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Royal Orders of Kartik Badi 10 1865

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1. Appointment of Sardars

- (a) Doti: Sardar Puran Sahi was appointed as Sardar of Doti district effective Baisakh Badi 1, 1866.
- (b) Garhaun: Sardar Chandrabir Kanwar was appointed as Sardar in Garhaun jointly with Parashuram Thapa.

2. Land Reclamation and Settlement in Morang

The jimidari of Guwabadi in the Gauradaha area of the Parganna of Athamouja in Morang district, situated on the eastern banks of the Ratuwa river, was granted to Dala Singh Chaudhari under Bekh-Bunyad tenure. A royal order issued in this connection stated, "Reclaim lands and settle the country in accordance with the instructions of Jagat Pande, and also pay the prescribed revenues to him and obtain clearance. One mouja in the Guwabadi area is hereby granted to you under nankar tenure; appropriate half (nisaf) of the income from that mouja, as well as jimidari perquisites. Bring settlers from birth lands, as well as from India, not ryots occupying taxable (mal) lands. Thanke-sair duties (?) shall be included in the Jammabandi register of forest revenues. Let the Sardar collect baheti-sair duties (?). Make collections and disbursements according to the Jammabandi and obtain clearance.

Identical Bekh-Bunyad grants were made as follows on the same day:

- (1) Waste lands in the Parganna of Dhaijan between the Kankai and Mechi rivers in Morang district were granted to Badhalu Chaudhari, with the mouja of Dhulabari as nankar.
- (2) waste lands in the Pathar Ghatta area of the Parganna of Hattighisa between the Mechi and Mahanadi rivers in Morang district were granted to Jasmat Chaudhari, son of Mansa Chaudhari, with the mouja of Aralibari as nankar.

3. Appointment of Chaudhari in Saptari District

Bhaiya Lal was appointed Chaudhari of the Pargannas of Maljhamuna, Rayajhamuna, Pakariya, and Gudigaun, and Kanugoye of the Pargannas of Mahisoth, Pihari, Rampur and Dhanchhauwar, in the district of Saptari effective Baisakh Badi 1, 1866. The order added, "Perform the duties of your post with full assurance, collect revenues, submit accounts according to the Jammabandi register, and obtain clearance. Use nankar lands and other customary perquisites pertaining to the post, and transmit the prescribed salami fees thereon through the Subba.

4. Disbursement Orders(a) Morang:

Harikrishna Das was ordered to make a disbursement of Rs. 1,850 to meet the shortfall in the Khangsi emoluments of Kumbhedan Amrit Simha Thapa from ijara revenues from Morang district of the year 1865. The breakdown was as follows:-

Shortfall of 10 <u>knets</u>	...	Rs. 250
Shortfall in cash emoluments	...	Rs. 1,600
		<u>Rs. 1,850</u>

(b) Bhadgaun:

Dittha Laxmi Narayan was ordered to disburse a sum of Rs. 1,545 and 2¼ annas from revenues collected in Bhadgaun for the Vikrama year 1865 to meet the shortfall in the Khangsi emoluments of Kaji Jaspau Thapa. The shortfall actually amounted to Rs. 2,257 and 12 annas; the balance of Rs. 712 and 9¼ annas being met as follows:-

Rs. 341 from Chumawan revenues collected by Sardar Birabhadra Kanwar.

Rs. 371 and 9¼ annas from revenues collected by Dittha Laxmi Narayan from Pota tax on lands tilled by carpenters.

(c) Doti:

Royal order to Sardar Puran Sahi: "You are hereby ordered to disburse a sum of Rs. 1,500 as the Khangsi of Subba Madho Sahi from the general (Sarbarakam) revenues of Doti for the Vikrama year 1866, other than revenues assigned to the military."

(d) Dittha Bishram Khatri

In the Vikrama year 1862, King Girban had performed a religious ceremony to propitiate God Aditya at the confluence of the Tukucha river through Krishna Mishra Pandit. Dittha Bishram Khatri was ordered to pay him Rs. 524 as ritual fees and other expenses from revenues collected during the year 1865.

5. Naya Gorakh Company Deputed to Front

The Subedar, Jamadars, Huddas, soldiers, and other personnel (Lajima) of the Naya Gorakh Company were informed that they had been deputed to the front. The royal order added, "Retain the tenants (mohi) cultivating your rice-fields

if they are willing to pay the chardam-theke, ghiukhane, and other fees, and also to provide loans, and obtain loans accordingly from them. Otherwise, reallocate the rice-fields, on adhiya tenure to other persons who are willing to do so."

6. Adhiya Allotments

Rice-fields in the Betali area were allotted on adhiya tenure to Chhatra Simha Karki, Foud Simha Karki, and Hari Karki. The breakdown was as follows:-

Chhatra Simha Karki	...	220 muris
Foud Simha Karki	...	80 muris
Hari Karki	...	40 muris

They were protected from eviction so long as they paid chardam-theke and ghiukhane, and also provided loans (to their Jagirdar-landlords) within the limit of the value of the adhiya rents.

Rice-fields and pasture lands totalling 100 muris in area were similarly allotted to Atal Khadka on the same day in the Deurali and Tamadi areas.

7. Forest Protection in Harni

"We have received reports that trees adjoining channels which irrigate rice-fields in Harni have been cut, with the result that the channel has been washed away and the rice-fields are going out of cultivation. We hereby appoint Daroga Damodar Jaisi to supervise the protection of forests near the irrigation channel.

8. Chhap Grants

(a) Kaski:

A tract of land in the Talla-Ghachok area (of Kaski district), adjoining the Thulipokhari Lake and the Seti river, was granted under Chhap tenure to Pratap Gurung, Udho Gurung, Birna Gurung, and thirteen other Gurungs stationed at Kangra. The Chhap previously belonged to Prahlad Gurung and Narayan Padhya.

(b) Sisneri:

A tract of land near Sisneri in the Betali area, occupied by Arjun Basnyat, was granted under Chhap tenure to Chandrabir Karki. He was ordered to pay the customary dues to the local Amali on the Chhap lands.

Kartik Badi 4, 1865.

(c) Karkigaun:

On Kartik Badi 4, 1865, Simha Sahi was granted a tract of lands north of Sisneri-byasi in the Karkigaun area under Chhap tenure.

9. Collection of Chumawan Levy

Balabhadra Pande and Duryodhan Karki were ordered to refund the amount collected as Chumawan during the sacred-thread-investiture ceremony of (King Girban Yuddha Bikram) in the Vikrama year 1865 in the mouja of Ramban in the Jataha area of Rautahat owned under Bekh-Bunyad tenure by Kaji Devadatta Thapa, and transmit other amounts collected as Chumawan to Kathmandu through Kaji Bahadur Bhandari and Sardar Birabhadra Kanwar.

Kartik Badi 4, 1865.

10. Jhara Labor for Gunpowder Factory

Troops deputed to impress jhara labor in Sangachok for the construction of a gunpowder factory at Narayanhiti in Kathmandu were ordered not to do so from people inhabiting lands covered by Chhap and other royal grants, since they were required to provide jhara labor for the construction of irrigation channels and reclamation of waste lands in their respective areas.

Kartik Badi 4, 1865.

11. Mail and Passports

Separate orders to Chaukidars at Kalyarighat and Trishuli, as well as to Subedar Ratan Simha Thapa and Dittha Bishram Khatri.

"Expedite the despatch of all mail on which the seal of Kaji Bhimsen Thapa has been affixed on the envelopes. Mail not bearing the Kaji's seal shall be forwarded to us. You shall be held guilty if you let such mail pass through. As regards passports, only those bearing the seals and signatures of Chautara Pran Shah and Rana Jung Baniya shall be recognized."

12. Gifts of Elephants

Darogas Damodar Joshi, Mahadev Padhya, Dharma Simha Bhandari, Bajavarna Thapa, and Jaya Simha Khatri were ordered to hand over elephants to the following persons as follows:-

- (a) One elephant of 3½ cubits as a farewell gift to Prabhu Dayal Chhokada.

- (b) One elephant of 4 cubits as a farewell gift to Bakhatwar Chhokada, and cow elephants of 3½ cubits each to three jogis, namely, Ram Nath, Ratan Nath, and Hamsa Nath.
- (c) Two elephants of a total of 11 cubits to Amrit Rao in exchange for gifts presented during the sacred-thread-investiture and wedding ceremonies of King Girban Yuddha Bikram.

Political Events in Nepal, A.D. 1885

1. From the Statesman of December 6, 1885, as reproduced in the paper on December 6, 1985:

In Nepal there is now a lull after the storm. Colonel Berekely, the Resident, who was at Segowlie when the rioting occurred, has returned to Kathmandoo, and the army remains quiet, apparently accepting the new order of things, as presumably the British Government must do. It is, however, a repulsive alternative, with a discouraging moral to it, to have to reorganize a ruler who seizes the sceptre red-handed, and it may be believed that the Viceroy will endeavour in some more or less impressive way to mark his sense of the situation. As for Jeet Jung, the late Commander-in-Chief, if he is unfortunate in losing his command, he is lucky in saving his head, which would certainly have been lost to him, but for his absence from the country. And his pathetic appeal to Lord Dufferin, as his Excellency was leaving Agra for Gwalior, can avail him nothing. It may be concluded that if before a Nepalese Contingent was to have joined the Camp of Exercise as a matter of courtesy it will be sent now, with something like eagerness, that the world may see that the new regime is accepted.

2. From the Statesman of December 9, 1885, as reproduced in the paper on December 9, 1985.

(Editorial Note)

The situation in Nepal appears to justify fully the hopes which the late revolution in the kingdom has awakened. We are indebted to the Englishman for the assurance that the new Prime Minister, Bhair Shumshere Jung, has been successful in preventing the occurrence of any disorders either at the capital or elsewhere.

As soon as it was known at Khatmandu that Sir Run Uddip Singh had been killed, the Nur Singh brothers, took shelter at the British Residency. Some of the other members of the late Prime Ministers's party had fled to villages at some distance from the capital. Maharaja Bhair Shumshere Jung has, however, persuaded all of them to return and has given them

permission to remove their families, as well as their effects, including their money and jewellery to places within the borders of Nepal, or to British territory if they prefer it, but the Council does not consider it advisable to allow them to reside at the capital.

Perfect quiet and order reign throughout the Kingdom, but what is wanted at Khatmandu if we may trust the information that reaches us is a change at the Residency as well as of the Government. Strange as it may seem to many, we are told that the memory of Sir Henry Lawrence is still cherished in the minds of the people, although it is forty years since he went in and out of the Residency. Mr. Girdlestone's abilities are questioned by no one, but very strong remark is made upon the fact that he secludes himself entirely from the people that he seems not to have a sympathy of any kind with them, and that it is only when a great shikar party has to be entertained that the existence of the Resident is even known. In avoiding incessant and mischievous interference with the Government, Mr. Girdlestone seems to have gone to the opposite extreme of withdrawing himself from all contact with the people whatever. And yet who can fail to see the enormous influence for good that a strongly sympathetic but generous and forbearing nature might have, both upon the Government and the people in quietly stimulating their advancement. Very few of our "politicals" as they are called, seem to possess this first qualification of all for successful 'touch' either with the people or their princes. In Mr. Girdlestone it is declared to be conspicuously wanting, with the result of making the Residency, which should be a centre of warmth and enlightenment, a practical non-entity.

3. From the Statesman of December 25, 1885, as reproduced in the paper on December 25, 1985.

We learn that Mr. Henry Ballantine, the enterprising commercial traveller, has just arrived in Calcutta from Nepal. As he was the only European at the British Residency in Kathmandu apart from the Residency Surgeon, who was an eye-witness of the troubles consequent on the murder of the Maharaja and certain officials there, we fancy he could, if he chose, "a tale unfold". Probably the proper Government officials here already have had an interview with him but however that may be, we learn on good authority that Mr. Ballantine has been commissioned by the new Durbar to make out an estimate for certain improvements for immediate execution. If this be really carried out, we can assure the new regime that no stronger proof could be given to the outside world and to the Indian Government of their good intentions and of their sincere resolve to institute a reform in that benighted corner of the earth, notorious for generations past for its habitations of cruelty. We congratulate Nepal in committing to such an enterprising gentleman any contemplated reforms; for in such good hands, they may rest assured of as great success as their wretched city now stands deplorably in need of; while we could point Nepal to Japan and its present prosperous, independent and highly creditable stand among civilized nations, as a position worthy and possible of their attainment.

4. From the Statesman of December 27, 1885, as reproduced in the paper on December 27, 1985.

Our correspondent Radha Nath Dey is apparently a friend of the old regime in Nepal, and therefore, regards the death of the late Prime Minister, and of his nephew and grand-nephew simply as so many murders'. God forbid that we should say a word to justify the shedding of innocent blood, but if bloodshed is justifiable under any circumstances, it is in punishing with death the Ministers of any State who are seeking to enslave it either by their own force of character, or by allowing themselves to be made the instruments of others. The information received by us from Kathmandu leaves no doubt upon our own mind, that the late Prime Minister was entirely in the hands of men who were bent upon destroying every reform that had been introduced into the kingdom in the last 25 years'. Our correspondent's letter contains the very first suggestion we have seen in any part of the press, that the fall of this party was not an absolute necessity, if Nepal was not to lapse into a cruel despotism, administered by men who, themselves uneducated, were resolutely bent upon restoring the state of things that prevailed in the kingdom before Sir Jung Bahadur's time, if this is a true account of matters, and we have no doubt ourselves that it is so, it would be impossible to stigmatize as assassins and murderers, the men who ventured their own lives in the attempt to seize their country from the hands of those conspirators against its progress and well-being'. It is probably true that the Prime Minister's complicity in their plans arose from the weakness of his character, but it was under the ascendancy of his name that the resolution was being carried on.

We think it was Bentham who said that 'capital punishment should be reserved for kings' who conspired against the liberties of their people, and he did so on the ground that it was impossible to provide for their safe imprisonment, because of the overwhelming temptations with which they could bribe their gaolers. Certainly if any men deserve the punishment of death, it is men in high places who conspire against the liberties and well-being of the people. We leave—and can only leave—in the judgement of a higher tribunal than men's the personal guilt or innocence, of the actors in the revolution. We justify and approve the revolution, but cannot even if we would, determine the moral character of what each individual actor has done therein.'

5. From the Statesman of January 3, 1886, as reproduced in the paper on January 3, 1986.

The Amrita Bazaar Patrika affirms that the accounts which have been published in the Anglo-Indian dailies of the revolution in Nepal, were "all from interested parties, and that no reliance, therefore, should be put upon them". The writer does not tell us how he came to know this, but publishes what we presume he would have us believe to be an account of

the event from perfectly disinterested parties. And yet we are reasonably sure that he would not say this. The fact seems to be that certain partisans of the late regime who were permitted to leave Nepal unmolested, carrying with them whatever they possessed, have taken up their quarters at Patana, and are now conducting a propaganda against the new Ministry, by diligently writing to the public papers. We have received several letters from this quarter, protesting against the approval we are giving to the murderers and assassins who have usurped the government of Nepal. Now the very presence of these persons in British territory, with their possessions, and the fact that no one asserts that more than three lives were sacrificed in the revolution—one of these being declared to have been occasioned by the victims's own violence—show at all events that the leaders of the revolt have distinguished themselves by a moderation that seldom marks such enterprises, and that must at all events be placed to their credit.

Resource Mobilization and the Land Tax in Nepal

By

Mahesh C. Regmi

(Paper presented at an international seminar on "Dynamics of Social Change in Nepal", organized by the Center for the Study of Nepal, Banaras Hindu University, at Varanasi, India, from January 23 to 25, 1986).

This paper seeks to analyze the role of the land tax in recent efforts by His Majesty's Government to mobilize financial resources for its growing administrative and development needs. Chronic budget deficits underline the importance of such mobilization. During the fiscal year 1984-85, for example, the deficit amounted to as much as Rs. 1668 million, or nearly one-fifth of the total expenditure of Rs. 8522.8 million¹. Since the problem is a chronic one, the objective of official policy has been to reduce the size of deficits, rather than to eliminate them. The deficit for the fiscal year 1985-86 was thus originally estimated at Rs. 1419.02 million², but a special economic program introduced as a follow-up to the recent devaluation of the Nepali rupee (from Rs. 145 to Rs. 170 for Indian Rs. 100) aims only at reducing the figure by 25.2 percent to Rs. 1130 million.³

Against this backdrop of chronic budget deficits, it goes without saying that it is important for His Majesty's Government to exploit all available sources of revenue, including traditional sources such as the land tax.

Historically, the land tax has been the mainstay of Nepal's fiscal system, but its importance has been declining progressively during the post - 1950 period. At the end of Rana rule, land tax revenue amounted to Rs. 11.39 million, or 39.1 percent of the total revenue of Rs. 29.08 million.⁴ By 1961-62, the percentage had declined to 16.25,⁵ and in 1983-84, it amounted to not more than 2.26 percent of the total revenue.⁶ The declining trend is due to the growing importance of such other traditional sources of revenue as customs and excise, as well as such new sources as sales tax, and taxes on income and property.

But though the declining importance of land tax revenue in the fiscal system of the nation is a natural consequence of the growing importance of the other sources mentioned above, the gradual decline in its volume in absolute terms is a subject that calls for a deeper analysis. The following table contains statistics of land-tax revenue in different years between 1977-78 and 1983-84 :-

Table 1
Land Tax Revenue, 1977-84

<u>Year</u>	<u>Amount</u> (In Million Nepali Rupees)
1977-78	87.02 ⁷
1978-79	54.6 ⁸
1979-80	56.1 ⁹
1980-81	100.07 ¹⁰
1981-82	81.7 ¹¹
1982-83	66.7 ¹²
1983-84	77.1 ¹³

There is evidence to believe that this fluctuating trend is largely the result of a series of unstable land tax policies based on questionable assumptions and principles, often veering toward cross-purposes.

One such principle is that of nation-wide uniformity in the rates of land tax assessment. According to the budget proposals for the fiscal year 1966-67¹⁴:

It is the policy of His Majesty's Government to introduce uniform rates of land tax assessment all over the Kingdom. This measure will reduce land tax revenue from Kathmandu valley by approximately 50 percent, but remove the great hardships so far undergone by landowners in this region. It will also put an end to the age-old inequities prevailing in respect to land tax assessments, progressively reduce economic inequalities, and ensure social justice.

Uniformity of land-tax assessment rates on a nation-wide basis, however, negated the more equitable and time-honored principle of basing assessments on location and productivity. It is indeed surprising how "age-old inequities and economic inequalities" would be mitigated, and social justice ensured, by taxing agricultural lands at the same rates in both the agriculturally rich district of Saptari on the Nepal-India border in the south and the Himalayan region of Jumla in the north.

Following the principle of nation-wide uniformity, His Majesty's Government introduced the following schedule in 1966-67 (For the sake of simplicity, only the rates for rice-lands are used in this paper).

Table 2
Land-Tax Assessment Rates, 1966¹⁵

<u>Rates</u>	I	II	<u>Grade</u>	III	IV
Per ropani	Rs. 2.60	Rs. 2.20		Rs. 1.80	Rs. 1.40
or					
Per bigha	Rs.34.00	Rs.29.00		Rs.23.00	Rs.18.00

As the budget statement admitted, the new policy reduced land tax revenue from Kathmandu Valley by 50 percent,¹⁶ but the loss was more than compensated by the steep increase made in the Tarai region. The total amount of land tax revenue consequently increased from Rs. 44.5 million in 1965-66¹⁷ to Rs. 83.2 million in 1967-68,¹⁸ that is, an increase of 86.9 percent during a two-year period. The point that needs to be stressed in this context is that the gain in the Tarai would have been achieved without suffering any loss in other regions of the Kingdom had the principle of uniformity among different regions marked by wide geographical and economic diversities not been applied. The rates mentioned in the table remained unchanged for about a decade, and land tax revenue hovered around the Rs. 90 million mark.

The principle of uniformity was partially abandoned after about a decade. In 1975-76, land tax assessment rates were increased by about 50 percent in both Kathmandu Valley and the Tarai region, but by only about 15 percent in the hill region.¹⁹ The new rates were as follows :-

Table 3
Land Tax Assessment Rates, 1975

<u>Region</u>	I	II	<u>Grade</u>	III	IV
Kathmandu Valley (per ropani)	Rs. 3.92	Rs. 3.32		Rs. 2.72	Rs. 2.12
Hill Region (per ropani)	Rs. 3.00	Rs. 2.60		Rs. 2.20	Rs. 1.80
Tarai (per bigha)	Rs.51.00	Rs.44.00		Rs.35.00	Rs.27.00

The 1977-78 budget proposals introduced yet another principle in the land tax assessment system in the form of partial exemption for small and marginal holdings. A 50 percent concession off the rates mentioned in Table 3 was then granted on agricultural holdings of 1 bigha or less in the rural areas of the Kingdom.²⁰

Before the impact of these steps on the volume of land tax revenue could be felt, His Majesty's Government announced a sweeping reorganization of the land tax assessment system in 1978-79. The main components of the new policy were as follows: Agricultural holdings were classified into four categories, namely, marginal (1 bigha or less), small (1-3 bighas), medium (3-10 bighas) and large (above 10 bighas). The 50 percent concession for holdings of 1 bigha or less off the 1975 rates was retained. The rates were increased by 40 percent for medium holdings, and 60 percent for large holdings.²¹

From the viewpoint of land tax revenue, the results of these experiments seem to have been disastrous. Table 1 has shown how between the fiscal years 1977-78 and 1978-79, such revenue plummeted by 37.3 percent from Rs. 87.02 million to Rs. 54.6 million. The Kingdom's land-tax collection machinery was obviously not capable of checking the land-holdings of individual tax-payers all over the Kingdom and collecting land taxes on the basis of the total area owned by each. In 1979-80, therefore, the 1978 experiments were abandoned, so that size of holdings no longer remained the criterion for higher payments. The 1975 rates were more or less restored, albeit with a 33 percent reduction for the hill region. The 50 percent concession for marginal holdings was also retained. The new rates were as follows :-

Table 4
Land Tax Assessment Rates, 1979²²

<u>Region</u>	<u>Grade</u>			
	I	II	III	IV
Kathmandu Valley (per ropani)	Rs. 3.85	Rs. 3.30	Rs. 2.65	Rs. 2.00
Hill Region (per ropani)	Rs. 2.00	Rs. 1.75	Rs. 1.50	Rs. 1.00
Terai (per bigha)	Rs. 51.00	Rs. 44.00	Rs. 35.00	Rs. 27.00

The impact of this step on land tax revenue receipts was immediate and marked, for such receipts reached Rs. 100.07 million in 1980-81, against Rs. 56.1 million during the previous year (1979-80). This meant an increase by 78.3 percent during a one-year period.

The rates mentioned in this Table 4 have since remained unchanged. At the same time, the concession of 50 percent was increased to 75 percent and extended to agricultural holdings of 1.5 bigha or 20 ropanis or less each in 1980-81.²³ In the following year, the percentage of concession was further increased to 99, subject to a minimum payment of Rs. 0.05 per holding so as to facilitate documentation of title.²⁴ As a result of these concessions, land tax revenue declined from Rs. 81.7 million in 1981-82 to Rs. 66.7 million in 1982-83. In 1983-84, the amount was Rs. 77.1 million, that is only 1.04% more than the amount of Rs. 76.3 million collected about a decade and a half previously in 1970-71.

The Local Development and Land Tax

Notwithstanding such tinkering with the traditional land tax, with a predictably detrimental impact on revenue as underlined in the previous section, His Majesty's Government has long realised the desirability of mobilising additional resources from agricultural lands in order to finance local development activities. A new tax, known as the Panchayat Development and Land Tax, was, therefore, conceived in 1965 as a substitute for the traditional land tax. The objective of the measure was to "mobilise local resources for local development, accelerate the pace of economic development by utilising local Panchayats, and make the land-tax assessment system more equitable". An unusual feature of the Panchayat Development and Land Tax was that it was collected from landed interests of all categories: owner cultivators, non-working landowners, and tenants. According to the 1965 Panchayat Development and Land Tax Act, the tax was collected at a specified percentage of the share of the main annual crop appropriated by each, without any reference to the size of the holding. The rates are given in the following table:

Table 5
Rates of the Panchayat Development and Land Tax

Owner-cultivators	6 percent of the main crop.
Landlords	15 percent of the rent.
Tenants	5 percent of the tenant's share of the main annual crop if less than 50 percent; or else 3 percent.

These in-kind assessments were converted into cash at rates prescribed by the local Panchayat every year. Local Panchayats were responsible also for collection and allowed a 55 percent share in the proceeds. Of the balance, His Majesty's Government appropriated 35 percent, and the District Panchayat 10 percent.²⁵

It is not my intention in the present context to discuss the working of the Panchayat Development and Land Tax scheme in detail. It may be sufficient to point out that such problems as collection of the tax from tenants whose tenancy rights are non-transferable and so not available for sale by auction in the event of default, misuse of the proceeds by local Panchayats for non-productive purposes in contravention of the law, and opposition by local landed interests, proved intractable. The experiment, therefore, was a long drawn-out affair. By 1978, the tax had been introduced in only five among the 75 districts of the Kingdom, namely, Jhapa, in the eastern Terai region, Chitwan, Nawal-Parasi, and Dang in the inner Terai region and Bhaktapur in Kathmandu valley. In December 1978, His Majesty's Government announced its introduction in ten more districts, but seven months later, in July 1979, it found no alternative but to suspend the entire program on the plea of "lack of necessary infrastructures, and administrative problems."²⁶

Efforts are once more underway to revive the Panchayat Development and Land Tax in the context of the new program of decentralization announced by His Majesty's Government. The 1982 Decentralization Act²⁷ provides that any village or town Panchayat may introduce the Panchayat Development and Land Tax in its area with the approval of the local district Panchayat and the concurrence of His Majesty's Government and appropriate 85 percent of the proceeds, leaving 5 percent for the Consolidated Fund of His Majesty's Government and 10 percent for the district Panchayat.

The Urban Land Tax

In 1981-82, His Majesty's Government initiated yet another innovation in the field of land taxation with a view to augmenting revenue from that source. The traditional land tax is based on the agricultural use of lands, but, according to an official explanation: "there can be no two opinions that the rates of taxes on lands used for commercial or residential purposes, or those where various amenities are available, must be different from those imposed on agricultural lands." For that reason, the traditional agricultural land tax is being replaced by an urban land tax in the urban areas of the Kingdom. Such lands are classified into tax categories for this purpose, depending on location, proximity to main or other roads, and importance from the commercial or residential points of view. The rates of the urban land tax, as prescribed in 1981-82, are given in the following table:

Table 6.

Urban Land Tax Rates, 1981²⁸

	I	II	III	<u>Grades</u> IV	V	VI
Kathmandu Valley (per ropani)	Rs.41.60	Rs.29.70	Rs.21.20	Rs.15.10	Rs.10.80	Rs. 7.70
Hill Region (per ropani)	Rs.20.80	Rs.14.85	Rs.10.60	Rs. 7.55	Rs. 5.40	Rs. 3.85
and Tarai , (per Kattha)						

The urban land tax was expected to yield a revenue of Rs. 5 million a year, thereby offsetting the loss resulting from the 99 percent concession granted to small farmers in rural areas.

Concluding Remarks

The purpose of this rather prosaic account of the land tax policies of His Majesty's Government during the past two decades is to underline a few anomalies rather than to present suggestions for reform.

His Majesty's Government's token of concern for the welfare of the small and marginal farmer in the form of a 99 percent concession in the land tax may be easy to explain in populist terms but difficult to justify on economic grounds. The concession is too insignificant to have any impact on their economic condition. For example, the average size of a marginal farm in the hill region is 0.13 hectare or 2.6 ropanis.²⁹ Assuming that the holding is of medium grade, its total tax burden will amount to about Rs. 4 at the rate of Rs. 1.50 per ropani; the total relief amounts to no more than about 34 paisa a month.

His Majesty's Government seems determined to replace the traditional land tax by the Panchayat Development and Land Tax under its new decentralization program. The Panchayat Development and Land Tax will be collected from all categories of landed interests -- owner - cultivators, non-working landlords, and tenants -- without any reference to the size of their holdings. Does the prospective revival of this tax mean that small and marginal farmers, who already enjoy a 99 percent concession in land-tax payments, be brought once more within the ambit of the tax system?

It is similarly not clear whether the Panchayat Development and Land Tax is intended to replace the Urban Land Tax that had been introduced only in 1981.

Even otherwise, the Panchayat Development and Land Tax will mean a steep increase in the tax-burden of landowners and tenants. Assuming an average yield of 45 maunds per bigha of top-grade land, and an official price of Rs. 75 a maund, the incidence will be as follows :-

Table 7
Comparative Incidence of Panchayat Development and
Land Tax

<u>Category</u>	<u>Amount of</u> <u>PDL Tax</u>	<u>% Increase over Current</u> <u>tax of Rs. 51 per bigha</u>
1. Owner-cultivator; at 6 percent of the main crop, that is, 2.7 mds'.	Rs.202.50	397.05
2. Landlords, at 15% of statutory rent of 15 mds. per bigha ³⁰ that is, 2.25 mds.	Rs.168.75	330.8
3. Tenant, at 5 % of his share (30 mds.) of the main crop, that is, 1.5 mds'.	Rs.112.50	

If, therefore, contrary to past experience, the Panchayat Development and Land Tax is found politically and administratively feasible, it will prove to be a big step forward in maximizing resource mobilization from agricultural lands. The onus of taking the initiative in this respect has been placed on local Panchayats. Whether or not a two-thirds majority of the local village or town assembly will approve the measure in the first instance and demonstrate a self-denying commitment to the cause of local development will be known only in the future.

(Footnotes will be given in the next issue of the Regmi Research Series).
