving the initial draft of DRMS and bring it to this shape.

Finally, I would like to state that Ministry of Finance is committed to continue and further enhance our collaboration with the key actors and stakeholders for the smooth and effective implementation of the DRMS to ensure achievement of the intended outcomes. We believe that all the concerned stakeholders will extend cooperation and support to this end.

Dr. Ram Prasad Ghimire

Revenue Secretary

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GLOSSARY

ADMIN	Administration Division
APF	Armed Police Force
APIS	Advance Passenger Information System
AGO	Attorney General Office
BMD	Budget Management Division
B-PAN	Business Permanent Account Number
CBMS	Central Billing Monitoring System
CGAS	Computerized Government Accounting System
CIT	Corporate Income Tax
CSOs	Civil Society Organizations
DMLI	Department of Money Laundering Investigation
DoC	Department of Customs
DoLMA	Department of Land Management and Archive
DoNIDCR	Department of National ID and Civil Registration
DoTM	Department of Transport Management
DPs	Development Partners
DRI	Department of Revenue Investigation
DRMS	Domestic Revenue Mobilization Strategy
EPZ	Export Processing Zone
EST	Education Service Tax
FCGO	Financial Comptroller General
FIs	Financial Institutions
GDP	Gross Domestic Product
IC	Insurance Company
ICT	Information and Communication Technology
IGFC	Inter-Government Fiscal Council
IIT	Investment Income Tax
IRD	Inland Revenue Department
IROs	Inland Revenue Offices
ITR	Income Tax Return
ITS	Integrated Tax System
KPIs	Key Performance Indicators
LGs	Local Governments
LMs	Line Ministries
MAT	Minimum Alternative Tax
MoF	Ministry of Finance
MoIC	Ministry of Information and Communication
MoICS	Ministry of Industry, Commerce and Supply
NEPSE	Nepal Stock Exchange
NP	Nepal Police

NPC	National Planning Commission
NRB	Nepal Rastra Bank
O&M	Organization and Method
OAG	Office of the Auditor General
OCR	Office of the Company Registrar
OPMCM	Office of the Prime Minister and the Council of Ministers
PCA	Post Clearance Audit
PE	Public Enterprise
PFMTC	Public Finance Management Training Centre
PGs	Provincial Governments
PIT	Personal Income Tax
P-PAN	Personal Permanent Account Number
PSC	Public Service Commission
PSOs	Private Sector Organizations
RMD	Revenue Management Division
RT	Revenue Tribunal
SC	Steering Committee
SEZ	Special Economic Zone
SST	Social Security Tax
SuTRA	Sub-National Treasury Regulatory Application
SWOL	Strength Weakness Opportunity and Limitation
TCS	Tax Collection at Source
TDS	Tax Deduction at Source
TIs	Tax Intermediaries
VAT	Value Added Tax
VCTS	Vehicle and Consignment Tracking System
WAN	Wide Area Network
WGs	Work-Groups

EXECUTIVE SUMMARY

The Nepalese economy has encountered significant challenges arising from the COVID-19 pandemic, manifesting low growth rate of national production and elevated unemployment rates. In response, the government has initiated the Domestic Revenue Mobilization Strategy (DRMS), a comprehensive five-year plan aimed at reforming tax policies, administration, governance structures, institutional frameworks, policy implementation mechanisms, and monitoring and evaluation systems.

The primary objectives of the DRMS encompass increasing revenue mobilization from domestic sources to bolster fiscal stability, enhancing taxpayers' voluntary compliance with tax laws and operating systems, strengthening the risk management capability of tax and customs administrations, improving automation in tax and customs administration, and enhancing inter-governmental and inter-organizational coordination and collaboration for tax policy design and implementation.

Efforts to maintain vertical and horizontal equity in income distribution are reflected in the design of income tax bases and rates. It fosters progressivity in personal income tax and encourages private investments through corporate tax base and rates adjustments. Value Added Tax (VAT) system, supported by input tax credit and tax refund mechanisms, stands as a tax-neutral and efficient system for investment and growth.

The government is embarking on comprehensive tax restructuring and business reengineering initiatives to foster equitable, efficient, and neutral taxation. Additionally, amore progressive taxation structure will ensure fairness and equity, particularly in the taxation of capital-based income. Adjustments will be made on the tax rates for dividend, interest, and capital gains, under the existing tax framework in the short term. Looking ahead, the government is committed to integrating all income sources under a comprehensive tax system with progressive tax rates starting from fiscal year 2086/87 (2029/30).

Furthermore, the government is committed to reviewing and reducing the list of tax-exempt items to broaden the Value Added Tax (VAT) base as a supplement to a comprehensive strategy aimed at bolstering overall revenue collection while safeguarding economically disadvantaged and low-income groups. Key initiatives include a review of a review of the standard deduction allowance provided under the Income Tax Act, 2058 (2002), restructuring the turnover tax (ToT), and reviewing and rationalising the excise and customs duties.

CHAPTER ONE: INTRODUCTION

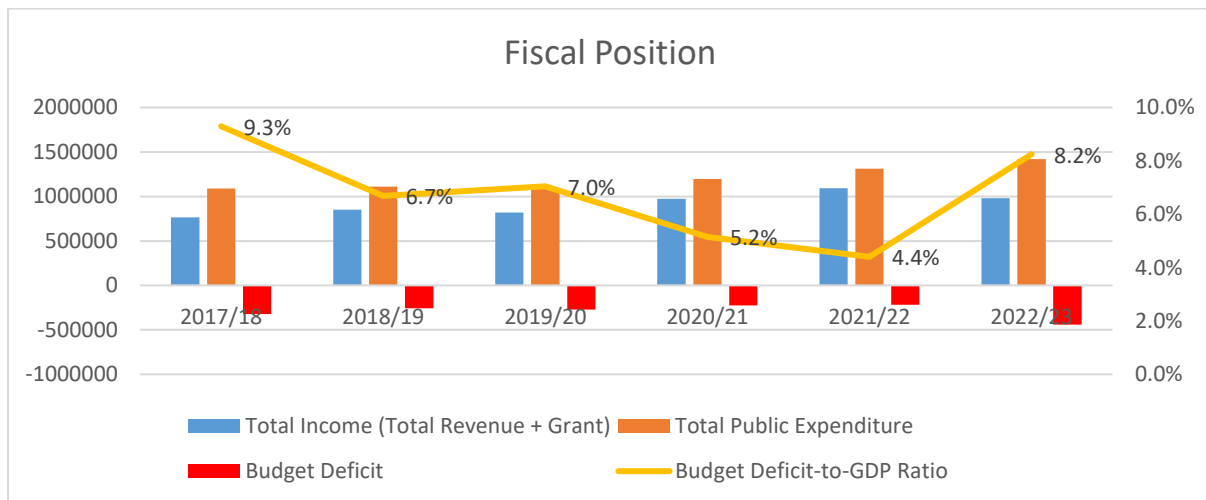
1.1 Background

The Domestic Revenue Mobilization Strategy (DRMS) presents a systematic blueprint for reforming and revamping tax policies, administration, governance structures, institutional frameworks, policy implementation mechanisms, and monitoring and evaluation systems. Its overarching objective is to bolster revenue generation from domestic channels to fund public expenditures adequately. This strategic framework assumes critical importance against the backdrop of Nepal's pressing need for enhanced revenue collection and improved resource management to meet public expenditure demands.

1.2 Economic Context

The Nepalese economy has faced some key challenges stemming from the COVID-19 pandemic, leading to a low growth rate in national income and a rise in unemployment rates. While the agricultural sector remains predominantly at subsistence levels, its contribution to the Gross Domestic Product (GDP) has been waning. Industrial growth has been sluggish with the industry's share of the GDP remaining static, while the service sector shows incremental growth. Currently, agriculture, industry, and the service sector contribute 24.1%, 13.5%, and 62.4% respectively to the GDP.

Figure 1. 1: Fiscal Position



For FY 2022/23, the government total revenue is Rs. 957.35 billion and foreign grant Rs. 24.15 billion. Revenue collection is approximately 17.9 % of the GDP and foreign grant around 0.43%. The public expenditure reached to Rs. 1421.33 billion, equivalent to around 26.57% of the GDP, that resulted in a budget deficit of Rs. 440.97 billion, equivalent to 8.2% of the GDP. Before FY 2017/18, fiscal deficits were relatively contained owing to consistent growth in tax revenue collection. Revenue collection in post-COVID period is still in slow growth. The primary contributing factors to this budget deficit include a limited tax base, excessive tax exemptions, deductions, concessions, and rebates and weak law enforcement.

Table 1. 1:Public Borrowing (Rs.in Million)

Public Borrowing (Rs in Million)						
	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Outstanding Foreign Loan	526154	594926	819667	934695	1025847	1170250
Outstanding Domestic Loan	391162	453231	613735	802942	987449	1125190
Total Loan	917316	1048157	1433403	1737637	2013296	2295440
Share of Outstanding Foreign Loan	57.4%	56.8%	57.2%	53.8%	51.0%	50.9%
Share of Outstanding Domestic Loan	42.6%	43.2%	42.8%	46.2%	49.0%	49.1%
Outstanding Foreign Loan-to-GDP Ratio	15.2%	15.4%	21.1%	21.5%	20.8%	21.7%
Outstanding Domestic Loan-to-GDP Ratio	11.3%	11.7%	15.8%	18.4%	20.0%	21.0%
Total Loan-to-GDP Ratio	26.5%	27.2%	36.9%	39.9%	40.8%	42.7%

Source: MoF Data

For FY 2022/23, the government total outstanding loan is Rs. 2295.44 billion including foreign loan Rs. 1170.25 and domestic loan Rs. 1125.19 billion. Government's total outstanding loan is approximately 42.7% of the GDP including foreign loan around 21.7% and domestic loan around 21.0%.

1.3 Expenditure Trends

The adoption of the federal government structure has ushered in a notable escalation in recurrent public expenditure, both in absolute terms and relative to GDP. From FY 2018/19 to FY 2022/23, the recurrent expenditure-to-GDP ratio has escalated from 18.6 percent to 19.4 percent. This surge in recurrent expenditure is primarily attributed to the substantial federal transfers directed towards provinces and local governments, encompassing fiscal equalization grants, conditional and non-conditional grants, and complementary and special grants. Moreover, a considerable portion of recurrent expenditure is allocated to transfer payments, notably social security allowances. These transfers constitute approximately 77.86 percent of recurrent expenditure and 15.1 percent of GDP in FY 2022/23.

Table 1. 2: Public Expenditure (Rs. in Million)

	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Total Recurrent Expenditure	696,920	716,418	776,022	846,217	954,317	991,507
Total Capital Expenditure	270,714	241,563	197,409	228,836	216,213	234,625
Total Financial Provisions	119,647	152,477	117,852	121,623	139,471	195,196
Total Public Expenditure	1,087,280	1,110,457	1,091,283	1,196,676	1,310,001	1,421,327
Growth of Recurrent Expenditure		2.80%	8.30%	9.00%	12.80%	3.90%
Growth of Capital Expenditure		-10.80%	-18.30%	15.90%	-5.50%	8.92%
Growth of Financial Provisions		27.40%	-22.70%	3.20%	14.70%	39.95%
Growth of Public Expenditure		2.10%	-1.70%	9.70%	9.50%	8.50%
Public Expenditure-to-GDP Ratio	31.46%	28.78%	28.06%	27.49%	26.55%	26.57%

Source: MoF Data

The growth of capital expenditure has been sluggish, primarily attributed to challenges in project planning, management and procurement processes. The persistent decline in capital expenditure has raised concerns across all levels of government.

1.4 Tax Trends

Tax revenue includes income tax, value-added tax (VAT), excise duties, customs duties, and levies on specific government services. Additionally, certain taxes are imposed on vehicle users to regulate externalities and generate funds for constructing, maintaining, and repairing critical infrastructure projects.

Table 1. 3: Tax Revenue (Rs. in Million)

	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Income Tax	159,888	194,229	219,741	228,391	259,994	251,742
VAT	206,810	241,658	224,017	282,002	314,279	286,632
Excise Duties	102,579	123,920	100,683	137,344	166,781	143,064
Tax on Special Services	2,065	1,525	4,040	2,566	1,325	2,073
Taxes on use of physical infrastructure and vehicles	36,596	30,077	27,673	40,858	43,248	31,221
International Trade Related Taxes	126,865	143,319	123,790	178,952	198,703	150,896
Total Tax Revenue	640,169	737,118	700,055	870,113	984,331	865,628
Share of Income Tax	25.0%	26.3%	31.4%	26.2%	26.4%	29.1%
Share of VAT	32.3%	32.8%	32.0%	32.4%	31.9%	33.1%
Share of Excise Duties	16.0%	16.8%	14.4%	15.8%	16.9%	16.5%
Share of Taxes on Special Services	0.3%	0.2%	0.6%	0.3%	0.1%	0.2%
Share of Taxes on use of physical infrastructure and vehicles	5.7%	4.1%	4.0%	4.7%	4.4%	3.6%
Share of International Trade Related Taxes	19.8%	19.4%	17.7%	20.6%	20.2%	17.4%
Growth Rate of Tax Revenue		15.1%	-5.0%	24.3%	13.1%	-12.1%
Tax Revenue-to-GDP Ratio	18.5%	19.1%	18.0%	20.0%	20.0%	16.1%

Source: MoF Data

1.4.1 Value Added Tax

Value Added Tax (VAT) is levied at a standard rate of 13% on the transaction value of taxable goods and services within the country, while exports are zero-rated.

Table 1. 4: Value Added Tax (Rs. in Million)

	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
VAT from Other Source	0	1,542	113	105	52	34
VAT from Production Level	26,089	29,443	27,617	35,146	37,986	37,319
VAT from Import	130,641	152,059	125,807	165,484	198,437	169,078
VAT from Trading	18,731	19,844	22,426	27,648	29,293	28,168
VAT from Consultancy and Contract	13,935	20,352	31,812	35,079	29,022	30,168
VAT from Tourism Sector	2,155	2,777	2,027	698	1,228	2,359
VAT from Communication, Insurance and other service	11,274	10,857	9,699	12,746	12,802	13,246
VAT from Reverse Charging	3,985	4,782	4,516	5,097	5,460	6,262
Total VAT	206,810	241,658	224,017	282,002	314,279	286,632
Total Domestic VAT	76,169	89,598	98,210	116,518	115,842	117,554

Total Import VAT	130,641	152,059	125,807	165,484	198,437	169,078
Share of Domestic VAT	36.8%	37.1%	43.8%	41.3%	36.9%	41.0%
Share of Import VAT	63.2%	62.9%	56.2%	58.7%	63.1%	59.0%
Growth Rate of VAT		26.7%	-11.6%	46.1%	19.5%	-13.9%
Domestic VAT-to-GDP Ratio	2.2%	2.3%	2.5%	2.7%	2.3%	2.2%
Import-based VAT-to-GDP Ratio	3.8%	3.9%	3.2%	3.8%	4.0%	3.1%

Source: MoF Data

1.4.2 Income Tax

Income tax is levied on both labour and capital income, encompassing personal income tax (PIT), corporate income tax (CIT), as well as income generated from investments and capital gains derived from the disposal of asset and liability. Corporate income tax payments typically occur in three instalments, while personal income tax is predominantly collected through the Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) mechanisms.

Table 1. 5: Income Tax (Rs. in Million)

	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Personal Income Tax	41,407	54,814	57,928	83,539	92,504	79,691
Corporate Income Tax	87,597	104,868	123,151	104,619	123,013	118,891
Investment Income Tax	25,787	28,541	32,154	33,344	36,671	44,487
Salary based SST	5,098	6,006	6,508	6,890	7,806	8,672
Total Income Tax including SST	159,888	194,229	219,741	228,391	259,994	251,742
Share of Personal Income Tax (PIT)	45.2%	46.0%	44.0%	54.2%	52.7%	52.8%
Share of Corporate Income Tax (CIT)	54.8%	54.0%	56.0%	45.8%	47.3%	47.2%
Share of Social Security Contribution (SST)	3.2%	3.1%	3.0%	3.0%	3.0%	3.4%
Growth Rate of Income Tax		21.5%	13.1%	3.9%	13.8%	-3.2%
PIT-to-GDP Ratio	2.1%	2.3%	2.5%	2.8%	2.8%	2.5%
CIT-to-GDP Ratio	2.5%	2.7%	3.2%	2.4%	2.5%	2.2%
SST-to-GDP Ratio	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%

Source: MoF Data

1.4.3 Excise Duties

Excise duties are imposed on specific commodities such as tobacco, liquor, beer, petroleum products, vehicles, and industrial goods. These duties serve the dual purpose of revenue generation and regulation of negative externalities, including concerns related to public health and environmental hazards.

Table 1. 6: Excise Duties (Rs. in Million)

	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Excise from Import	42,072	48,100	35,647	52,195	57,302	32,172
HHT from Domestic Production	0	1	5	3,495	6,266	6,784
HHT from Imported Goods	0	2,066	51	25	87	13
Excise from Tobacco Products	14,041	15,247	18,553	20,394	24,566	26,194
Excise from Liquor	22,995	25,191	20,076	24,328	30,339	25,922
Excise from Beer	15,623	20,888	14,821	21,010	30,989	32,621
Excise from other Industrial Products	7,849	12,428	11,529	15,899	17,233	19,359

Total Excise	102,579	123,920	100,683	137,344	166,781	143,064
Total Domestic Excise	60,507	75,820	65,036	85,149	109,480	110,893
Total Import Excise	42,072	48,100	35,647	52,195	57,302	32,172
Share of Domestic Excise Duties	59.0%	61.2%	64.6%	62.0%	65.6%	77.5%
Share of Import Excise Duties	41.0%	38.8%	35.4%	38.0%	34.4%	22.5%
Growth Rate of Excise Duties		20.8%	-18.8%	36.4%	21.4%	-14.2%
Domestic Excise-to-GDP Ratio	1.8%	2.0%	1.7%	2.0%	2.2%	2.1%
Import-based Excise-to-GDP Ratio	1.2%	1.2%	0.9%	1.2%	1.2%	0.6%

Source: MoF Data

1.4.4 International Trade-based Taxes

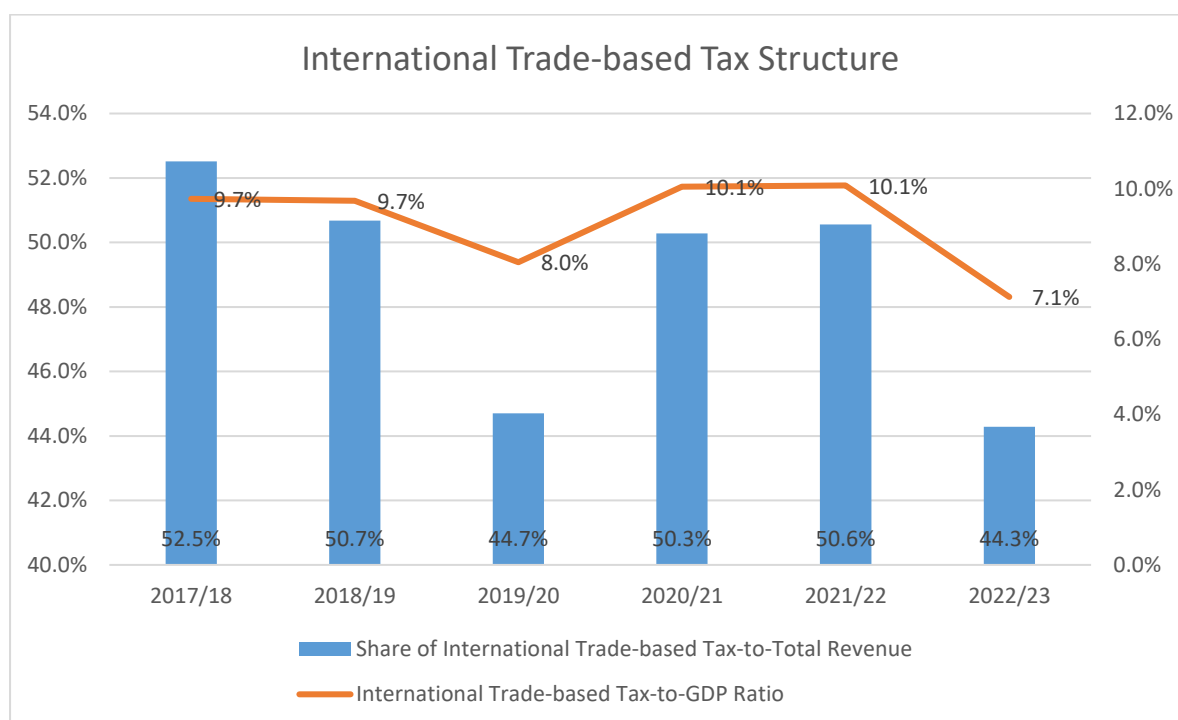
Customs duties are levied primarily on goods and services to facilitate revenue collection and regulate cross-border trade and transit. Certain tariffs are formulated in accordance with multilateral and bilateral trade agreements.

Table 1. 7: International Trade-based Taxes (Rs. in Million)

	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Vehicle Tax (Light Vehicles)	10,671	169	7	5	0	0
Taxes on use of physical infrastructure	1,786	1,081	499	638	806	413
Road Repair and Maintenance Charge	3,819	5,429	7,562	10,496	11,316	7,194
Road Construction and Maintenance Charge	9,402	11,353	5,404	7,280	7,070	3,029
Infrastructure Tax	10,919	12,046	14,200	22,438	24,057	20,586
Total Taxes on use of physical infrastructure and vehicles	36,596	30,077	27,673	40,858	43,248	31,221
Import Duties	121,615	137,009	117,586	168,185	187,311	142,741
Export Duties	99	228	106	104	381	297
Export Service Fees	4	10	7	183	20	53
Agriculture Development Fee	4,735	5,599	5,584	9,435	9,064	7,412
Other Customs Related income	413	474	508	1,045	1,927	393
Total International Trade Related Taxes	126,865	143,319	123,790	178,952	198,703	150,896
Infrastructure and Vehicle Related Taxes-to-GDP Ratio	1.06%	0.78%	0.71%	0.94%	0.88%	0.58%
International Trade-based Taxes-to-GDP Ratio	3.67%	3.71%	3.18%	4.11%	4.03%	2.80%

Source: MoF Data

Figure 1. 2 International Trade-based Tax Structure



1.4.5 Other Tax Revenue

The Education Service Tax (EST) is levied on students upon remitting foreign currency for registration and tuition fees at foreign universities. Health Service Tax (HST) is intended to regulate the consumption of products with significant negative externalities by levying taxes on the import and the domestic production of tobacco products.

Table 1. 8: Other Taxes (Rs. in Million)

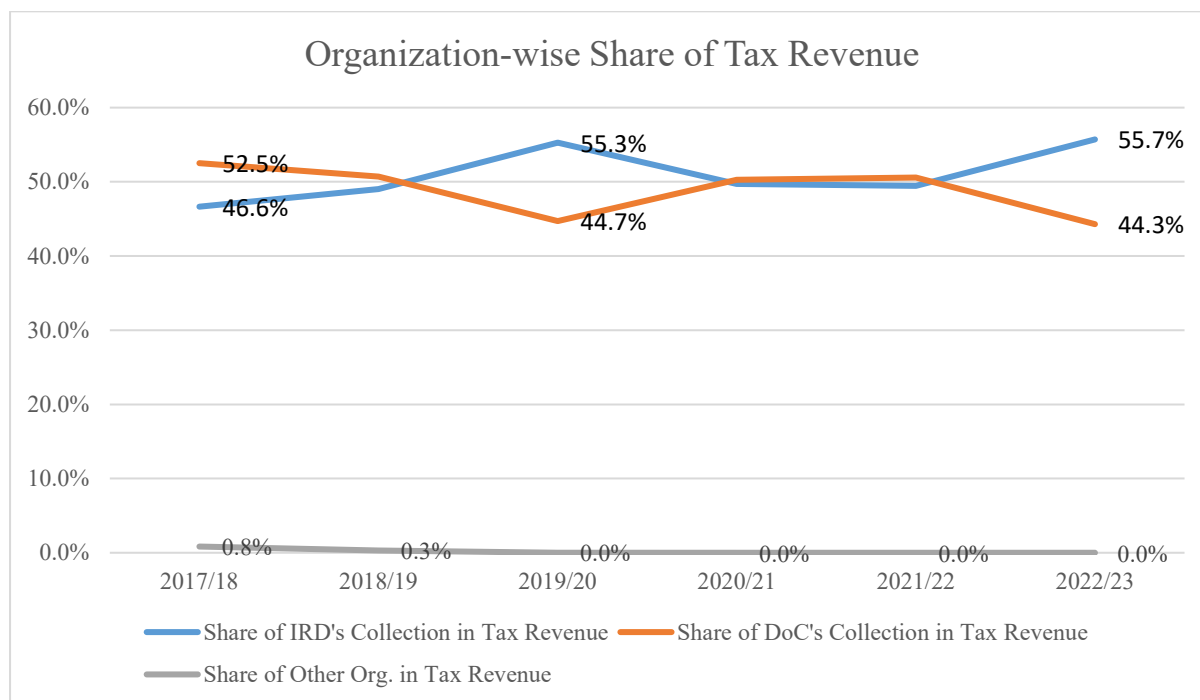
	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Health Service Tax (HST)	1,150	445	211	50	7	4
EST from Educational Institutions	532	311	47	19	78	69
EST from Foreign Study	381	769	537	349	1,163	1,935
Other taxes on goods and services	3	0	3,245	2,148	77	67
Total Tax on Special Services	2,065	1,525	4,040	2,566	1,325	2,073
Service Taxes-to-GDP Ratio	0.06%	0.04%	0.10%	0.06%	0.03%	0.04%

Source: MoF Data

1.4.6 Inland Taxes

Inland Revenue Department (IRD) collects income taxes, VAT and excise duties from domestic transaction. Inland revenue also includes HST, EST. Department of Customs collects international trade based taxes including VAT and excise duties chargeable on the imported goods and services. Figure 1.3 shows the share of tax collection in total tax revenue of IRD, DoC, and other organizations.

Figure 1. 3 Organization-wise Share of Tax Revenue



1.4.7 Non-Taxes

Non-tax revenue encompasses various sources of income, including interest accrued from loans to public enterprises (PEs), dividends from government investments in PE shares, rental and royalty earnings from the licensing of natural resource extraction, utility charges, administrative fees, and penalties levied by government agencies.

Table 1. 9: Non-Tax Revenue (Rs. in Million)

	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Interest Income	3,538	17,180	5,419	8,410	6,189	8,721
Dividend Income	17,430	20,512	23,464	12,982	9,593	27,394
Rent and Royalty Income	12,937	7,246	9,448	8,902	10,028	10,864
Other Fees	0	0	0	0	212	536
Utility Charges	9,007	11,879	11,024	11,126	11,567	9,715
Administrative Service Fee	15,010	12,730	13,149	11,010	17,770	22,610
Other Administrative Charges	0	7,501	2,250	3,269	2,046	1,499
Other Administrative Fees	0	0	0	0	1,533	1,165
Fine and Penalties	973	2,903	2,149	2,556	2,910	3,774
Miscellaneous Income	27,654	12,549	26,789	7,520	19,163	58,744
Total Non-Tax Revenue	86,548	92,502	93,691	65,775	81,012	145,023
Growth of Non-Tax Revenue		6.9%	1.3%	-29.8%	23.2%	79.0%
Share of Non-Tax Revenue in Total Revenue	11.9%	11.1%	11.8%	7.0%	7.6%	14.3%
Non-Revenue-to-GDP Ratio	2.5%	2.4%	2.4%	1.5%	1.6%	2.7%

Source: MoF Data

CHAPTER TWO: DOMESTIC REVENUE MOBILIZATION STRATEGY

2.1 Background:

Amidst a challenging fiscal environment characterized by low growth of tax revenue increasing public expenditure since the fiscal year 2018/19, government has been facing fiscal pressures. The government is bound to rely on foreign and domestic borrowing to finance the budget deficit. Over this period, tax revenue/GDP ratio has seen a notable decline, plummeting from 19.1 percent to 16.2 percent, while outstanding public debt has surged from 27.2 percent to a staggering 42.7 percent of GDP. To chart a course towards sustainable development and navigate these fiscal challenges effectively, Sixteenth Plan (FY 2024/25 – FY 2028/29) has unveiled a medium-term policy framework to guide resource generation and allocation to effectively address the nation's socio-economic imperatives. The plan has set strategies to consolidate predictable, sustainable and broad-based domestic revenues by bringing all income-generating activities into the tax net; designing a robust digital system for trade facilitation and taxpayer services and for comprehensive and investigative tax audit to curtail tax evasion; and by promoting digital payment and market monitoring and surveillance.

The Domestic Revenue Mobilization Strategy (DRMS) emerges as a crucial tool in this endeavour, empowering both central and sub-national governments to enact strategic changes in national tax policies and administration. By mobilizing revenue from the domestic tax base, DRMS aims to alleviate debt stress, manage fiscal deficits sustainably, and propel the nation toward its developmental aspirations.

To protect the domestic revenue base, decisive actions such as reviewing unnecessary tax exemptions, deductions, and rebates, coupled with rationalizing tax rates, are imperative. Furthermore, safeguarding the existing tax base through targeted policy interventions and bolstering the risk management capabilities of tax administration are indispensable steps towards enhancing Nepal's fiscal resilience and advancing its transformative agenda.

2.2 Vision:

To create an enabling environment for sustained and broad-based economic growth through prudent revenue management.

2.3 Mission:

To help maintain macroeconomic stability through effective and efficient utilization of available financial resources and enhance domestic revenue base.

2.4 Objectives:

The primary objectives of the DRMS are as follows:

1. Improve efficiency and equity of the tax system;
2. Increase revenue mobilization from domestic sources to enhance fiscal stability;
3. Enhance taxpayers' voluntary compliance with tax laws and operating system;
4. Strengthen the risk management capability of tax and customs administrations;
5. Improve automation in tax and customs administration and

6. Improve inter-governmental and inter-organizational coordination and collaboration for tax policy design and implementation.

2.5 Scope:

DRMS encompasses a comprehensive review of tax policies, administration, and operational systems across all revenue streams, including both tax and non-tax revenue. Mandated by the constitution of Nepal and pertinent statutes, the central government is tasked with formulating and implementing policies governing income tax, value-added tax (VAT), excise duties, and customs tariffs, among others. VAT and excise duties collected from domestic production are sharable revenue among the governments.

Crafted through collaborative consultation with key stakeholders, including governmental bodies at the central, provincial, and local levels, and private sector entities, DRMS aims for inclusivity and constructive engagement to enhance governance and institutional frameworks.

Taxpayers shoulder the burden of taxation, assuming various roles as income earners, producers, traders, consumers, and users of government services. From an administrative standpoint, taxpayers can be categorized as natural persons, legal entities, residents, or non-residents for taxation purposes. Consequently, DRMS endeavours to spearhead reforms in tax policies, administration, and compliance mechanisms, with the overarching goal of benefiting all categories of taxpayers.

2.6 Key Performance Outcome Indicators

The main objective of DRMS is to increase business efficiency by reducing the distortionary effects of taxation and to increase equity in income and wealth distribution through progressive and climate-resilient tax structure and prudent public expenditure management. Moreover, DRMS also focuses on the revenue mobilization from domestic sources to enhance fiscal stability through enhancing taxpayers' voluntary compliance with tax laws and operating system, strengthening risk management capability of tax and customs administrations, improving automation in tax and customs administration and through improving inter-governmental and inter-organizational coordination and collaboration for tax policy design and implementation.

2.6.1 Fiscal Targets:

Tax Revenue-to-GDP Ratio: Aligned with the revenue targets of the sixteenth five-year plan, the DRMS sets forth an ambitious target to increase total revenue-to-GDP ratio from FY 2079/80 (2022/23) figure of 18.9% to 23.5% by the end of FY 2085/86 (2028/29). Tax revenue-to-GDP ratio will increase from 16.2% to 20.9% during the planned period. Tax revenue target comprises:

- Normal growth of Tax Revenue-to-GDP ratio is expected to increase from 16.2% to 20.9% during the designated plan period;
- Additional increase in the Tax Revenue-to-GDP ratio is expected to reach at 2.4% by the end of plan period through the implementation of the proposed changes in the policy measures;
- A further 0.1% tax revenue is expected from the comprehensive reforms in tax and customs administration.

- Budget Deficit-to-GDP is expected to decrease from 7.2% in the 2079/80(2022/23 to a more manageable 6.5% during the designated plan period.

2.6.2 Tax Component Projections:

Income Tax:

- The strategy anticipates that the income tax-to-GDP ratio will increase from 4.7% in FY 2079/80 (2022/23) to 6.9% by the end of FY 2085/86 (2028/29).
- Personal Income Tax (PIT)-to GDP ratio will be increased from 2.5% to 3.7% and Corporate Income Tax (CIT)-to-GDP ratio from 2.2% to 3.2% during the plan period.

Value-Added Tax (VAT):

- DRMS foresees VAT-to-GDP ratio increase from FY 2079/80 (2022/23) figure 5.4% to 6.2% by the end of FY 2085/86 (2028/29).
- Domestic VAT-to-GDP ratio is expected to increase from 2.2% to 2.5% during the plan period.
- Import-based VAT-to-GDP ratio is expected to increase from 3.2% to 3.8% during the plan period.

Excise Duties:

- DRMS foresees Excise-to-GDP ratio increase from FY 2079/80 (2022/23) figure 2.7% to 3.0% by the end of FY 2085/86 (2028/29).
- Domestic Excise-to-GDP ratio is expected to increase from 2.1% to 2.4% during the plan period.
- Import-based Excise-to-GDP ratio is expected to be remaining 0.6% during the plan period.

Customs Duties:

- DRMS foresees Customs Duties-to-GDP ratio increase from FY 2079/80 (2022/23) figure 3.4% to 4.5% by the end of FY 2085/86 (2028/29).

Table 2. 1: Key Performance Indicators

	Key Performance Outcome Indicators						
	2079/80		Estimation				
	Actual	Revised	2081/81	2082/83	2083/84	2084/85	2085/86
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Normal Growth of Tax Revenue-to-GDP Ratio	16.2%	19.5%	20.1%	19.4%	19.1%	18.6%	18.4%
Additional Tax-to-GDP Ratio (Policy)	0.0%	0.0%	0.0%	0.8%	1.9%	2.2%	2.4%
Additional Tax-to-GDP Ratio	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%

(Admin)							
Estimated Tax Revenue-to-GDP Ratio	16.2%	19.5%	20.1%	20.3%	21.1%	20.9%	20.9%
Non-Tax Revenue-to-GDP Ratio	2.7%	2.0%	2.1%	2.6%	2.6%	2.6%	2.6%
Total Revenue-to-GDP Ratio	18.9%	21.6%	22.3%	22.9%	23.7%	23.5%	23.5%
Foreign Grant-to-GDP Ratio	0.4%	0.6%	0.8%	0.8%	0.9%	0.9%	1.0%
Recurrent Expenditure-to-GDP Ratio	18.5%	18.7%	17.9%	16.8%	17.7%	16.7%	18.0%
Capital Expenditure-to-GDP Ratio	4.4%	3.8%	5.5%	5.5%	6.9%	7.1%	8.4%
Financial Provisions-to-GDP Ratio	3.6%	4.3%	5.8%	5.9%	5.9%	5.7%	4.7%
Budget Deficit-to-GDP Ratio	7.2%	4.6%	6.1%	4.5%	5.8%	5.1%	6.5%
PIT-to-GDP Ratio	2.5%	2.9%	3.1%	3.6%	3.7%	3.7%	3.7%
CIT-to-GDP Ratio	2.2%	2.7%	3.0%	3.1%	3.1%	3.2%	3.2%
Income Tax-to-GDP Ratio	4.7%	5.7%	6.1%	6.7%	6.8%	6.8%	6.9%
Domestic VAT-to-GDP Ratio	2.2%	2.6%	2.6%	2.6%	2.5%	2.5%	2.5%
Import-based VAT-to-GDP Ratio	3.2%	3.5%	3.5%	3.6%	3.6%	3.7%	3.8%
VAT-to-GDP Ratio	5.4%	6.1%	6.1%	6.1%	6.2%	6.2%	6.2%
Domestic Excise-to- GDP Ratio	2.1%	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%
Import-based Excise-to-GDP Ratio	0.6%	0.8%	0.8%	0.8%	0.7%	0.7%	0.6%
Excise-to-GDP Ratio	2.7%	3.0%	3.1%	3.1%	3.0%	3.0%	3.0%
Customs-to-GDP Ratio	3.4%	4.8%	4.9%	4.8%	4.7%	4.6%	4.5%

Through a comprehensive approach involving policy measures and administrative reforms, the DRMS aims to significantly enhance Nepal's fiscal framework. The strategic increase in various tax components not only underlines the government's commitment to fiscal stability but also sets a clear path for sustainable economic growth.

CHAPTER THREE: TAX POLICY MEASURES

3.1 Value Added Tax

The Value Added Tax Act of 2052 (1996) outlines a range of goods and services exempt from VAT, categorized in Annex 1, which includes basic agricultural produce, essential items, public health services, education, and transportation, among others. Additionally, the government provides VAT and tax exemptions for the import or domestic purchase of taxable goods and services for foreign-aided projects and strategic initiatives. Simplifying VAT administration and compliance involves reducing the number of exempt items and implementing VAT credit and refund systems to enhance business efficiency and neutrality. To promote efficiency and neutrality and minimize distortions, reducing the significant number of exempt items is imperative.

3.2 Income Tax

Personal income tax (PIT) on labour income is structured with five tax brackets, higher tax free allowances, and with progressive tax rates. Capital income is taxed with scheduler lower flat rates. The introduction of a more progressive taxation structure will ensure fairness and equity, particularly in the taxation of capital-based income. Adjustments will be made on the tax rates for dividend, interest, and capital gains, under the existing tax framework in the short term. Looking ahead, the government is committed to integrating all income sources under a comprehensive tax system with progressive tax rates. Key initiatives include a review of standard deduction allowance and tax incentives provided under the Income Tax Act, 2058 (2002) to make such incentives more investment-targeted. The government will be focusing on restructuring the turnover tax (ToT).

3.4 Excise Duties

Excise duties are being imposed on the goods having inelastic demand and high negative externality to the individual and public health and to the environment. The numbers of excise rates will be merged and reduced and some specific excise rates on tobacco, cigarettes, liquor, beer, coal, petroleum products and some vehicles will be increased.

3.5 Customs Duties

Customs duties will be revised and rationalized to converge to a three-rate duty structure. Further, where the new rates are at variance with the rates specified in the bilateral and multilateral commitments, the lower of the two will apply.

3.6 Non-Taxes

The determination of non-tax revenue rates adheres to principles designed to recuperate the costs of goods and services, as well as the maintenance expenses of establishments. Despite the decentralized nature of revenue collection across various governmental bodies, adequate coordination will be fostered for the analysis of the revenue bases and rates.

3.7 Sub-national Level Taxes

In the realm of fiscal federalism, effective inter-governmental fiscal transfers and robust revenue mobilization mechanisms are paramount. It is essential to synchronize and streamline institutional frameworks for tax policy and administration across all tiers of governance. Provincial and local authorities are tasked with delineating the tax base and rates for various levies, including land and building registration, vehicle tax, entertainment tax, and

advertisement taxes. While local governments handle the collection of land and building fees, entertainment tax, and advertisement tax, provincial governments oversee vehicle tax collection. Moreover, local governments wield the autonomy to define and administer property tax, rental tax, land tax, and business tax independently. Additionally, sub-national governments are empowered to levy and collect rent and royalty, user charges, fines, penalties, and tourism fees.

Property tax collection has been insignificant due to low base, wide exemption, weak database, rudimentary valuation system, low and flat tax rate, weak administrative capability of the local governments. Federal government will share the database through digital means and coordinate with local government to impart legal, administrative and technical skills for property tax mobilization.

CHAPTER FOUR: REVENUE ADMINISTRATION MEASURES

Tax laws play a pivotal role in delineating tax bases, setting tax rates, and defining the rights and obligations of tax administrations. Stability and predictability in tax legislation are essential for fostering investment and facilitating economic growth. However, amendments are often necessitated to expand the revenue base, integrate new insights and experiences, and address legal grievances within the private sector. Ministry of Finance (MoF) undertakes some revenue functions, among others. Inland Revenue Department (IRD) and Department of Customs (DoC) play the pivotal role in revenue administration. Some other government organizations are also engaged in performing revenue functions.

4.1 Ministry of Finance

The Ministry of Finance (MoF) spearheads the design of tax legislations in consultation with key stakeholders, with subsequent implementation and enforcement overseen by the tax administration. In alignment with the objectives of the DRMS, a series of policy measures will be undertaken to broaden tax bases and rationalize tax rates across various domains, including personal income tax (PIT), corporate income tax (CIT), capital investment-based tax, value-added tax (VAT), excise duties, customs duties, and certain non-tax revenue streams. Following strategies and actions will be undertaken during the five-year period:

Table 4. 1: Policy-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
10101	Reform in personal income tax (PIT)	1010101	Review of tax-free allowance (TFA) for personal income taxation
		1010102	Review of slab and top income bracket for personal income taxation
		1010103	Review personal income tax rates intermittently.
		1010104	Review and restructure Turn-over Tax (ToT) and presumptive tax regime.
10102	Reform in corporate income tax (CIT)	1010201	Review and rationalize tax incentives under Sec 11 of Income Tax Act, 2058 (2002)
10103	Reform in investment income tax (IIT)	1010301	Review tax deduction at source (TDS) rate subject to dividend income.
		1010302	Review tax deduction at source (TDS) rate subject to interest income
		1010303	Review tax rates of capital gain on the disposal of shares.
		1010304	Review tax rates of capital gain on disposal of land and building.
10104	Review of VAT exempt items	1010401	Review and reduce VAT exempt items
10105	Review of VAT registration threshold	1010501	Review and increase VAT registration threshold.
		1010502	Review and increase VAT registration threshold from Rs. 2 million to Rs.3 million for taxable services and/or mix of taxable goods and services

10106	Implement HS code in domestic invoices	1010601	Amend Value Added Tax Act and Regulations to incorporate compulsory use of HS Code in Tax Invoice to trail the item-wise movement of goods.
10107	Review and rationalize excise tax rates	1010701	Impose green tax on petroleum products, plastic items, coal etc.
		1010702	Reduce the numbers of excise rates on the basis of harm and external cost.
		1010703	Apply specific rates with indexation to inflation
10108	Formulate new Customs Act	1010801	Formulate a New Customs Act to rationalize legal processes to enhance service delivery and risk management.
10109	Review and rationalize non-tax rates.	1010901	Review and rationalize non-tax rates taking into account of costs.

MoF will undertake following strategies and actions in order to manage organizational, financial, and human resources:

Table 4. 2 Resource-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20101	Commission organization and method (O&M) survey to reform in organizational set-up of MoF.	2010101	Establish Revenue Analysis and Forecasting Section within Revenue Management Division including government employee and professionals and experts from the outside of the government.
		2010102	Strengthen Information and Communication Technology (ICT) section of the ministry to lead and coordinate overall aspects of ICT system of the ministry, FCGO, DoC, and IRD.
20102	Reform in recruitment, development, and retention of human resources	2010201	Request Public Service Commission (PSC) to amend basic qualifications, syllabus, and selection system for revenue group employees to appoint revenue specialist staff.
		2010202	Invest more on human resource training and development.
		2010203	Reform in staff transfer norms and criteria to develop and reward capable staff.
		2010204	Reform in performance monitoring system to develop and retain capable staff.
20103	Publish tax expenditure details.	2010301	Develop an integrated online portal to manage Master List of tax exempted and rebated goods along with quantity, foregone customs, VAT, Excise, and other taxes.
		2010302	Integrate all tax expenditure data from DoC, and IRD.
		2010303	Publish Tax Expenditure Report annually.

Collaborative efforts between the MoF and other relevant bodies within the tax administration will be paramount. These efforts will extend to working closely with sub-

national governments to enhance their capacity for tax design and implementation, as well as facilitating seamless sharing of revenue and public expenditure data in near real-time.

Unlocking the full potential of property and rental taxes at the local level holds promise, yet subnational governments grapple with capacity constraints hindering optimal revenue mobilization. To address this challenge, the Ministry of Finance (MoF) is poised to spearhead efforts aimed at fostering coordination and collaboration with all sub-national entities. These initiatives are geared towards expanding the revenue base through the harmonization and alignment of ICT-based infrastructure. Key measures encompass the allocation of Personal PAN (P-PAN) upon birth registration, issuance of Business PAN (B-PAN) during business registration, and seamless sharing of revenue and financial data among sub-national governments. By facilitating comprehensive data exchange, these endeavours aim to fortify overall revenue generation capabilities. Following strategies and actions will be implemented to enhance revenue base:

Table 4. 3: Inter-Government Collaboration-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
30101	Collaborate among subnational government organizations	3010101	Collaborate with local governments reform in property tax system.
		3010102	Collaborate with local governments to design laws and operating system to allocate Personal PAN (P-PAN) number at the time of birth registration.
		3010103	Collaborate with local governments to design laws and operating system to allocate Business PAN (B-PAN) number at the time of business registration.
		3010104	Integrate PAN number into the business registration system of subnational government organization
		3010105	Collaborate with local governments to collect property taxes.
		3010106	Collaborate with provincial and local governments to develop human resources and system for revenue mobilization.

4.2 Inland Revenue Department

The Inland Revenue Department (IRD) is mandated with the implementation of various tax laws, including income tax, value-added tax, and excise tax, to ensure the mobilization of tax revenues from domestic production, consumption, and transactions. In fulfilling its mandate, the IRD, along with its subsidiary offices such as the Large Taxpayer Office, Middle-Level Taxpayer Office, Inland Revenue Offices, and Taxpayer Service Offices, undertakes a spectrum of critical functions. These functions encompass taxpayer registration, education, and assistance aimed at fostering compliance with tax laws and operational protocols. Moreover, the department is responsible for the meticulous collection and processing of tax returns, as well as taxes, withholding, and third-party information. It rigorously verifies and scrutinizes reported information for accuracy and completeness, while also actively detecting

and prosecuting instances of tax evasion or fraudulent activities. Additionally, the IRD oversees tax assessment, the collection of tax debts or arrears, and the resolution of taxpayer grievances, alongside the management of administrative review applications. These multifaceted responsibilities are organized under four overarching themes: compliance management, risk management, resource management, and performance management.

4.2.1 Compliance Management

The effectiveness of tax collection hinges on taxpayers' adherence to tax laws and operational procedures. A key focus of tax administration is to deliver responsive, transparent, equitable, and high-quality services to taxpayers, facilitating compliance with tax laws at minimal cost. In pursuance of the policy objectives, tax administration aims to foster taxpayers' willingness and ability to contribute their fair share of revenue to the nation. Inland Revenue Department (IRD) will realign its functions according to the following strategies and actions:

Table 4. 4: Tax Compliance Management-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20201	Manage tax collection system	2020101	Collect income tax from the taxpayers
		2020102	Collect VAT from the taxpayers
		2020103	Collection excise duties from the taxpayers
		2020104	Collect educational service tax from the taxpayers
20202	Expedite automation of taxpayer registration system	2020201	Develop a digital data sharing mechanism among IRD and the Department of National ID and Civil Registration (DoNIDCR) to get digital access to the citizenship numbers, NID numbers, and Mobile numbers for PAN allocation.
		2020202	Update registration module to access citizenship data, NID data, mobile numbers to authenticate person at the time of online application from the individual.
		2020203	Use digital signature on the PAN, Tax Clearance Certificate, and other online services.
		2020204	Coordinate with professional organizations to make mandatory use of PAN for the issue and renewal of professional certificates or membership.
		2020205	Integrate PAN registration with Nepal National One Window System (NNEWS)
		2020206	Coordinate with provincial and local government organizations to integrate PAN with business registration.
		2020207	Develop a data sharing mechanism between IRD, provincial and local government organizations to get access to business registration data

20203	Strengthen taxpayer education and support system.	2020301	Customize information in website to the specific need of the key taxpayer segments.
		2020302	Strengthen existing Call Centre with new technology and capable human resources.
		2020303	Collaborate with private sector for taxpayer education and workshop.
		2020304	Customize taxpayer education programs to impart skills to the taxpayers about online services.
20204	Improve e-Filing system	2020401	Design a new TDS Processing Software to capture all payment and TDS related information from government, non-government, and private sector organizations.
		2020402	Integrate CGAS, TSA system of FCGO into TDS Processing Software to get government payment information near real time basis.
		2020403	Integrate NEPSE transaction data into TDS Processing Software to get capital gain tax related information near real time basis
		2020404	Integrate DoLMA transaction data to get capital gain tax related information near real time basis.
		2020405	Develop a prepopulated income tax returns processing system for PPAN holders (Employee, doctors, engineers, consultants etc.)
		2020406	Design/procure a new Compliance Management Software incorporating Excise, VAT, Income Tax laws.
		2020407	Integrate Excise, VAT, Income Tax, and TDS returns filing procedures with payment option.
		2020408	Integrate VAT and Excise Returns in ITS for the liquor, tobacco and the industry that deals with excisable commodity.
		2020409	Design a dynamic MIS report of filed tax returns (Income Tax Returns, TDS Returns, Installment Returns, VAT Returns, Excise Returns etc.).
20205	Expand e-Payment system	2020501	Integrate all Payment Service Providers (PSPs), mobile banking and Electronic Fund Transfer (EFT) services into tax payment system.
		2020502	Coordinate with FCGO and NRB to relax/withdraw existing threshold for digital payment in case of tax payment.
20206	Improve tax refund system	2020601	Design automated system with a feature of auto verification of purchase, sales, stock details while preparing documents for tax refund.
		2020602	Amend PIT, CIT, VAT, and Excise return formats to incorporate transactions and bank account numbers in detail.
		2020603	Develop an automated and green channel to refund VAT to the diplomatic missions and regular exporters.

2020604	Develop Income Tax Refund Module in ITS.
2020605	Integrate all retail level service business and super markets into VAT cash back system.

4.2.2 Risk Management

Taxpayer compliance is lacking across various aspects such as registration, tax return filing, invoicing, payment, and ensuring accuracy and completeness in reporting transactions. To mitigate revenue risks, IRD will leverage ICT-based tools for data collection, data analysis, risk assessment and audit selection along with tax audits, and investigations. The following strategies and actions will be implemented to address these revenue risks:

Table 4. 5: Tax Risk Management-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20207	Develop revenue intelligence system	2020701	Develop a comprehensive data mining/data warehousing infrastructure.
		2020702	Develop a robust data sharing system among IRD, DoC, DRI and other government organization
		2020703	Strengthen CBMS system to capture import and export, production/manufacturing, dealer, wholesale level transaction.
		2020704	Develop CBMS with web-based billing facility for the taxpayers.
		2020705	Enforce mandatory use of Computer Billing Software to the e-commerce business houses and other taxpayers having annual turnover Rs. 250 million or more.
		2020706	Revise Computer Billing Software Guidelines to integrate all computer billing software into the CBMS to get business information near real time basis.
		2020707	Integrate all e-commerce transaction and taxpayers into CBMS for getting information near real time basis.
		2020708	Develop a billing tracking and tracing system to monitor transaction from import/production to retail level.
		2020709	Develop data sharing mechanism between IRD and Nepal Rastra Bank (NRB) to share information of gold sales.
		2020710	Develop a data sharing mechanism between IRD and Department of Transport Management (DoTM) to share vehicle related information.
2020711	Coordinate with Provincial and Local Government organizations through CGAS, SUTRA to get access to the payments subject to tax deduction at the time of payment under Income Tax laws.		
20208	Develop ICT-based data analysis system	2020801	Use of Artificial Intelligence (AI) to cross match large scale data to detect inaccurate reporting

		2020802	Upgrade/design a dynamic a Mismatch Transaction Reporting System to identify revenue risks.
20209	Strengthen risk management capability	2020901	Develop a comprehensive Audit Management Plan.
		2020902	Review and revise existing risk-based indicators, priority and weightage.
		2020903	Develop a fully automated Audit Selection Module including risk-based indicators, priority, and weightages.
		2020904	Undertake tax audit (including full audit, investigative audit, concurrent audit, and verification audit) of duly selected taxpayers.
		2020905	Assess income tax by undertaking tax audit
		2020906	Assess VAT by undertaking tax audit
		2020907	Assess excise duties by undertaking tax audit
		2020908	Undertake comprehensive audit of computer billing software to ensure accurate and complete business transaction.
20210	Strengthen dispute settlement system	2021001	Clear pending administrative review cases
		2021002	Strengthen e-Appeal Module to manage records of tax disputes.
20211	Strengthen tax gap analysis capability	2021101	Design revenue forecasting mechanism.
		2021102	Conduct revenue gap analysis.
		2021103	Develop an automated Tax Expenditure Report in tax administration
20212	Improve enforcement against non-filers	2021201	Design an automated Non-filer Management Module/or Software to send alert, reminder, request letter, account suspension notification and other administrative and legal notifications.
		2021202	Design a dynamic MIS report for on-time filer, late-filer, non-filer, Never-filer of CIT,PIT, TDS, VAT, Excise systems.
		2021203	Focus on undertaking legal actions against the non-filers.
20213	Collect tax debt from the defaulters	2021301	Design a Comprehensive Arrear Management Plan.
		2021302	Collect VAT arrears
		2021303	Adjust and update VAT arrears
		2021304	Collect income tax arrears
		2021305	Adjust and update income tax arrears

		2021306	Undertake legal actions against the tax defaulters.
		2021307	Design an automated Tax Arrear Management Module/or Software to send alert, reminder, request letter, account suspension notification and other administrative and legal notifications.
20214	Settle audit objection/beruju	2021401	Clear audit objections / Beruju by undertaking re-assessment.
		2021402	Clear audit objections / Beruju by collecting taxes
		2021403	Clear audit objections / Beruju by producing documents and facts.

4.2.3 Resource Management

Effective utilization of organizational resources is vital for delivering quality service to taxpayers and mitigating revenue risks. Human resource development plays a crucial role in improving compliance and managing revenue risks. Therefore, the Inland Revenue Department (IRD) requires adequate financial and budgetary support to conduct both knowledge and skill-based training, as well as to establish and operationalize modern information and communication technology (ICT) systems. The following strategies and actions will be undertaken during the planning period:

Table 4. 6: Tax Resource Management-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20215	Reform in organizational set-up of tax administration	2021501	Restructure Tax Collection and Forecasting Section into Revenue Analysis and Forecasting Section.
		2021502	Restructure Information Collection, Analysis and Investigation Section into Revenue Intelligence Section.
		2021503	Restructure ICT division.
20216	Develop human resources of tax administration	2021601	Design Human Resource Development Plan.
		2021602	Conduct Training Need Assessment (TNA) annually to design training programs.
		2021603	Redirect training programs to develop knowledge and skills to assess and analyze risks in transfer pricing, change in control, computer-processed data, and other digital transactions, among others.
		2021604	Coordinate with Public Finance Management Training Centre (PFMTC), and Staff College for training.
		2021605	Coordinate with international organizations for short term training/seminar and for tax related academic courses.
		2021606	Develop and update personnel information system to record activity log from recruitment to

			retirement.
20218	Strengthen ICT Infrastructure of IRD	2021801	Devise e-Taxation Master Plan
		2021802	Invest on new hardware and software for data mining/warehousing and data analysis.
		2021803	Enhance internet and intranet capability.
		2021804	Outsource software development and support services from different service providers to get quality services.
		2021805	Conduct an independent ICT Security Audit
		2021806	Assess IRD's operational risks through conducting Business Impact Analysis (BIA).
		2021807	Strengthen existing Disaster Recovery Centre (DRC) and data security architecture.

4.2.4 Performance Management

Tax officials' and tax offices' performances are governed by the formulation of precise, measurable, and time-bound performance indicators, coupled with monthly and annual targets. The Inland Revenue Department (IRD) provides training to the employees to develop capacity to perform better and conducts both on-site and off-site monitoring of performance on a monthly and annual basis. During this period, the IRD will develop performance indicators for its officials, aimed at enhancing the overall performance of the tax administration.

Table 4. 7Performance Management-based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20217	Improve individual and organizational performance of tax administration	2021701	Update Performance Indicators in line with tax policies.
		2021702	Design Performance Indicators for all sections of the IRD
		2021703	Update e-IMS in line with Performance Indicators.
		2021704	Conduct on-site and off-site monitoring and supervision of subordinate office performances.
		2021705	Review audited files to improve audit quality of the tax officials.

4.3 Department of Customs

The Department of Customs (DoC) is responsible for collecting taxes on international trade and transactions. Major revenue sources at customs points during import and export of the goods and services include customs duties, value-added tax, excise duties, and other tariffs and charges. The DoC plays a crucial role in facilitating trade, overseeing the movement of

people, and controlling illicit activities such as contraband trade and illegal cross-border transactions. Performance within the DoC is classified under four major categories:

4.3.1 Compliance Management

Efficient tax collection from the international trade hinges upon the precise and thorough declaration of goods and services by importers and exporters, including accurate valuation of transactions. The customs administration prioritizes fostering compliant trade practices through designated customs routes and channels. Given the susceptibility of long open border with India and regulated border with China to illicit activities, the customs administration will conduct border patrols to monitor and deter illegal cross-border movements of goods and individuals. In alignment with these objectives, the DoC will realign its operations according to the following strategies and actions:

Table 4. 8: Customs Compliance Management-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20301	Manage customs duties and other taxes	2030101	Collect customs duties from the importers
		2030102	Collect excise duties from the importers
		2030103	Collect VAT from the importers
		2030104	Collect advance income taxes from the importers
		2030105	Collect other taxes from the importers
20307	Improve services to facilitate international trade	2030701	Reduce average time for consignment clearance
		2030702	Manage issuance and renewal of Exim Code numbers
		2030703	Reinforce and integrate e-payment system with the Revenue Management Information System (RMIS) of the Financial Comptroller General Office in customs clearance.
		2030704	Establish a Client Service Desks in major Customs Offices
		2030705	Strengthen Nepal National Single Window (NNSW) system for integrated service delivery for license, permit, certificates and others (LPCO)
		2030706	Update website of the Department of Customs to disseminate public information on time.
		2030707	Develop institutional capability to administer advance ruling
		2030708	Expedite clearance of pending cases of disputes.
		2030710	Improve digital records of customs disputes, reviews, and appeals.

4.3.2 Risk Management

With respect to the risk management in customs administration, improving compliance among importers and exporters with customs laws and procedures is imperative, particularly concerning the accurate valuation and declaration of goods and services during import and export processes. Mitigating revenue risks entails bolstering the willingness and capacity of

importers and exporters, coupled with the implementation of ICT-driven surveillance and monitoring of transactions. Within the framework of the DRMS, the following strategies and actions will be executed during the plan period:

Table 4. 9: Customs Risk Management-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20302	Develop customs intelligence system	2030201	Define and prioritize risk indicators along with weights to assess risk profile of the importers (Risk Register) to manage operational risks.
		2030202	Develop a data mining system in DoC to collect import related data from internal and external source to improve valuation
		2030203	Develop API to collect data near real time basis from Integrated Tax System (ITS) and Central Billing Monitoring System (CBMS) of IRD and Vehicle and Consignment Tracking System (VCTS) of DRI.
		2030204	Use billing information from Purchase Book and Sales Book being maintained in the Central Billing Monitoring System (CBMS) of the IRD for PCA.
		2030205	Develop an online portal for diplomats to claim tax exemption and provide access to the Ministry of Foreign Affairs.
20303	Improve ICT-based risk analysis system in customs administration	2030301	Extend Selectivity Module in all major customs offices until implementation of new automated Risk-based Selectivity Module.
		2030302	Revise risk measurement indicators and weights thereof to assess the revenue risk from Green, Yellow, Red, and Blue Channel once in a fortnight.
		2030303	Strengthen departmental online communication system through Wide Area Network (WAN) by sending queries and monitoring compliance therewith.
		2030304	Design or procure a new automated Risk-based Selectivity Module to identify high risk import declaration.
		2030306	Develop a surveillance mechanism of Advance Passenger Information System (APIS) in Tribhuvan International Airports to assess revenue risks in advance.
		2030307	Use Artificial Intelligence (AI) and Business Analytics in DoC for data mining and analysis.
		2030308	Design MIS Report of Tax Expenditure including import related tax exemption, rebates, and reduced rates.
		2030309	Develop a statistical data management module to compile, store and disseminate international trade related data.
		20304	Strengthen risk-based inspection during clearance process.

		2030402	Set office-wise monthly targets for detail investigation in terms of numbers of the (goods, SAD, consignment) passing through Red Channel
		2030403	Set office-wise monthly targets in terms of amount of tax assessment (including Customs Tariff, VAT, Excise Duties) from the checking from Green, Yellow, and Red Channel
		2030404	Devise procedures and organizational coordination for the procurement of the under-valued consignment at the time of import.
20305	Strengthen post clearance audit.	2030501	Set month-wise target for post clearance audit
		2030502	Assess additional taxes by undertaking post clearance audit.
20306	Focus on search and seizure of smuggled goods.	2030601	Set office-wise targets for border patrolling to control illegal transactions.
		2030602	Set office-wise monthly targets of seizure of smuggled goods
		2030603	Coordinate and collaborate with Armed Police Force, Nepal Police and other security organizations to control cross-border smuggling.

4.3.3 Resource Management

Effective provision of quality services and support to importers and exporters, along with preemptive detection of revenue risks pre- and post-importation, necessitates both individual and organizational resources. As a longstanding institution in Nepalese administrative history, the Department of Customs (DoC) must modernize its organizational structure and enhance employee performance to align with global standards. Adequate budgetary allocation is imperative for human resource development and ICT infrastructure enhancement within the DoC. The following strategies and actions will be implemented to address these imperatives:

Table 4. 10: Customs Resource Management-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20308	Develop human resource capability in customs administration	2030801	Develop human resource development plan
		2030802	Conduct Training Need Assessment (TNA) annually to design training programs.
		2030803	Coordinate with Public Finance Management Training Centre (PFMTC), and Staff College for training.
		2030804	Coordinate with international organizations for short term training/seminar and for tax related academic courses.
20310	Reform in organizational set-up of customs administration	2031001	Reorganize and strengthen Post Clearance Audit (PCA) office with human resource and audit capability.

4.3.4 Performance Management

Effective management of customs officials' performance can be achieved through the design of specific, measurable, and time-bound performance indicators, coupled with monthly and annual targets. These indicators should be formulated by integrating principles and international best practices in trade facilitation and risk-based customs management. In order to mitigate revenue leakage, the customs administration will implement the following strategies and actions:

Table 4. 11: Customs Performance Management-Based Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
20309	Improve employee's performance monitoring system in customs administration	2030901	Revise and reinforce performance indicators in customs administration
		2030902	Design MIS Performance Monitoring Reports in ASYCUDA World (Changes in valuation, Quantity, HS Code in SAD at the time declaration and at the time of Clearance)
		2030903	Revise and reinforce codes of conduct of customs officials.

4.4 Financial Comptroller General Office

The Financial Comptroller General Office (FCGO) is entrusted with the responsibility of overseeing revenue collection through banks and other financial institutions, maintaining accurate records, and providing transparent reports to both the government and the public. Additionally, it manages the financial activities of the government and oversees public expenditure at both the national and sub-national levels. FCGO will enhance the sharing mechanism of revenue and expenditure-related data between national and sub-national governments. The outlined strategy and corresponding actions are detailed as follows:

Table 4. 12: Inter-Government Data Sharing Strategies and Actions

Strategy Code	Strategy	Action Code	Actions
30401	Improve in ICT to share data among national and subnational governments	3040101	Improve revenue and expenditure data sharing mechanism among national and subnational governments.
		3040102	Improve integrated report of revenue collection, revenue sharing, and public expenditure of national and subnational governments.

CHAPTER FIVE: GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS

To effectively implement the DRMS strategies and to consolidate fiscal position within the planned period, political support and adequate resources are indispensable. Stakeholder consultation and participation in design and implementation process are vital for consensus-building. Policy changes will elicit varied responses: while some segments may welcome them, others may remain neutral or vehemently oppose them.

Each policy change will encounter both support and opposition from various sectors. Therefore, the government will be sensitive to taxpayers' grievances from tax reforms and wherever required address them transparently, backed by thorough analysis and technical feasibility while striving for high-growth-oriented public expenditure. The interests, benefits, and burden on the taxpayers and/or stakeholders will be balanced.

In the realm of national tax matters, a Steering Committee will be convened under the leadership of the Revenue Secretary. This committee will play a strategic role in orchestrating the design and execution of DRMS strategies, providing comprehensive legal, financial, and political support, coordinating intricate inter-departmental and inter-ministerial affairs, troubleshooting implementation hurdles, and meticulously evaluating the performance of pertinent organizations.

At the organizational echelon, the Directors General of IRD and DoC, alongside the Joint Secretary of FCGO (Policy and ICT), will spearhead the seamless implementation of DRMS initiatives. These endeavours will be seamlessly integrated with the reform agendas and annual business plans of their respective entities, ensuring a synchronized and technically astute approach to tax management.

CHAPTER SIX: TRANSITION MANAGEMENT

Income tax base and rates are designed to maintain vertical and horizontal equity in income distribution. Personal income tax rates and slabs are designed to bring about progressivity in taxation and corporate tax base and rates are designed to encourage private investments. However, there are some inconsistencies and anomalies in policy to attain overall policy goals of equity, simplicity, and certainty. Due to input tax credit and tax refund system, VAT is tax neutral and efficient system for investment and growth.

In light of the expanding scale of both national and sub-national governments, there is a discernible trend where current expenditure growth outstrips that of capital expenditure. While governments prioritize the implementation of distributive public policies to fulfil constitutional mandates, the government should be mindful to adopt redistributive measures necessary for revenue collection commensurate with public expenditure requirements and fiscal consolidation goals. It is imperative that expenditure and revenue policies align with complementary objectives to ensure a sound fiscal position, which in turn sustains macroeconomic stability, stimulates investment and growth, generates income, and fosters prosperity.

Taxation is inherently linked to the size of national production, as reflected in the Gross Domestic Product (GDP). Consequently, taxation becomes imperative for increasing national production and income. Individuals desiring effective public services, robust infrastructure, and a conducive business environment must recognize that these amenities come at a cost, necessitating tax contributions. Therefore, it is incumbent upon the government to ensure allocative efficiency, operational prudence, transparency, and behavioural integrity in public expenditure to justify taxpayer contributions to the nation.

In light of the higher rate of return on capital vis-à-vis labour, principles of equity demand higher tax rates on capital-derived incomes like dividends, interest, and capital gains. Striving for enhanced progressivity, it is essential to review tax rates on all forms of capital-based income.

DRMS into existing business plans and programs are paramount. MoF will ensure adequate provision of human, technical, material, and financial resources to support tax administration efforts. Additionally, organizational modifications and restructuring will be done to facilitate the implementation of planned reforms.

The role of the institutions constructed into the middle circles, namely, Nepal Rastra Bank (NRB), banks and financial institutions (FIs), provincial governments (PGs) and local governments (LGs) will be instrumental to the revenue mobilization, expenditure management. The Office of the Company Registrar (OCR), Nepal Stock Exchange (NEPSE), Department of Land Management and Archive (DoLMA) will play a critical role in helping automation and data sharing for business registration and capital gain tax (CGT) collection.

Department of Revenue Investigation (DRI) and Department of Money Laundering Investigation (DMLI) help tax administration promote a congenial environment for the taxpayers to comply with tax laws voluntarily, and for tax administration to manage revenue and operational risks. Revenue Tribunal and Attorney General Office help tax administration prosecute and advocate in the legal disputes and litigation cases.

Nepal Police (NP), and Armed Police Force (APF) help tax administration control smuggling and illegal transactions. Public Service Commission (PSC) recruits and select human resources and looks after other career development functions. Public Finance Management Training Centre (PFMTC) help tax administration organize general and specified training programs for government officials, especially tax official, customs, account, and Auditor General's officials.

National Planning Commission (NPC) coordinates with line ministries for the planning, programming, and monitoring and evaluation of the public expenditure programs and projects. Ministry of Industry Commerce and Supply (MoICS) looks after investors and traders and manage domestic investment and commerce. Ministry of Information and Communication (MoIC) manages all issues relating to information and communication technology and digital data management. Taxpayers (TPs), and private sector organizations (PSOs) are the key stakeholders for the design and implementation who eventually bear the burden and reap the benefits from the DRMS. Tax intermediaries (TIs), especially Chartered Accountants, Registered Auditors, and Tax consultants play a critical intermediary role facilitating enhanced taxpayers' compliance with tax policies, laws, and systems.

The Parliament and the Office of the Prime Minister and Council of Ministers (OPMCM) is the supper organization to design and coordinate policymaking and policy implementation. Office of the Auditor General (OAG) is the constitutionally mandated independent authority who monitor, supervise, and audit the performance of the tax administration to ensure fairness, integrity and governance. Media organizations, civil society organization (CSOs), tax experts, development partners (DPs) also monitor implementation of DRMS and support tax administration by sharing resources and feedbacks.

7.2 Resource Management

To implement DRMS, the government is committed to ensure stability of senior and middle-level tax officials in their jobs and offices so that they can implement the plans and programs at their best. To this end, the government will devise qualification and experience-based staff transfer and placement criteria within the tax and customs administration. The government

will ensure allocation of human, technical, material, financial, legal, and organizational resources. The government will coordinate PSC, OAG, Attorney General, Revenue Tribunal, and security organizations to manage human and technical and legal resources. MoF will provide adequate budget to the tax administration to implement the plan and coordinate with development partners (DPs) for financial resources in the critical areas and solicit support for capacity development of the human resources. The government will undertake organizational modification and business process reengineering.

7.3 Integration and Harmonization

MoF will coordinate for the integration of DRMS strategies and actions into the annual business plans, periodic plans of the key stakeholder (constituents) organizations along with national monitoring and evaluation programs so that the plan can be implemented smoothly.

Institutionalizing monitoring mechanisms within MoF, IRD, DoC, and other relevant entities is crucial for tracking progress and evaluating the impact of policy changes. Designing of implementation plan, defining specific, measurable and achievable indicators, assigning specific timelines and sequencing actions will enable efficient monitoring of progress and impact, facilitating the successful implementation of DRMS strategies and associated initiatives.

7.4 Strength, Weakness, Opportunity and Limitation (SWOL) Analysis

Implementation of public policy invariably encounters a number of hurdles, including shift in stakeholder dynamics, political and bureaucratic turnover, and resource constraints. DRMS may have losers among stakeholders, leading to potential resistance to policy implementation from those adversely affected.

SWOL analysis offers a strategic insight into the strengths and weaknesses of revenue administration, along with the opportunities for growth and the external limitations it faces. It serves as a foundational assessment for strategic planning and operational enhancement within the fiscal governance framework.

Strengths

Integrated Framework: A cohesive operational framework involving key institutions like the Ministry of Finance, Inland Revenue Department, and Department of Customs.

Stakeholder Engagement: Established mechanisms for engaging stakeholders, facilitating transparent and inclusive policy-making processes.

Professional Organization: Proven track record of effective policy implementation, demonstrating the administration's capability to enforce tax laws and regulations.

Weaknesses

Resource Constraints: Limited human and financial resources restrict the potential for operational improvements and innovation.

Capability Constraints: Limited focus on human resource development and retention impact service delivery and law enforcement.

Frequent and large scaled staff move across works teams and administrations: Lack of accumulation of specialized knowledge and institutional memory necessary to conduct certain work-streams.

Technological Integration: The slow adoption of advanced technological solutions limits service efficiency and engagement with taxpayers.

Regulatory Hurdles: A complicated regulatory framework complicates compliance, potentially deterring voluntary adherence to tax obligations.

Opportunities

Technological Advancement: Significant opportunities to harness digital technologies to modernize operations, enhancing efficiency and taxpayer satisfaction.

Professional Development: Investment in the professional growth of staff to fortify the administration's technical and administrative capacity.

Policy Optimization: A High-Level Tax Reform Taskforce has recommended a comprehensive tax policy reform agenda to address existing challenges and better align with global economic shifts.

Limitation

Political Stability: Frequent change of government and bureaucratic leaders that negatively impact policy consistency and implementation efficacy.

Economic Fluctuations: Global and local economic uncertainties present risks to steady revenue collection and fiscal planning.

Compliance Challenges: Ongoing issues with non-registration, non-filing, non-payment and tax evasion and avoidance that negatively impact the administration's revenue mobilization efforts.

Global Compliance Demands: The need to adapt to international tax standards and compliance expectations, requiring continuous policy and operational adjustments.

7.5 Risks Mitigation Measures

Potential risks and risk mitigation measures are identified below: It is imperative to continually monitor these risks and the effectiveness of mitigation measures, while remaining adaptable to evolving circumstances. Regular assessments and adjustments to strategies will ensure the administration remains resilient in the face of challenges and aligned with its objectives of enhancing fiscal stability and revenue mobilization.

Table 7. 1: Risks Mitigation Measures

Risks	Probability	Impact	Mitigation Measures
Import-based revenue	High	High	Tariffs rates and number will be reduced and rationalized in line with international agreements and treaties. Domestic tax base will be expanded through policy measures, administrative reform, and automation in tax system.
Weak preparation for transition management	Medium	High	Design of compliance management plan and arrear management plan to manage non-payment or late-payment of tax due.
Capability gap in human resource	Medium	High	Human resource development plan and programs to develop technical, human, and conceptual skills in tax officials.

Competency gap in technology	Medium	High	Short and Medium term ICT based training and development programs to develop collect and analyze digital data to assess revenue risks.
Disruption in physical and ICT infrastructure	Medium	High	Business continuity planning could be a viable measure to determine recovery time objectives (RTOs) and recovery point objectives (RPOs) in case of any disruptive event occurs due to earthquake, power failures, and fire hazard.
Frequent transfer of organization leaders.	High	High	Government is committed to design qualification and experience based criteria for the transfer and placement of the departmental leader to ensure stability of IRD leaders and middle level tax officials to implement strategic plan.
Acceptance and implementation of plan.	Low	High	Alignment and harmonization of strategic plans and performance indicators.
Measurement, monitoring and evaluation of plans, programs, and performance.	Low	High	Integration into Annual Business Plan and Performance Indicators of the IRD, DoC and all functional offices.
Poor attention on developing hardware, software, and other ICT infrastructure.	Medium	High	Appropriate investment in hardware, software, and ICT infrastructure development and stringent enforcement of contract clauses concluded with software developer and support provider companies.

CHAPTER EIGHT: MONITORING AND EVALUATION

Monitoring and evaluation are integral components of effective policy implementation. Institutionalizing the collection of baseline and concurrent data, focusing on predefined indicators outlined in the implementation plan, will provide ongoing insights into the progress of DRMS initiatives. This data will be disseminated to political, bureaucratic, and civil society stakeholders on a monthly basis to ensure transparency and accountability.

Additionally, mid-term and final evaluations of the DRMS will be conducted to comprehensively assess the achievement of objectives and outcomes. These evaluations will serve to facilitate organizational learning and inform future interventions. Operationally, monthly monitoring of implementation progress will be conducted within departments and ministries. This approach will enable timely adjustments and optimization of planned activities to ensure alignment with strategic objectives and enhance overall effectiveness.

In addition to the aforementioned measures, a robust monitoring and evaluation framework will be established to track the performance and impact of DRMS initiatives comprehensively. This framework will encompass the following elements:

1. **Objectively Verifiable Performance Metrics Development:** Key Performance Indicators (KPIs) will be developed to measure progress towards DRMS objectives effectively.
2. **Data Collection and Analysis:** Rigorous data collection mechanisms will be implemented to gather relevant information on the implementation of DRMS activities. Data analysis techniques will be employed to derive actionable insights from collected data.
3. **Risk Identification and Mitigation:** Regular risk assessments will be conducted to identify potential obstacles to implementation success. Appropriate mitigation strategies will be devised and implemented to address identified risks proactively.
4. **Capacity Building:** Training and capacity-building initiatives will be conducted to enhance the skills and knowledge of personnel involved in DRMS implementation. This will ensure that stakeholders are equipped with the necessary tools and expertise to effectively execute their roles.
5. **Reporting and Communication:** Transparent reporting mechanisms will be established to communicate progress, challenges, and achievements related to DRMS implementation to relevant stakeholders. Regular communication channels will facilitate timely decision-making and accountability.

By implementing a comprehensive monitoring and evaluation framework, the DRMS will be better positioned to track progress, identify areas for improvement, and ultimately achieve its objectives of enhancing revenue mobilization and fiscal stability.

CHAPTER NINE: CONCLUSION

The DRMS is primarily focused on increasing revenue mobilization from domestic sources to enhance fiscal stability. This overarching goal is pursued through different policy and administrative measures.

These reforms are strategically aligned to achieve two primary objectives: enhancing revenue collection and reducing the compliance costs to the taxpayers. By streamlining tax regimes and reviewing certain tax incentives, the government aims to foster a fairer and more efficient tax environment.

DRMS intends to design simple and robust operating system to help taxpayers to voluntarily adhere to tax laws and regulations, thereby simplifying the tax collection process and fostering a culture of compliance. It also focuses on improving the capabilities of tax and customs administrations in identifying, assessing, and mitigating risks to ensure efficiency and security in tax collection efforts. It prioritizes automation and enhance the use of technology in tax and customs administrations to streamline processes, reduce errors, and increase efficiency in tax collection and administration. DRMS aim at fostering coordinated and collaborative efforts between different governmental and organizational entities involved in tax policy design and implementation, ensuring a unified approach to tax administration and policy execution.

In conclusion, the successful implementation of these measures relies heavily on seamless execution and the proficiency of the tax administration in managing the transition. Diligent monitoring and potential adjustments will be critical to ensuring that the intended objectives of improved compliance and increased revenue generation are realized.

while the proposed reforms represent a significant stride towards addressing tax compliance challenges, their efficacy will be contingent upon meticulous monitoring, adaptability, and equitable enforcement to realize their intended benefits for both the government and taxpayers.

Annex 1: Domestic Revenue Mobilization Strategy (2024/25 – 2028/29) Implementation Plan

Strategy Code	Strategy	Action Code	Actions	Lead Org.	Support Org.	Time Line	Means of Verification
10101	Reform in personal income tax (PIT)	1010101	Review of tax-free allowance (TFA) for personal income taxation	MoF	IRD	Y2	Amendment of Income Tax Act
		1010102	Review of slab and top income bracket for personal income taxation	MoF	IRD	Y2	Amendment of Income Tax Act
		1010103	Review personal income tax rates intermittently.	MoF	IRD	Y2	Amendment of Income Tax Act
		1010104	Review and restructure Turn-over Tax (ToT) and presumptive tax regime.	MoF	IRD	Y2	Amendment of Income Tax Act
10102	Reform in corporate income tax (CIT)	1010201	Review and rationalize tax incentives under Sec 11 of Income Tax Act, 2058 (2002)	MoF	IRD	Y1	Amendment of Income Tax Act
10103	Reform in investment income tax (IIT)	1010301	Review tax deduction at source (TDS) rate subject to dividend income.	MoF	IRD	Y1	Amendment of Income Tax Act
		1010302	Review tax deduction at source (TDS) rate subject to interest income	MoF	IRD	Y1	Amendment of Income Tax Act
		1010303	Review tax rates of capital gain on the disposal of shares.	MoF	IRD	Y1	Amendment of Income Tax Act
		1010304	Review tax rates of capital gain on disposal of land and building.	MoF	IRD	Y1	Amendment of Income Tax Act
10104	Review of VAT exempt items	1010401	Review and reduce VAT exempt items	MoF	IRD	Y2	Amendment of VAT Act
10105	Review of VAT registration threshold	1010501	Review and increase VAT registration threshold.	MoF	IRD	Y2	Amendment of VAT Act
		1010502	Review and increase VAT registration threshold from Rs. 2 million to Rs.3 million for taxable services and/or mix of taxable goods and services	MoF	IRD	Y2	Amendment of VAT Act
10106	Implement HS code in domestic invoices	1010601	Amend Value Added Tax Act and Regulations to incorporate compulsory use of HS Code in Tax Invoice to trail the item-wise movement of goods.	MoF	IRD	Y2	Amendment of VAT Act
10107	Review and rationalize excise tax rates	1010701	Impose green tax on petroleum products, plastic items, coal etc.	MoF	IRD	Y1	Amendment in the Excise Act
		1010702	Reduce the numbers of excise rates on the basis of harm and external cost.	MoF	IRD	Y1	Amendment of Excise Tax Act
		1010703	Apply specific rates with indexation to inflation	MoF	IRD	Y1	Amendment of Excise Tax Act

10108	Formulate new Customs Act	1010801	Formulate a New Customs Act to rationalize legal processes to enhance service delivery and risk management.	MoF	DoC	Y1	New Customs Act
10109	Review and rationalize non-tax rates.	1010901	Review and rationalize non-tax rates taking into account of costs.	MoF	Line Ministries	Y1	Formation of Taskforce
20101	Commission organization and method (O&M) survey to reform in organizational set-up of MoF.	2010101	Establish Revenue Analysis and Forecasting Section within Revenue Management Division including government employee and professionals and experts from the outside of the government.	MoF	MoF/RMD	Y1	Establishment of new section
2010102		Establish Public Expenditure Analysis and Forecasting Section within Budget Management Division including government employee and professionals and experts from the outside of the government.	MoF	MoF/BMD	Y1	Establishment of new section	
2010103		Strengthen Information and Communication Technology (ICT) section of the ministry to lead and coordinate overall aspects of ICT system of the ministry, FCGO, DoC, and IRD.	MoF	MoF/ADMIN	Y1	Establishment of new division	
20102	Reform in recruitment, development, and retention of human resources	2010201	Request Public Service Commission (PSC) to amend basic qualifications, syllabus, and selection system for revenue group employees to appoint revenue specialist staff.	MoF	PSC	Y1	Change in basic qualifications, syllabus, and staff selection system
2010202		Invest more on human resource training and development.	MoF	PFMTC, IRD, DoC	Regular	Training Program	
2010203		Reform in staff transfer norms and criteria to develop and reward capable staff.	MoF	IRD, DoC	Regular	Staff Transfer Norms and criteria	
2010204		Reform in performance monitoring system to develop and retain capable staff.	MoF	IRD, DoC	Regular	Performance Monitoring Report	
20103	Publish tax expenditure details.	2010301	Develop an integrated online portal to manage Master List of tax exempted and rebated goods along with quantity, foregone customs, VAT, Excise, and other taxes.	MoF	MoF/RMD	Y1	Implementation of new software
2010302		Integrate all tax expenditure data from DoC, and IRD.	MoF	IRD and DoC	Y1	Integrated data in the report	
2010303		Publish Tax Expenditure Report annually.	MoF	MoF/RMD	Y1	Publication of Report	
30101	Collaborate among subnational government organizations	3010101	Collaborate with local governments reform in property tax system.	MoF	Local Governments	Y1	Data sharing mechanism

		3010102	Collaborate with local governments to design laws and operating system to allocate Personal PAN (P-PAN) number at the time of birth registration.	MoF	Local Governments	Y1	PAN allocation at birth
		3010103	Collaborate with local governments to design laws and operating system to allocate Business PAN (B-PAN) number at the time of business registration.	MoF	Local Governments	Y1	PAN allocation at registration
		3010104	Integrate PAN number into the business registration system of subnational government organization	MoF	Local Governments	Y2	PAN registration from subnational governments
		3010105	Collaborate with local governments to collect property taxes.	MoF	Local Governments	Y2	Tax collection with the help of subnational governments
		3010106	Collaborate with provincial and local governments to develop human resources and system for revenue mobilization.	MoF	Provincial and Local Governments	Y2	Data sharing mechanism
20201	Manage tax collection system	2020101	Collect income tax from the taxpayers	IRD		Regular	RMIS
		2020102	Collect VAT from the taxpayers	IRD		Regular	RMIS
		2020103	Collection excise duties from the taxpayers	IRD		Regular	RMIS
		2020104	Collect educational service tax from the taxpayers	IRD		Regular	RMIS
20202	Expedite automation of taxpayer registration system	2020201	Develop a digital data sharing mechanism among IRD and the Department of National ID and Civil Registration (DoNIDCR) to get digital access to the citizenship numbers, NID numbers, and Mobile numbers for PAN allocation.	IRD	DoNIDCR and OPMCM	Y1	Data sharing mechanism
		2020202	Update registration module to access citizenship data, NID data, mobile numbers to authenticate person at the time of online application from the individual.	IRD		Y1	Update in registration module
		2020203	Use digital signature on the PAN, Tax Clearance Certificate, and other online services.	IRD		Y1	Use of Digital Signature
		2020204	Coordinate with professional organizations to make mandatory use of PAN for the issue and renewal of professional certificates or membership.	IRD		Y1	Letter to organizations
		2020205	Integrate PAN registration with Nepal National One Window System (NNOWS)	IRD	Line Ministries	Y1	PAN registration from NNOWS
		2020206	Coordinate with provincial and local government organizations to integrate PAN with business registration.	IRD	Provincial and Local Governments	Y2	Integration of PAN registration

		2020207	Develop a data sharing mechanism between IRD, provincial and local government organizations to get access to business registration data	IRD	Provincial and Local Governments	Y2	Data sharing mechanism
20203	Strengthen taxpayer education and support system.	2020301	Customize information in website to the specific need of the key taxpayer segments.	IRD		Y1	Updated website
		2020302	Strengthen existing Call Centre with new technology and capable human resources.	IRD		Y1	Upgradation of Call Center
		2020303	Collaborate with private sector for taxpayer education and workshop.	IRD	Private Sector Organizations	Regular	Minutes
		2020304	Customize taxpayer education programs to impart skills to the taxpayers about online services.	IRD		Regular	Training Program
20204	Improve e-Filing system	2020401	Design a new TDS Processing Software to capture all payment and TDS related information from government, non-government, and private sector organizations.	IRD		Y1	New TDS Processing Software
		2020402	Integrate CGAS, TSA system of FCGO into TDS Processing Software to get government payment information near real time basis.	IRD	FCGO	Y1	Data exchange through API
		2020403	Integrate NEPSE transaction data into TDS Processing Software to get capital gain tax related information near real time basis	IRD	NEPSE	Y1	Data exchange through API
		2020404	Integrate DoLMA transaction data to get capital gain tax related information near real time basis.	IRD	DoLMA	Y2	Data exchange through API
		2020405	Develop a prepopulated income tax returns processing system for PPAN holders (Employee, doctors, engineers, consultants etc.)	IRD		Y3	Prepopulated Tax Return
		2020406	Design/procure a new Compliance Management Software incorporating Excise, VAT, Income Tax laws.	IRD	MoF	Y1	New Compliance Management Software
		2020407	Integrate Excise, VAT, Income Tax, and TDS returns filing procedures with payment option.	IRD		Y1	Reform in software
		2020408	Integrate VAT and Excise Returns in ITS for the liquor, tobacco and the industry that deals with excisable commodity.	IRD		Y1	Reform in software
		2020409	Design a dynamic MIS report of filed tax returns (Income Tax Returns, TDS Returns, Installment Returns, VAT Returns, Excise Returns etc.).	IRD		Y1	MIS Report

20205	Expand e-Payment system	2020501	Integrate all Payment Service Providers (PSPs), mobile banking and Electronic Fund Transfer (EFT) services into tax payment system.	IRD	FCGO	Y1	Reform in software
		2020502	Coordinate with FCGO and NRB to relax/withdraw existing threshold for digital payment in case of tax payment.	IRD	FCGO and NRB	Y1	Minutes
20206	Improve tax refund system	2020601	Design automated system with a feature of auto verification of purchase, sales, stock details while preparing documents for tax refund.	IRD		Y1	Updated software
		2020602	Amend PIT, CIT, VAT, and Excise return formats to incorporate transactions and bank account numbers in detail.	IRD		Y1	Updated software
		2020603	Develop an automated and green channel to refund VAT to the diplomatic missions and regular exporters.	IRD		Y1	Updated software
		2020604	Develop Income Tax Refund Module in ITS.	IRD		Y2	Income Tax Refund Module
		2020605	Integrate all retail level service business and super markets into VAT cash back system.	IRD		Y1	Updated software
20207	Develop revenue intelligence system	2020701	Develop a comprehensive data mining/data warehousing infrastructure.	IRD		Y1	Data Mining/Warehousing Infrastructure
		2020702	Develop a robust data sharing system among IRD, DoC, DRI and other government organization	IRD	DoC, DRI and others	Y1	Data exchange through API
		2020703	Strengthen CBMS system to capture import and export, production/manufacturing, dealer, wholesale level transaction.	IRD		Y1	CBMS
		2020704	Develop CBMS with web-based billing facility for the taxpayers.	IRD		Y1	CBMS
		2020705	Enforce mandatory use of Computer Billing Software to the e-commerce business houses and other taxpayers having annual turnover Rs. 250 million or more.	IRD		Y1	ITS data
		2020706	Revise Computer Billing Software Guidelines to integrate all computer billing software into the CBMS to get business information near real time basis.	IRD		Y1	Revised Guidelines
		2020707	Integrate all e-commerce transaction and taxpayers into CBMS for getting information near real time basis.	IRD		Y1	Data exchange through API
		2020708	Develop a billing tracking and tracing system to monitor transaction from import/production to retail level.	IRD		Y1	Updated software
		2020709	Develop data sharing mechanism between IRD and Nepal Rastra Bank (NRB) to share information of gold sales.	IRD	NRB	Y1	Data exchange through API

		2020710	Develop a data sharing mechanism between IRD and Department of Transport Management (DoTM) to share vehicle related information.	IRD	DoTM	Y3	Data exchange through API
		2020711	Coordinate with Provincial and Local Government organizations through CGAS, SUTRA to get access to the payments subject to tax deduction at the time of payment under Income Tax laws.	IRD	FCGO and Local Governments	Y3	Data exchange through API
20208	Develop ICT-based data analysis system	2020801	Use of Artificial Intelligence (AI) to cross match large scale data to detect inaccurate reporting	IRD		Y1	Use of AI
		2020802	Upgrade/design a dynamic a Mismatch Transaction Reporting System to identify revenue risks.	IRD		Y1	Mismatch Report
20209	Strengthen risk management capability	2020901	Develop a comprehensive Audit Management Plan.	IRD		Y1	Audit Plan Document
		2020902	Review and revise existing risk-based indicators, priority and weightage.	IRD		Y1	Revision of risk indicators
		2020903	Develop a fully automated Audit Selection Module including risk-based indicators, priority, and weightages.	IRD		Y1	Audit Selection Module
		2020904	Undertake tax audit (including full audit, investigative audit, concurrent audit, and verification audit) of duly selected taxpayers.	IRD		Regular	Audit Report
		2020905	Assess income tax by undertaking tax audit	IRD		Regular	Audit Report
		2020906	Assess VAT by undertaking tax audit	IRD		Regular	Audit Report
		2020907	Assess excise duties by undertaking tax audit	IRD		Regular	Audit Report
		2020908	Undertake comprehensive audit of computer billing software to ensure accurate and complete business transaction.	IRD		Regular	Audit Report
20210	Strengthen dispute settlement system	2021001	Clear pending administrative review cases	IRD		Regular	AR Record
		2021002	Strengthen e-Appeal Module to manage records of tax disputes.	IRD		Regular	AR Record
20211	Strengthen tax gap analysis capability	2021101	Design revenue forecasting mechanism.	IRD		Y2	Revenue Forecasting mechanism
		2021102	Conduct revenue gap analysis.	IRD		Y2	Gap Analysis Report
		2021103	Develop an automated Tax Expenditure Report in tax administration	IRD		Y2	Tax Expenditure Report
20212	Improve enforcement against non-filers	2021201	Design an automated Non-filer Management Module/or Software to send alert, reminder, request letter, account suspension notification and other administrative and legal notifications.	IRD		Y1	New software

		2021202	Design a dynamic MIS report for on-time filer, late-filer, non-filer, Never-filer of CIT,PIT, TDS, VAT, Excise systems.	IRD		Y1	MIS Report
20213	Collect tax debt from the defaulters	2021203	Focus on undertaking legal actions against the non-filers.	IRD		Regular	Legal Action
		2021301	Design a Comprehensive Arrear Management Plan.	IRD		Y1	Arrear Management Plan document
		2021302	Collect VAT arrears	IRD		Regular	e-IMS report
		2021303	Adjust and update VAT arrears	IRD		Regular	e-IMS report
		2021304	Collect income tax arrears	IRD		Regular	e-IMS report
		2021305	Adjust and update income tax arrears	IRD		Regular	e-IMS report
		2021306	Undertake legal actions against the tax defaulters.	IRD		Regular	Legal Action
		2021307	Design an automated Tax Arrear Management Module/or Software to send alert, reminder, request letter, account suspension notification and other administrative and legal notifications.	IRD		Y1	New software
20214	Settle audit objection/beruju	2021401	Clear audit objections / Beruju by undertaking re-assessment.	IRD	Tax Offices	Regular	e-IMS report
		2021402	Clear audit objections / Beruju by collecting taxes	IRD	Tax Offices	Regular	e-IMS report
		2021403	Clear audit objections / Beruju by producing documents and facts.	IRD	Tax Offices and MoF	Regular	e-IMS report
20215	Reform in organizational set-up of tax administration	2021501	Restructure Tax Collection and Forecasting Section into Revenue Analysis and Forecasting Section.	IRD	MoF/ADMIN	Y1	Establishment of new section
		2021502	Restructure Information Collection, Analysis and Investigation Section into Revenue Intelligence Section.	IRD	MoF/ADMIN	Y1	Establishment of new section
		2021503	Restructure ICT division.	IRD	MoF/ADMIN	Y1	Restructuring of ICT division
20216	Develop human resources of tax administration	2021601	Design Human Resource Development Plan.	IRD		Y1	HRD Plan
		2021602	Conduct Training Need Assessment (TNA) annually to design training programs.	IRD		Regular	TNA report
		2021603	Redirect training programs to develop knowledge and skills to assess and analyze risks in transfer pricing, change in control, computer-processed data, and other digital transactions, among others.	IRD		Regular	Training Program
		2021604	Coordinate with Public Finance Management Training Centre (PFMTC), and Staff College for training.	IRD	PFMTC	Regular	Training Program

		2021605	Coordinate with international organizations for short term training/seminar and for tax related academic courses.	IRD	International Organizations	Regular	Training Program
		2021606	Develop and update personnel information system to record activity log from recruitment to retirement.	IRD		Regular	HRIS
20217	Improve individual and organizational performance of tax administration	2021701	Update Performance Indicators in line with tax policies.	IRD		Regular	e-IMS report
		2021702	Design Performance Indicators for all sections of the IRD	IRD		Y1	Functional indicators
		2021703	Update e-IMS in line with Performance Indicators.	IRD		Regular	e-IMS report
		2021704	Conduct on-site and off-site monitoring and supervision of subordinate office performances.	IRD		Regular	Monitoring Report
		2021705	Review audited files to improve audit quality of the tax officials.	IRD		Regular	Audit Review file
20218	Strengthen ICT Infrastructure of IRD	2021801	Devise e-Taxation Master Plan	IRD		Y1	e-Taxation Master Plan document
		2021802	Invest on new hardware and software for data mining/warehousing and data analysis.	IRD	MoF/BMD	Y1	New hardware and software
		2021803	Enhance internet and intranet capability.	IRD	MoF/BMD	Y1	Networking and services
		2021804	Outsource software development and support services from different service providers to get quality services.	IRD		Regular	Contract document
		2021805	Conduct an independent ICT Security Audit	IRD		Y1	Audit Report
		2021806	Assess IRD's operational risks through conducting Business Impact Analysis (BIA).	IRD		Y1	BIA report
		2021807	Strengthen existing Disaster Recovery Centre (DRC) and data security architecture.	IRD		Y1	Updated infrastructure
20301	Manage customs duties and other taxes	2030101	Collect customs duties from from the importers	DoC		Regular	RMIS
		2030102	Collect excise duties from the importers	DoC		Regular	RMIS
		2030103	Collect VAT from the importers	DoC		Regular	RMIS
		2030104	Collect advance income taxes from the importers	DoC		Regular	RMIS
		2030105	Collect other taxes from the importers	DoC		Regular	RMIS
20302	Develop customs intelligence system	2030201	Define and prioritize risk indicators along with weights to assess risk profile of the importers (Risk Register) to manage operational risks.	DoC		Y1	Risk indicators
		2030202	Develop a data mining system in DoC to collect import related data from internal and external source to improve	DoC		Y2	Data Mining/Warehousing

		valuation				Infrastructure	
		2030203	Develop API to collect data near real time basis from Integrated Tax System (ITS) and Central Billing Monitoring System (CBMS) of IRD and Vehicle and Consignment Tracking System (VCTS) of DRI.	DoC	IRD, DRI	Y2	Data exchange through API
		2030204	Use billing information from Purchase Book and Sales Book being maintained in the Central Billing Monitoring System (CBMS) of the IRD for PCA.	DoC	IRD	Y2	Data exchange through API
		2030205	Develop an online portal for diplomats to claim tax exemption and provide access to the Ministry of Foreign Affairs.	DoC		Y1	Data exchange through API
20303	Improve ICT-based risk analysis system in customs administration	2030301	Extend Selectivity Module in all major customs offices until implementation of new automated Risk-based Selectivity Module.	DoC		Y1	Selectivity Module
		2030302	Revise risk measurement indicators and weights thereof to assess the revenue risk from Green, Yellow, Red, and Blue Channel once in a fortnight.	DoC		Y1	Risk indicators
		2030303	Strengthen departmental online communication system through Wide Area Network (WAN) by sending queries and monitoring compliance therewith.	DoC		Y1	WAN
		2030304	Design or procure a new automated Risk-based Selectivity Module to identify high risk import declaration.	DoC		Y1	Selectivity Module
		2030306	Develop a surveillance mechanism of Advance Passenger Information System (APIS) in Tribhuvan International Airports to assess revenue risks in advance.	DoC		Y1	APIS
		2030307	Use Artificial Intelligence (AI) and Business Analytics in DoC for data mining and analysis.	DoC		Y2	Use of AI
		2030308	Design MIS Report of Tax Expenditure including import related tax exemption, rebates, and reduced rates.	DoC		Y1	MIS Report
		2030309	Develop a statistical data management module to compile, store and disseminate international trade related data.	DoC		Y2	Data Management Module
20304	Strengthen risk-based inspection during clearance process.	2030401	Set office-wise monthly targets for random checking in terms of numbers of Goods, SAD, and Consignment passing through the Green Channel	DoC		Regular	ASYCUDA World
		2030402	Set office-wise monthly targets for detail investigation in terms of numbers of the (goods, SAD, consignment) passing through Red Channel	DoC		Regular	ASYCUDA World

		2030403	Set office-wise monthly targets in terms of amount of tax assessment (including Customs Tariff, VAT, Excise Duties) from the checking from Green, Yellow, and Red Channel	DoC		Regular	ASYCUDA World
		2030404	Devise procedures and organizational coordination for the procurement of the under-valued consignment at the time of import.	DoC		Regular	Purchase of under-valued goods
20305	Strengthen post clearance audit.	2030501	Set month-wise target for post clearance audit	DoC		Regular	PCA Report
		2030502	Assess additional taxes by undertaking post clearance audit.	DoC		Regular	PCA Report
20306	Focus on search and seizure of smuggled goods.	2030601	Set office-wise targets for border patrolling to control illegal transactions.	DoC		Regular	Files and decisions
		2030602	Set office-wise monthly targets of seizure of smuggled goods	DoC		Regular	Files and decisions
		2030603	Coordinate and collaborate with Armed Police Force, Nepal Police and other security organizations to control cross-border smuggling.	DoC	APF, Nepal Police	Regular	Patrolling events
20307	Improve services to facilitate international trade	2030701	Reduce average time for consignment clearance	DoC		Regular	ASYCUDA World
		2030702	Manage issuance and renewal of Exim Code numbers	DoC	Private Sector Organizations	Regular	EXIM code data
		2030703	Reinforce and integrate e-payment system with the Revenue Management Information System (RMIS) of the Financial Comptroller General Office in customs clearance.	DoC	FCGO	Regular	Systemic integration
		2030704	Establish a Client Service Desks in major Customs Offices	DoC		Y1	Upgraded software
		2030705	Strengthen Nepal National Single Window (NNSW) system for integrated service delivery for license, permit, certificates and others (LPCO)	DoC	Line Ministries	Y1	Upgraded software
		2030706	Update website of the Department of Customs to disseminate public information on time.	DoC		Regular	Updated website
		2030707	Develop institutional capability to administer advance ruling	DoC		Regular	Advance Ruling
		2030708	Expedite clearance of pending cases of disputes.	DoC		Regular	No of decision
		2030710	Improve digital records of customs disputes, reviews, and appeals.	DoC		Regular	Upgraded software
20308	Develop human resource capability in customs administration	2030801	Develop human resource development plan	DoC		Y1	HRD Plan

		2030802	Conduct Training Need Assessment (TNA) annually to design training programs.	DoC		Regular	TNA report
		2030803	Coordinate with Public Finance Management Training Centre (PFMTC), and Staff College for training.	DoC	PFMTC	Regular	Training Program
		2030804	Coordinate with international organizations for short term training/seminar and for tax related academic courses.	DoC		Regular	Training Program
20309	Improve employee's performance monitoring system in customs administration	2030901	Revise and reinforce performance indicators in customs administration	DoC		Regular	Files and decisions
		2030902	Design MIS Performance Monitoring Reports in ASYCUDA World (Changes in valuation, Quantity, HS Code in SAD at the time declaration and at the time of Clearance)	DoC		Regular	MIS Report
		2030903	Revise and reinforce codes of conduct of customs officials.	DoC		Regular	Files and decisions
20310	Reform in organizational set-up of customs administration	2031001	Reorganize and strengthen Post Clearance Audit (PCA) office with human resource and audit capability.	DoC	PCA Office	Regular	Restructuring of PCA office
30401	Improve in ICT to share data among national and subnational governments	3040101	Improve revenue and expenditure data sharing mechanism among national and subnational governments.	FCGO	Provincial and Local Governments	Y2	Upgraded software
		3040102	Improve integrated report of revenue collection, revenue sharing, and public expenditure of national and subnational governments.	FCGO	Provincial and Local Governments	Y2	Integrated Report