



# [SNAPSHOT OF NEPAL BUDGET 2076-77]



**Compiled & Prepared By:-**

**APM & Associates**

*(Formerly G.K.Agrawal & Co.)*

(Chartered Accountants)

4<sup>th</sup> floor Radha Bhawan,

P.O.Box. No. 858




Tripureshwor, Kathmandu

Ph: +977-1-4245408

Email: [info@apmnepal.com](mailto:info@apmnepal.com)

**The Eleventh Budget of the Federal Democratic Republic of Nepal was presented by Honorable Finance Minister Dr. Yubraj Khatiwada by way of Finance Bill on Jestha 15, 2076 (May 29, 2019) for the F/Y 2076/77 i.e. 2019/20.**

**The Direct Tax provisions contained in the Finance Bill shall generally apply to F/Y ending Ashadh 31, 2077 (July 16, 2020) unless specifically stated otherwise. Further, other provisions shall be applicable w.e.f. from Jestha 15, 2076 or Shrawan 01, 2076 as the case may be.**

-  *This document is intended for private circulation for the use of our clients only to provide general outline on the topics covered.*
-  *Professional Advice to be sought before acting on any information contained herein.*
-  *Sincere Efforts have been made to avoid mistake or error or omission; however, APM & Associates does not assume any responsibility for errors or omissions, if any.*

**Remarks: Major Amendments for F/Y 2076/77 have been shown in *Bold*.**

**A. KEY BUDGET STATISTICS****✚ Statement of Budgeted Income & Expenses***(Amount in NPR. Billion)*

Particulars	F/Y 2076/77	
	Amount	%
<b>Revenue &amp; Grants:</b>		
Revenue	981.00	64.00%
Foreign Grants	58.00	4.00%
Foreign Loan	298.00	19.00%
Internal Loan	195.00	13.00%
<b>TOTAL Revenue &amp; Grants</b>	<b>1532.00</b>	<b>100.00%</b>

<b>Expenses:</b>	Amount	%
Recurrent Expenditure	957.00	62.00%
Capital Expenditure	408.00	27.00%
Financing Provision	167.00	11.00%
<b>TOTAL Expenses</b>	<b>1532.00</b>	<b>100.00%</b>

✚ **Expected Economic Growth Rate for F/Y 2076/77: 8.50%**

✚ **Inflation Rate Growth Rate for F/Y 2076/77: 6.00%**

✚ **Headwise budget allocation has been done for the programs & projects controlled by the Central Government, though the under construction projects covered under the state government and local authority shall be completed by Centre and will be handed over to the concerned authority.**

## **GENERAL TAXATION:**

### **A. Health Risk Tax**

- Cigarette/Cigar/ Bidi: Rs 0.25/Piece
- Tobacco/Gutka/Pan Masala: Rs 25/Kg

### **B. Education Service Charge for study at Foreign**

- 2% on foreign exchange amount
- Banks & other Financial Institutions shall have to submit the detail and make payment within 25<sup>th</sup> of next month.

### **C. Infrastructure Tax**

- Rs 5/Ltr in Import of Petrol/Diesel/Aero Fuel at custom point.

### **D. Road Construction & Improvement Fee**

- Rs 4/Ltr in Petrol
- Rs 2/Ltr on diesel

### **E. Pollution Control Fee**

- Rs 1.5 /Ltr (PY 0.5/Ltr) of Petrol & Diesel
- Amount to be deposited within 25<sup>th</sup> of next month by Importer
- Interest @ 15%, if not deposited on time

### **F. Telephone Ownership Charge**

- Rs 500 per connection (PY Rs. 1000)
- In Case of Prepaid: 2% of sim card & recharge amount.

### **G. Telecommunication Charge**

- 13% to be charged from customer
- But not in case of Inter Connection Charge

### **H. Casino Royalty**

- Rs 4 Crores annually.
- In case gaming by advanced machines & equipment: Rs 1 crore
- Amount to be paid within 2 months from the commencement of the Fiscal Year to Culture, Tourism & Civil Aviation Ministry.
- Fine @ 15% p.a. shall be charged in case of non-deposit of Royalty on time and additional 15% if unpaid for a further period of 3 months.

## INDIRECT TAXATION:

### A. Value Added Tax

#### (VAT): Rate of VAT:

- Rate of VAT continues to be 13%.

#### Threshold for Mandatory VAT Registration:

- Compulsory VAT registration for a person importing taxable items exceeding the value of Rs 10,000 at a time for commercial purpose.
- Turnover in excess of **50 Lacs** (dealing in goods) during preceding last 12 months.
- Turnover in excess of **20 Lacs** (dealing in Services) during preceding last 12 months.

#### Threshold for Mandatory VAT De-Registration: Section 11 (1) ख

- In case taxable transaction of person is less than Rs.50 lakhs of trading and less than Rs.20 lakhs in trading and service or service business, tax officer has to de-register the VAT of such persons.
- Section 11 (2): Notwithstanding anything mentioned in subsection (1) (ख), a person registered as per section 9 and desirous to remain registered can apply as per specified format along with transaction details of last 12 months.
- Section 11 (6): Any other procedure relating to de-registration not mentioned in this section will be as per specified.

#### Mandatory VAT Registration for Operation of Stipulated Business / Stipulated Goods at Stipulated Area:

- Bricks Manufacturer, **Liquor, Wine, Health Club, Discotheque, Massage Therapy, Motor Parts, Electronic Software, Clearing Agent, Toy Business, Scrap Business**, Trekking, Rafting, Ultra-Light Flight, Paragliding, Tourism Transportation, Crusher, Slate and Stone Industries has to get registered under VAT. (Sec 10 क)
- Hardware, Sanitary Fittings, Furniture, Fixtures, Furnishing, Automobiles, Electronics, Marbles, Educational & **Legal Consultancy, Accounting & Auditing Services**, Catering Service, Party Palace Business, Parking Service, Mechanically operated Dry Cleaning Service and Restaurant with Bar, Color Lab, Boutique, Tailoring Business having Suiting / Shirting Materials , Ice cream Industry and Supply of Uniforms to Educational Institute/Health Institute/Other entity operating in Municipality Areas and other areas specified by Inland Revenue Department has to get registered within under VAT. (Sec 10 ख)
- Compulsory Bio-metric registration for all registered person in concerned offices within end of Asadh 2077. (Sec 10 ग read with Rule 7 ख)

### Special Provisions

- **Waiver of submission of all returns and payment of all tax, fines, penalties and interest upto FY: 2075-76 if un-registered start-up businesses operating with innovative ideas, skills, entrepreneurship and technology obtains PAN and registers themselves in VAT with Poush 2076**
- **10% Vat Refund shall be transferred to the persons' bank a/c on making payments electronically through process as specified by department.**
- **VAT payment made above Rs. 10 Lakhs should be done compulsorily through Cheque, draft or electronically.**
- **A registered person may submit application of refund of VAT amount remaining excess after adjusting for continuous period of 4 months (Previously 6 months).**
- **Invoice raised without delivering goods and rendering services shall attract penalty of 50% of the invoice value or imprisonment upto 6 months or both.**

### List of VAT Exemption Goods/Services – Few Instances:

- Cargo Service for the purpose of Export. Life Insurance / Reinsurance Service / **Health & Accidental Insurance**
- **Garbage Processing Machine (HS Code: 8479.89.30)**
- **Garbage Compactor (HS Code: 8479.89.40)**
- **Medicine Manufacturing Machine (HS Code: 8479.89.50)**
- Solar Charge Controller, Inverter having more than 80% of Capacity (HS Code: 8504.40.90)
- Transistor, Photo sensitive semi-conductor devices (HS Code: 8504.40.00)
- Storage Service for Agriculture Products provided by Cold Storage.
- Machinery Equipment required for Bee-Keeping Viz. Metal Barrel, Bee Brush, Gear Pump, Wheel Plate etc. (under H.S. Code 84.36) & Honey Filter & Juice Filter Machine (under H.S. Code 84.33).
- Machinery Equipment & Chemical for Blood Transfusion to be imported by Nepal Red Cross Society.
- Machinery Equipment used for the purpose of Research & Development in Pharmaceutical Industries & Hospital (under H.S. Code 90.18 & 90.27) upon recommendation of Department of Drug Administration.
- Spare parts imported by Jute industries (on the recommendation of the Department of Industries).
- Jute Batching Oil (H.S. Code 27.10.19.13) & Jute Products (H.S. Code 53.06, 53.07 & 53.10).
- Health Services
- Education Services including Canteen, Hostel Services and **transportation services** provided by the educational institutes for self-use.
- Plastic Granules used by Saline manufacturing industries for manufacturing Saline Packing item.
- Money transfer
- Capital Market Business

- Share Market Business
- Merchant Banking
- Commodity Future Market
- Share & Commodity Brokerage Service
- E-Rickshaw manufacturers importing items related to e-rickshaw under head 87.08
- Community education centers importing a bus having capacity of 30 seats or more for commutation of students. But the bus cannot be sold or handed over upto 10 years

**New Deletion from Exemption List of VAT – Few Instances (as per Finance Bill 2076):**

- **Transportation Services**
- **Wheat Flour (HS 1103.11.00)**
- **Soyabean Masyora**
- **Tempo (HC 8703.80.10)**

**VAT Facility to Hydropower Projects**

**VAT Exemption**

- Machinery, Tools, Equipment and Spare parts, Penstock Pipe or Iron Plate used to make Penstock Pipe (not manufactured in Nepal) to be imported by Hydropower Projects, on recommendation of Alternative Energy Promotion Centre / Electricity Development Department.

**Zero Rate of VAT**

- Zero Rate Facility shall be provided to Machinery, Tools, Equipment and Spare parts, Penstock Pipe or Iron Plate used to make Penstock Pipe manufactured in Nepal, to be directly sold to Hydropower Projects, on recommendation of Alternative Energy Promotion Centre / Electricity Development Department.

**Compulsory Payment of VAT on Construction for Commercial Purposes exceeding Rs. 5 Million:**

- Buildings, Apartments or Shopping Complexes or such structures, as prescribed by the IRD for Commercial Purposes exceeding the value of Rs. 5 million, if constructed from by Non-VAT Registered Person; VAT on the same has to be paid. If such VAT is not paid, such VAT shall be assessed and collected from the owner of such property. **Such VAT Credit cannot be claimed back.**
- Note: Commercial Purpose means Buildings, Apartments or Shopping Complexes or such structures, as prescribed by the IRD constructed for sale purpose or used for income earning activities, classified under Current Assets or Fixed Assets.

### **VAT Collection (Reverse VAT Charge) on Services Acquired from Person Outside Nepal Not Registered in Nepal:**

- While acquiring services from person outside Nepal not registered in Nepal, VAT on such services shall be determined and collected by the Service Recipient (whether registered in VAT or not). *Such VAT is payable at the time of receipt of service or while making payment, whichever is earlier.*

### **VAT Refund Facility for Manufacturers (not having Bonded Warehouse or Pass Book facility):**

- Manufacturers (not having Bonded Warehouse or Pass Book facility) shall continue to get refund of VAT at Flat Rate at custom point against export of finished goods; 10% Value Addition in Raw Materials continues to be required on such exports.

### **Time Bar for Tax Assessment:**

- Tax Assessment may be done within 4 Years from the date of submission of VAT Return; otherwise, the returned submitted shall be deemed as assessed.
- However, in case of tax evasion by means of false records, invoices or documents or other fraud, the department may order for Re-assessment at any point of time; no time bar shall be applicable in the case.

### **Temporary VAT Registration:**

- Temporary VAT Registration needs to be obtained by the organizer of Temporary Exhibition, fare etc. and traders (not registered under VAT) transacting in taxable goods and services in such exhibitions. Within 7 days from the date of end of such exhibition, return needs to be filed tax needs to be paid.

### **➤ Section 10 ५ : Temporary VAT Registration of Joint Ventures**

- *Temporary registration facility is available for two or more persons agreeing to work on a certain project as a Joint Venture for certain period of time. Such registration can be done by applying on any tax office which falls on either of the person's jurisdiction.*
- *After receipt of application as per sub section (1), tax officer has to provide registration certificate as per prescribed format.*
- *After completion of the period as mentioned in Sub section (1), the joint venture has to get de-registered.*
- *Person involved in such joint venture may be held singly or jointly responsible for the purpose of settlement of tax dues and other liabilities under this act.*

### **Self-Attested Purchase & Sales Register for Non-Vat Registered Parties:**

- Non-Vat Registered persons dealing in Taxable goods and services should maintain Purchase and Sales Register duly self-attested.
- Fine of Rs. 1,000 shall be levied for each contravention.



**Sale to Industries Operating in SEZ:**

- Sale of Raw Materials and Finished Goods to industries operating in SEZ, established under prevalent law, shall be taxed at Zero (0) %.

**Sundries:**

- Rate of Interest continues to be 15% for delay in payment of VAT.
- The practice of Advance Ruling is available for clarification of any VAT matters.
- A person who knowingly or recklessly aids or abets another person to commit an offence or counsels or induces another person to commit such an offence shall be liable for a penalty equal to 50% of the underpayment of tax.

**Provisions in case of Export of Goods:**

- Industries having export over 40% of total sales during last 12 months may import raw material to the extent of manufacture of export quantity against Bank Guarantee of Vat amount. The value addition on such export should be 10%. (Sec 8 ऋ)
- Any person exporting more than 40% of total sales in any month shall be eligible for VAT refund by submitting application and other documents with Annexure – 10

**VAT Refund to Diplomatic Mission / Diplomats:**

- Vat Refund to person and entity enjoying diplomatic facilities can immediately be provided if they purchase goods and services from listed firms for VAT paid above Rs. 10,000.00 (PY: 5,000) per invoice.

**VAT Refund to Foreign Tourist on Purchase:**

- VAT Refund to foreign Tourist returning through air-way against taxable purchase is Rs. 25,000.00. 3% shall be deducted against Service Charges.

**Refund of VAT in case of Re-Export: Sec 25(ग)**

- Wherein case VAT has been paid on purchase and the same goods has been re-exported and payment has been received in Convertible foreign currency in advance, VAT paid while purchase of such re-exported goods shall be refunded.
- But, in case if VAT rebate facility has been already taken as per schedule 1, VAT refund on such goods cannot be claimed.

**Increase in Penalty:**

- If Vat Records are not updated, a penalty of Rs. 10,000 shall be levied.
- If Tax Officers are allowed to examine Vat Records; a penalty of Rs. 20,000 shall be levied every time.
- Not informing concerned tax office for any changes in particulars given during registration – Rs. 10,000.00 per case (Previously Rs. 1000.00) (Sec 29(1)(ख 2))
- Not issuing Vat Invoice – Rs. 10,000 per transaction; Not receiving Vat Invoice – Rs. 1,000.00 per transaction (Sec 29 (1) ग)

- Not carrying Vat Invoice at the time of Delivery – Rs. 10,000.00 if the worth of Goods is more than Rs. 10,000.00 (Sec 29 (1) (ॠ 1))

### **Managerial Level Employees of Tax Payer to be Made Accountable:**

- For Non Compliance of Vat Act of an entity, Managerial Level Employees of such entity shall be held responsible.
- In case of Non Payment of VAT on due, such manager who are in employment at that time or were in employment before six months, shall be made accountable jointly or severally to pay such VAT.
- However, if such noncompliance is done without such employee's consent or such employee has exercised rational act in such situation; he shall not be made accountable.
- If such VAT are paid by such employee; he can recover the amount from his employer or take under his custody any assets of his employee to the extent of such paid amount.

### **Special Provision relating to Computerized Billing**

- A Fine of Rs. 5 Lakhs shall be levied if Tax Payer is found using software having elimination & modification option.
- A fine of Rs 5 Lakhs shall be levied to software developers if the required provisions u/s 14(ॠ) are not followed.
- **Through notice, the department may instruct any taxpayer for computerized billing by associating in Central Billing Monitoring System (CBSM). Developers and distributors and users of Billing Software are required to be abided by the procedures of the department. Failure to comply with the procedures shall attract penalty of Rs. 5 Lakhs.**

### **Administrative Review**

- **Deposit against appeal for Administrative Review shall be 1/4th of disputed amount (PY: 1/3)**

### **Changes in VAT Rules, 2053 (21<sup>st</sup> amendment, 2076)**

- **Any registered person is required to take consultancy services or construction contract above Rs. 5 Lakhs from a VAT registered person. (Rule 6 ॠ (2))**
- **VAT credit shall not be allowed in purchase of Petroleum Product (Petrol, Diesel, LPG) (rule 41 (1) ॠ )**
- **Any Organization wholly or partially owned by Government has to deduct from any contractor or supplier, 50% of the VAT amount and deposit in the name of contractor or supplier to concerned tax office. Same can be adjusted by the Contractor or supplier in his Vat Payable amount.**
- **No registered person can appoint Tax Assistant**

### **Remarks:**

For Exhaustive List of VAT Exempted Goods and Zero Rated Goods, please refer to **Revised Schedule 1 & Schedule 2 of Vat Act, 2052** given in **Finance Bill, 2076**

## **B. EXCISE DUTY**

### **Levy of Excise Duty:**

- For goods under Physical Control System: At the time of removal of goods for sale.
- For goods/services under Self Removal System: At the time of issue of invoice.
- For goods imported: At the time of import.
- For service imported: As prescribed by the IRD.

### **Time of Payment of Excise Duty:**

- For goods under Physical Control System: At the time of removal of goods for sale.
- For goods/services under Self Removal System: within 25 Days from the month-end in which the invoices have been issued.
- For goods imported: At the time of import.
- For service imported: As prescribed by the IRD.

### **Onus of Payment of Excise Duty:**

- For goods manufactured in Nepal: Manufacturer.
- For goods imported: Person mentioned on Air-way Bill, Bill of Lading, invoice or person whose name is mentioned on the application to clear the goods.
- For Auction of Excisable Goods: Person who accepts the Auction.
- For Resale or Use of Goods (other than Cigarette Liquor sold by Duty Free Shop): Person who resells or uses the goods.
- For goods/services converted from Non Excisable to Excisable Condition: Person who owns it.
- For other cases: As prescribed by the IRD.

### **Time of Submission of Return:**

- Time for submission of Monthly Excise Return continues to be 25<sup>th</sup> of next month.

### **Exemption of Excise Duty:**

- Excisable goods/services exported out of Nepal or sold through Bonded Warehouse or Duty Free Shop continues to be exempted from excise duty (except liquor & cigarettes).
- Provision for Cash Deposit / Bank Guarantee before export or sale through Bonded warehouse or Duty Free Shop continues to be abolished.

### **Duty Free Sale of Cigarettes & Liquor:**

Duty free sale of cigarettes and liquor continues to be prohibited. However, exemption of excise continues for purchase of cigarettes and liquor from the authorized bonded warehouses by the persons/entities having diplomatic and exemption status

**Maintenance of Records:**

- Purchase, Production, Removal, Sales and Stock Register, duly attested by the Excise Officer needs to be maintained.
- Excise Records need to be safely kept for 6 Years.

**Time Bar for Excise Assessment:**

- Tax Assessment shall be done within 4 Years from the date of submission of Excise Return; otherwise, the returned submitted shall be deemed as assessed.
- However, in case of evasion of excise by means of false return or other fraud, the department may order for Re-assessment at any point of time; no time bar shall be applicable in the case.

**Bar on Gift & Cash Discount:**

- Bar continues to be imposed to conduct any Gift Program by Liquor, Beer & Tobacco related products Industries or their sellers.
- No discounts shall be availed by Liquor, Beer & Cigarette Industries to sellers who are not registered under VAT.

**Excise Exemption to Industries using Domestic Scraps:**

- Industries, manufacturing goods by using 90% or more than 90% domestic scraps, continue to be exempted from Excise Duty.

**Changes in Excise:-**

HS Code	Item	New Rate	Previous Rate
1404.90.10	Kattha Ras	Rs 17/Kg	Rs 15/kg
1409.90.20	Khayar Kattha	Rs 155/Kg	Rs 140/Kg
1701.13.10	Sakhar (Only in Import)	Rs 125/Quintal	Rs 115/Quintal
1701.14.10	Sakhar (Only in Import)	Rs 125/Quintal	Rs 115/Quintal
1703.10.00	Molases	Rs 80/Quintal	Rs 70/Quintal
19.02	Spaghetti/noodles	Rs 17/Kg	Rs 17/Kg
19.05	Potato Chips	Rs 17/Kg	Rs 15/Kg
20.09	Juices	Rs 11/ltr	Rs 10/ltr
2202.99.10	Energy Drink	Rs 30/Ltr	Rs 25/Ltr
2106.90.20	Pan Masala without tobacco	Rs 610/Kg	Rs 555/Kg
2106.90.60	Kurkure, churmure, cheese balls	Rs 17/kg	Rs 15/kg
2106.90.70	Sweet Supari	Rs 225/kg	Rs 205/kg

	without tobacco		
25.23	Cement	Rs 220/Mt	Rs 200/Mt
3214	Putty & Glazier Rosin Cement	5%	-
72.13 to 72.15	Steel Items	Rs 1650/Mt	Rs 1500/Mt
8517.12.00	Cellular Mobile Phone & all other Wireless Communication Devices	2.5%	5%
8518	Micro Phone, Loud Speaker	10%	5%

- Excise is levied in Vehicles as per cc.
- **Various changes are made in liquor and tobacco products.**

#### Remarks:

- For Exhaustive List of Excise Duty, please refer to **Revised Schedule of Excise Tariff of Excise Act, 2058** given in **Finance Bill, 2076**.

#### Sundries:-

- Excise License holders engaged in production & import, who has not renewed their license within the prescribed time frame if renews within 1st 3 months shall be required to pay a fine of 50% of Renewal Fees and if renews after the next 3 months then shall be required to pay fine of 100% of Renewal Fees. However, Excise License holders engaged in production & import who has not renewed their license within the prescribed time frame but now wants to renew can do so by paying the renewal fees for each year along with 100% Fine of Renewal Fees by the end of Poush, 2076.
- 25 % Exemption on Excise Duty on domestic production of unassembled vehicles.
- 80 % Exemption on Excise Duty on domestic production of Brandy & **Wine** from local fruits/vegetables by industries established in Highly Undeveloped Area as defined by Schedule 9 of Industrial Policy, 2067.
- Following Vehicles are exempted from Excise Duty: Ambulance, Dead-Body Carrying Vehicle, Chassis of Battery Operated Tempo and Scooter meant for disabled/incapacitated person.
- Electrical Vehicles continues to be exempted from Excise Duty.
- Public Notification of MRP for liquor, beer & cigarette at the beginning of F/Y and at the time of changes in price to be done.
- Raw Noodles (NOT READY TO EAT) prepared from Hand Machine and Cottage Technology is exempted from Excise Duty.

- Input Credit on Excise duty is not allowed on auxiliary raw materials and packing materials.
- Excise License is not required where goods are cleared under self-removal system except for cigarette, liquor and tobacco products.
- Tobacco Industries are now allowed under self-removal system.
- For tobacco, liquor and pan masala manufacturers there has to be at least 15% of Value addition in the product to get refund.
- Manufacturers exporting excisable product can claim credit on the excise paid for the raw materials used either through import or local purchase to manufacture the finished product. Manufacturers also can claim for the refund of balance credit to the excise officer within one year from the date of filing of return.
- 100% Exemption is available on domestic production of Marbles and Lead acid battery.
- Community Education institute is allowed to purchase 1 bus of 30 seat or more with the recommendation of Ministry of Education, Science & Technology for the specified purpose without paying excise duty. However, such vehicles are not allowed to be sold or transferred within 10 years from the date of acquisition.
- 80% excise rebate on Vehicles under HS Code 87.02 & 87.03 which are hybrid.

### **Administrative Review**

- **Deposit against appeal for Administrative Review shall be 1/4th of disputed amount (PY: 1/3)**

## C. CUSTOM DUTY

### Custom Service Charges:

- Custom Service Charges on import/export of goods (in excess of Rs. 5000) continues to be as follows:

Charges per Pragyapan Patra	Charges
On Exports	Rs. 100
On Imports	Rs. 500

### Changes in Custom Act, 2064

- Any Industry established in SEZ shall get following benefits on import duty on recommendation of Department of SEZ:
  - 1% Import Duty on Import of 1 Bus and 2 Goods Carriage Vehicle for transportation of its employees and goods. However, if such vehicle is transferred or sold, import duty on such transaction shall be levied as per existing rule
  - Customs duty and other duties exemption against bank guarantee on import of raw materials, subsidiary raw materials including packing materials and other materials as required to manufacture finished goods to be exported or to be sold domestically in foreign convertible currency
  - Customs duty and other duties exemption against bank guarantee on import of Plants, machineries, machines, equipment, tools and spare parts as required for the industry
  - Such Bank Guarantee shall be released after providing sufficient documents of use of such materials imported with recommendation from Department of SEZ
- In-case any Industry established in SEZ wishes to shift its production and operation outside SEZ, permission shall be given after necessary payment of Import Duty which was exempted earlier

### Custom Duty in Gold, Daimond & Silver of 10 Gram

- Gold (HC 71.08) - Rs. 5,000.00
- Silver (HC 71.06) - Rs. 56.00
- Gold Ornaments (HC 71.13.19) – 15%
- Gold Ornaments (HC 71.13.11) – 30%
- Gold Ornaments (HC 71.13.20) – 30%
- Diamond (HC 71.02) & Precious Stones (71.01, .03, .04, .05) – 1%

### Custom Duty in Gold or Gold Ornaments 10 Gram for Nepalese returning from Foreign Countries

- Gold (HC 71.08) Upto 50 Grams - Rs. 6,200.00; More than 50 Grams upto 100 Grams – Rs. 7,200.00
- Gold Ornament (HC 71.13.19) Upto 50 Grams – Nill; More than 50 Grams upto 100 Grams – Rs. 7,200.00; More than 100 Grams upto 200 Grams – Rs. 9,000.00



**Full Exemption of Import Duty:**

- Pet Chips (Custom Code: 3907.60.00) by POY Manufacturing Industries (within limit prescribed by the Department of Industries).
- Fertilizer under chapter 31.
- Items imported by Nepal Govt. under 4907, 4909 stamps, excise stickers, passports.
- Raw Jute under Chapter 53 to be imported by Jute Industries.
- Crude Petroleum oil and bitumen oil manufactured and imported from India under head 2709.00.00.
- Following items manufactured and imported from india:-

Part 25				
2502.00.00	2504.10.00	2504.90.00	2510.10.00	2511.10.00
2511.20.00	2513.10.00	2513.20.00	2519.90.00	2521.00.00
2525.10.00	2529.00.00			
Part 26				
2601.11.00	2601.12.00	2601.20.00	2602.00.00	2603.00.00
2604.00.00	2605.00.00	2606.00.00	2607.00.00	2608.00.00
2609.00.00	2610.00.00	2611.00.00	2612.10.00	2612.20.00
2613.10.00	2613.90.00	2614.00.00	2615.10.00	2615.90.00
2616.10.00	2616.90.00	2617.10.00	2617.90.00	
Part 44				
4401.11.00	4401.19.00	4401.21.00	4401.22.00	4401.31.00
4401.39.00	4402.10.00	4402.90.00	4403.11.00	4403.12.00
4403.21.00	4403.22.00	4403.23.00	4403.24.00	4403.25.00
4403.26.00	4403.41.00	4403.49.00	4403.91.00	4403.93.00
4403.94.00	4403.95.00	4403.96.00	4403.97.00	4403.98.00
4403.99.10	4403.99.90	4404.10.00	4404.20.00	4406.11.00
4406.12.00	4406.91.00	4406.92.00	4407.11.00	4407.12.00
4407.19.00	4407.21.00	4407.22.00	4407.25.00	4407.26.00
4407.27.00	4407.28.00	4407.29.00	4407.91.00	4407.92.00
4407.93.00	4407.94.00	4407.95.00	4407.99.00	

- POY & Human Made Staple Fibers under Chapter 54 & 55 imported by VAT registered Yarn Industries.
- Chassis, Engine, Motor & Battery Charger imported by Manufacturing Industry of Electricity/Solar/Battery operated 3-Wheeler or 4-Wheeler Vehicles.
- Plastic bags used for blood circulation u/h 9801.90.00 and items imported by Nepal Red Cross Society u/h 9018.90.00, 3002.90.10 and 3822.00.00
- Various Goods (viz. White Cane, Brale Printer etc.) used by blind people.
- Various Goods (viz. Wheel Chair, Tricycle, Artificial Organs, Hearing Aid, Shoes etc.) used by handicapped people.
- Items imported by Nepal Rastra Bank including Gold & Silver.



**1 % Import Duty:**

- Helicopter, aeroplane and other parts imported by Flight Services or license receiver from CAAN. Turbojet engines and turbo propellers under 8411.11.00, 8411.12.00, 8411.21.00, and 8411.22.00 are added.
- Feeds or animal husbandry industries importing fish items under 0511.91.00, 2301.10.00, 2301.20.00 and 2521.00.00.
- Textile and carpet Industries importing yarn under 52.05 and 5207.10.00
- Ink manufacturing industries importing ink upto 0.33 ltr per bottle.
- Equipment and their parts imported by industries u/h 9027.10.00, 9027.30.00 and 9027.90.00.
- Raw Materials and supplementary materials imported by tyre manufacturing industries.
- Items used for converting fuel vehicles in to electric vehicles for vehicles registered at Ministry of Transportation.
- Catalic converter and magnetizer for vehicle pollution control
- Machinery, Spares imported by Textile Industries under Chapter 84.02, 84.20, 84.44, 84.45, 84.46, 84.47, 84.48 and 8421.12.00, 8451.29.00, 8451.30.00, 8451.40.00, 8451.50.00 and Chemical Dyes exported imported under Chapter 28.15, 28.30, 28.36, 28.47, 29.15, 32.04, 34.03, 38.09, 39.05 and 39.06.
- Ceiling filling machine u/h 8479.89.00
- Vacuum Ironing Table and Steam Iron imported by ready clothing industry.
- Separator, Milk Chilling, Liquid Nitrogen, Industrial Refrigerator imported by agricultural or animal husbandry industries.
- Dialysis bath Concentrate for treatment of kidney patients under 3824.99.00.
- Coffee Percolator u/h 8516.71.00
- Packing Materials and parts imported by Tea Industries. Rolling Table, Tea blending Machine, Bedding net, Plucking machine, pesticide sprayer, bearing under Chapter 84.82.
- Various items required for fishery like nets, cage, pump set and hormone.
- Cotton imported by Yarn Industry under Chapter 52.01, 52.02 and 52.03.
- Generator parts imported by Generator manufacturing industries registered under VAT.
- Various items for Bee Farming.
- Raw Amber used by industries manufacturing and exporting jewelleryes.
- Machiners and parts imported by batteries reconditioning industries.
- Plastic Recycling machines and parts.
- Weigh machines imported by medicine manufacturers.
- Plastic bags manufacturing industries importing machines and parts for producing supplement of plastic bags like jute, paper and cotton bags.
- Machines and parts for agro chemical industries.
- Offset Printing Press imported by cooperative formed by Nepalese publishers. (HS 8443.12.00 or 8443.13.00)
- Brass rods imported for manufacturing Gas Cylinder Valve.
- Catalic converter and magnetizer for pollution control.
- Wax and Banaspati of Honeybee, White soft parafyn and petroleum jelly, Tween 80 Sodium Lauryl Sulphate, Vinyl acetate, silicon, Microcrystilline cellulose, co-polymer test making, rubber stopper, Coating Materials, Magnesium Oxide, Sodium Caseinate, Carbomers imported by Medicine manufacturing Industry.

- Varieties of Grass seeds under Chapter 12.09
- Deep cycle Lead Acid Battery,Lithium Ion Battery(8507.60.00) for Safa Tempo,

### Partial Exemption of Import Duty:

Particulars	Custom Rate
Man Made Staple Fibers under Chapter 55 imported by Carpet Industries	90% Rebate
Medicines u/h 30 (Except vitamins)	5%
Machineries and parts u/h 84 except for household items imported under DOI Scheme under CKD or SKD	4%
Breakfast Cereal manufacturing industries importing oats	5%
Polyster Film, BOPP Film, Extruded Polyfilm, , Metalized CPP and Milky CPP imported by Polycoating Paper and Printed lamination industries registered under VAT	10%
Liquified LP Gas	5%
Saree, lungi, towel, dhoti	10%
Coins imported by Banijya Bank having their mark imprinted under 7113.19.10 and 7113.19.90	As per head 71.08
Items related to Cable Car	4%
UPVC manufacturing industries importing items u/h 3916	15%
Filter Master Batch u/h 39.20	10%
Chassis / Box under Custom Code 87.06 used for Vehicles installed with full refrigeration system for purpose of transport of goods in refrigerated condition. [Applicable only after such Vehicle is registered with Department of Transportation]	1%
Tallow Oil (H.C. 15.03), Sodium Silicate (H.C. 2839) & Palm Acid Oil, Palm Fatty Acid & Acid Oil (H.C. 3823) imported by Industries manufacturing Distilled Fatty Acid/ Steric Acid / Glycerin / Soap having Splitting & Distillation Plant	75% Rebate
Pre-loaded & Inbuilt software shall be charged as per the hardware rate only.	
Hybrid Vehicles (operated by battery as well as fuel) under HS Code 87	50% Rebate
Vehicles having oxygen system u/h 87.04 used by fisheries, fishing in at least 1 hectare land	10%
Cooperatives & Companies established as public transport operator intended to purchase at least 5 buses of 40 seaters or more for the specified purpose, only 5% import duty levy on buses & chassis of buses. However, if such vehicles are sold or transferred within 10 years from the date of acquisition to any person other than public transport operator registered as cooperatives or Companies, full custom duty shall be recovered. Further, Road Construction & Development tax also waived for such vehicles	5%
Slit Steel Coil imported by Prefabricated Building Manufacturers	20%
Base Oil imported by Grease & Lubricating oil manufacturers	15%
Cross Connection Cabinet box used in landlines.	15%
Import of Spare parts (HS 87.08) & subsidiary materials by E-Rickshaw manufacturers	50% Rebate
Petroleum bulk bitumen imported by Manufacturing industries	25% Rebate

Soybean Seeds imported for manufacture of Soybean Oil	50% Rebate.
Sunflower Seeds and imported for manufacture of and Sunflower Oil. Soybean Cake imported for Animal Feed Industries. Maize Seed & Sugar Cane imported by industries	50% Rebate
Luxury Coach, Micro Bus, Mini Bus Imported by Travel Agency, Star Hotel, Rafting Agency, Trekking Agency, Resort with the approval from concerned ministry	50% Rebate
Furniture, Dry Cleaning Machines, Paints, Electric Installation, Carpet, Housekeeping Equipment, Compressor & Various other items imported for the first time by hotels & resorts with approval from concerned ministry	5%
Vehicle imported by farm having more than 100 milk cows or buffalos, for its own use, on the recommendation of the Ministry of Agriculture Development. Such vehicles cannot be sold/transferred from the date of import.	50% Rebate
Pick up / Mini Truck Vehicle imported by Tea Industries, for transportation of tea, on the recommendation of the Ministry of Agriculture Development. For Tea Industries having 10-30 Bigaha Land for cultivating Tea: 1 No. Vehicle. For Tea Industries having more than 30 Bigaha Land for cultivating Tea: 2 No. Vehicle Such vehicles cannot be sold / transferred from the date of import.	50% Rebate
Seeds of Mustard, Rayo and Repseed under 1205.10.00 and Sunflower seeds under 1207.50.00 Incense imported from India or Tibet – Import Duty – Nil; 5% Agriculture Improvement Fee	50% Rebate
Glue(hot melt), Super Absorbent Polymer, PE films, PPE films, tissue Paper, Release Paper, Non oven fabric manufactured by disposable diaper and sanitary pads industry	5%
Urine Bag under 3926.90.30	5%
1st time import of goods for Star Hotel or Resorts	50% Rebate (earlier 5% taxable)
1st time import of goods- Camera, Negative processing Machine , final negative ultra cleaning machine, computerized previewable video assist color analyzing machine set, Final Printing And Final processing machine, processor and printer, Analyser, Sound Reader, Sicrometer, Dawar, Mixture, Audio Mixing Console, Spalizer, Rewinder, Color Correction, Telecine Machine, Sound Optical Transferring Machine Set, Reflector, Super multi 10, Multi 20 Solar, HMI, Rectifice, Project console, Digital film Server, Film Platters, Film Automation Equipments, Monitor, Projector, Projector Lens , Negative Cutting machine set, Lens, HD Tape Recorder, Beta S.P. video recorder, P2 Recorder, HD Monitor, Amplifier, Speaker, Print Preview Projector, Sound optical camera lens, Filter, camera Stand, Battery Charger, Trolley, Crane under section 15(3)	2.5%
Roof panel and Puff Sandwiched Wall imported by Poultry farming Industry	10%
Hemo Dialysis Machine, Dialysis Reprocessor, Dialyser and its tubing, Dialysis Bed and chairs, Eco-cardiography, Videoscope, Cathlab, Heart Lung	5% Rebate

machine,Defibrillator,Positron Emission Tomography Scan machine, Computed Tomography Scan Machine, Memography,Bracy Therapy and Linear accelerator,Floctometer, Next generation Sequencer,Protein Micro airy platform,Multiplex real time PCR,Hemotology Analyser,Blood Chemistry Analyser,Clinical Chemistry Analyser and Immuno Chemistry Analyser,MRI.	
---	--

### Restriction on Import of Vehicles:

- New Vehicles or any Mode of Transportation can be imported from the Manufacturer Company or Authorized Agent situated at manufacturing company's country only. Such Vehicles can only be imported by Authorized Dealers in Nepal. Non-compliance of above this provision may lead to confiscation of such imported vehicles (**Exception: Fire Brigade**).
- Reconditioned, Used Vehicles / Mode of Transportation and Vehicles / Mode of Transportation not meeting Nepal Vehicle Pollution Standard 2056 are prohibited to be imported (Exception: Fire Brigade).

### Sundries:-

- Industries export its goods through letter of credit or banking channel in convertible foreign currency but not having Bonded House Facility, can import its raw materials, sub raw materials & packing materials (if packing material is manufactured in Nepal) by custom deposit facility. However, such facility is not available for liquor, cigarette, and tobacco related manufacturing industries.
- Import Export Code (IEC) made compulsory.
- In case of purchases of vehicle from the authorized sales agent of vehicle in foreign country (other than the manufacturer of vehicles), agreement between manufactures, foreign authorized sales agent and authorized Sales agent of Nepal to be provided to Chief Customs Officer for Import.
- In case of export smuggling or import, smuggling or export or import of any goods other than through prescribed routes, Chief Customs Officer empowered to forfeit goods and accord punishment if seized goods value upto 1 crores, and District court empowered to punish for cases exceeding seized goods value Rs 1 crores.
- No mandatory requirement for making payment of or furnishing a deposit of the duty /amount of fine and penalty for appealing against decision of Customs Officer, if the appellant is imprisoned.
- Private Sector now eligible to import vehicles, machineries, equipment and goods temporarily either by paying partial duty or taking bank guarantee equivalent to chargeable duty.
- Power of Customs Officer in relation to goods tested from Laboratory broadened. Customs Officer has right to order to return the goods if the tested goods are harmful from environment or public health perspective.
- Minimum 1% customs duty to be charged on imports by Projects operated under foreign loan or assistance.
- Import Duty of **Rs 2,300** per day to be levied in case Trucks entered into Nepal

- importing goods from foreign countries, trailers with loaded and empty containers intended to load goods from the place other than customs area, if such Truck and Trailers fails to returns back within 48 hours from the time of entry to Nepal.
- The rate of custom duty on import shall be levied as per Annex 1 of the Finance Bill, 2075 for F/Y 2074/75.
  - Industries, who have not been able to release Bank Guarantee on account of time expiry or other reasons can get the same released by applying at the related Custom Office along with evidence of export with 10% Value Addition and receipt of foreign currency.
  - Exporter may export Nepalese Manufacture Products up to USD 10,000 on the basis of Bank Guarantee, if unable to present Forex Receipt documents, at the time of export. The exporter may release the bank guarantee within 6 months from the date of export after submitting documents related to receipt of forex against such export. If such bank guarantee is not released within 6 months; the bank guarantee may be invoked by the custom office.
  - Withdrawal of Rebate on Iron Pipe (for production of leg-guard) imported by Leg-guard Manufacturing Industry on recommendation of Department of Industries.
  - Rebate in Custom duty on goods of Indian Origin imported from India (other than the goods on which custom duty is levied on quantitative rate) is as follows:  
For Goods Falling Under Duty Rate Upto 30% : 5% Rebate  
For Goods Falling Under Duty Rate Above 30%: 3% Rebate
  - Import duty of Rs 20,000 (earlier Rs.10,000 )on import of Foreign movie for broadcasting in Nepal.
  - Part 23 of Section 16(1) with 5% custom rate has been shifted to Part 23 of Section 16(2) having 8% custom rate.
  - Appliances and Equipments used for film display can be imported on returnable basis for upto 1 year on having the bank guarantee equivalent to duty to be charged on such appliances and equipments.If not returned in prescribed time, then the same will be seized and duty will be recovered from the bank guarantee taken.
    - Custom charges will be collected on
      - Tractor at Rs 400 per day(previous Rs 300)
      - Trailer Fitted Tractor Rs 700 per day( Previous Rs 600)
      - Non Carnet fitted Car, Jeep ,Van Rs 500 per day
      - Non Carnet fitted Minibus (for tourism purpose) Rs 500.
      - Motorcycle and scooter Rs 150 per day
      - 3 wheelers vehicle Rs 400 per day.
      - Trailer truck and Transportation vehicle other than tractor at Rs 1700per day (Previous Rs 1500) for 7 days.
      - Imported Boring machine Rs 1200 per day(Rs 1000).
        - Temporary Imported vehicles , if not returned within the time limit specified, then the same can be kept after the prescribed period after paying the following charges
      - Rs 1200 per day for motorcycle(Previous Rs 1000)
        - Rs 2500 per day for other vehicles (Previous Rs 2000).
    - The container and loaded truck which enters the custom and do not return back within 48 hours after unloading then the charges are collected at Rs 2300 per day(Previous Rs 2000).
    - Temporarily Imported Construction equipments-Excavator, Dodger, Loader,



Roller ,Labeller, Crane and other like heavy Equipments can be kept for maximum 1 year by paying custom charges at Rs 1500 per day(Earlier Rs 1000).

- Temporarily Imported Weller or Straw Collector including combine harvester for agricultural purpose can be kept for maximum 3 months by paying custom charges at Rs 1700 per day(Earlier Rs 1500).
- The facilities of importing raw materials by opening bank guarantee has been made available to industries engaged in export of Alcohol, Cigarrates,and other tobacco products as well.(Previously The facilities of importing raw materials by opening bank guarantee was not available to industries engaged in export of Alcohol, Cigarrates,and other tobacco products)
- The custom duty will be charged as per section 22 (12) for LCD, LED ad plasma television carried by foreign nationals for their personal use.
- The goods imported in one consignment at a time for business purpose should be of same category if required by Government of Nepal and Finance Ministry. If goods imported are other than the specified ones, then the duty chargeable on such goods can be collected at the rate chargeable on those goods along with 100% penalty.
- The finished goods should be sent for sale in the market only, after disclosing all details of the importer and market distributors, on the label.The finished goods can be seized if there is any contravention.
- Concessional Custom duty on goods imported from SAARC Countries other than goods listed under Section 20 of Annex 1 of the Finance Bill, 2073 through Letter of Credit has further been reduced:-

Custom Duty Rate as on Poush 17, 2062	Applicable Custom Duty
5%	5%
10%	<b>6%</b>
15%	<b>7.25%</b>
25%	<b>9.50%</b>
35%	<b>11.25%</b>
40%	<b>11.25%</b>
80%	<b>11.25%</b>

**(Note:** In case the Custom Duty Rate above is higher than the rate prescribed under Annex 1 of the Finance Bill, 2073; the lower rate shall be applicable.)

- SAFTA Concession is as follows:  
Concessional Custom duty on goods manufactured in SAARC Country, invoiced and imported from that particular SAARC Country, along with SAFTA Certificate of Origin and for goods listed under Section 21 of Annex 1 of the Finance Bill, 2073 through Letter of Credit has further been reduced:-

Custom Duty Rate as on Kartik, 2062	Applicable Custom Duty
5%	5%
10%	9%
15%	14%
20%	18.50%
35%	22%
30%	27.50%
80%	30%

**(Note:** In case the Custom Duty Rate above is higher than the rate prescribed under Annex 1 of the Finance Bill, 2073; the lower rate shall be applicable.)

- Arrangement has been made for declaring Maximum Retail Price of the imported goods at the customs point in order to make the customs valuation realistic and discourage under-invoicing.
- Import of goods under DRP facility from India remains discontinued.
- Raw Materials and Auxiliary Materials (including Packing Materials not manufactured in Nepal) can be imported by industries not having facility of Bonded Warehouse upon deposit of Custom Duty (on Dharauti), for manufacture of its finished products for the purpose of exported through L/C or Banking Channels or Local Sale in Convertible Foreign Currency within 12 months from the date of import. At least 10% Value Addition is required for the same. However, in case of strike, natural disaster or circumstances beyond control, extension up to 6 months may be given by the Customs Chief, if applied for. Likewise, 10% penalty shall be imposed if such finished products are not exported / sold in convertible foreign currency within the stipulated period i.e. 12 months. However, such imports have to be made from one custom point only.
- Arrangement has been continued for refunding the customs duty paid by the importer on the scooter used by handicapped people at the time of the registration of such vehicle in his name at Transport Management Office on the recommendation of the concerned agency.
- 100% penalty on Custom Duty shall be imposed if transaction value is under declared by the importer.
- Telecom Companies needs to collect Telecom Service Fee @ 11% from its customers and have to deposit the same along with Value Added Tax. But no such fee shall be applicable to Pager and Internet Service Providers (ISP) & on inter-connection charges paid by one Telecom Company to other telecom company using their network.
- Telephone Service Fee is required to be paid within 25th of next month along with Value added tax otherwise additional fee of 5% per month shall be charged.

**Road Construction & Maintenance Fee:**

- Road Construction & Maintenance Fee, levied at the time of registration of vehicle, shall be levied as follows:

Items	2074/75
Microbus, Bus, Truck, Tripper, Truck Mixture, Mini Bus & Mini Truck.	7 % of Cost
Car, Jeep & Van up to 2000cc	8% of Cost
Car, Jeep & Van above 2000cc	10% of Cost
Motorcycle:	
Up to 150 CC	Rs. 15,000
151 CC – 250 CC	Rs. 18,000
251 CC – 400 CC	Rs. 50,000
Above 400 CC	Rs. 200,000

- However, the above shall not be applicable to diplomatic mission, person with diplomatic facility, ambulance and Dead-Body Carrying Vehicle.
- Electrical / Solar / Battery operated Vehicles shall be eligible for 50% exemption on above mentioned Road Construction & Maintenance Fee.
- Scooter up to 155 C.C. designed for disabled shall be fully exempt from Road Construction & Maintenance Fee.
- 50% Rebate is provided on Road Construction and maintenance fee of
- Electric Two Wheeler vehicle upto 1500 watt and 155cc
  - Electric Two Wheeler vehicle above 1501 watt and 156cc to 250cc



**D: DIRECT TAXATION:****Rate of Taxation:**➤ **Tax Rate for Natural Persons:**

Particulars	Tax Rate
<b>Resident - Remuneration Income:</b>	
<b>-Couple (including Widow &amp; Widower having Dependents):</b>	
Up to Rs. 450,000 (in form of Social Security Tax)	1%
On Next Rs. 100,000	10%
On Next Rs. 200,000	20%
On Balance up to Rs. 2,000,000	30%
Above Rs. 2,000,000 (Including surcharge of 20% on tax rate of 30%)	36%
<b>-Individual:</b>	
Up to Rs. 400,000 (in form of Social Security Tax)	1%
On Next Rs. 100,000	10%
On Next Rs. 200,000	20%
On Balance up to Rs. 2,000,000	30%
Above Rs. 2,000,000 (Including surcharge of 20% on tax rate of 30%)	36%
1) Resident Individual Woman, having only Remuneration Income, shall be entitled to a Rebate of 10% on Total Tax calculated as above.	
2) <b>1% Social Security Tax is not payable by Natural Person participating in Contributory Pension Fund Scheme and Social Security Fund.</b>	

Particulars	Tax Rate
<b>Resident - Proprietorship Firm:</b>	
<b>-Couple (including Widow &amp; Widower having Dependents):</b>	
Up to Rs. 450,000	Nil
On Next Rs. 100,000	10%
On Next Rs. 200,000	20%
On Balance up to Rs. 2,000,000	30%
Above Rs. 2,000,000 (Including surcharge of 20% on tax rate of 30%)	36%
<b>-Individual:</b>	
Up to Rs. 400,000	Nil
On Next Rs. 100,000	10%
On Next Rs. 200,000	20%
On Balance up to Rs. 2,000,000	30%
Above Rs. 2,000,000 (Including surcharge of 20% on tax rate of 30%)	36%

<b>Particulars</b>	<b>Tax Rate</b>
<b>Resident Individuals-Presumptive Tax:</b>	
<b>Natural Person having only Business Income with Annual Turnover up to Rs. 20 Lacs and Annual Income up to Rs. 2 Lacs, may choose to pay Tax as below (However, such person cannot claim medical tax credit or advance tax for TDS deposited):</b>	
- In the Metropolitan or Sub Metropolitan Cities	Rs. 7,500
- In the Municipalities	Rs. 4,000
- In the rest of Nepal	Rs. 2,500
<b>Owner of Public Vehicles (Per Vehicle Per Annum):</b>	
<b>A. Car / Jeep / Van / Micro Bus</b>	
A.1 Upto 1300CC	Rs. 4,000
A.2 1301 to 2000CC	Rs. 4,500
A.3 2001 to 2900CC	Rs. 5,000
A.4 2901 to 4000CC	Rs. 6,000
A.5 4001CC and above	Rs. 7,000
<b>B. Mini Truck, Mini Bus, Water Tanker</b>	Rs. 6,000
<b>C. Mini Tipper</b>	Rs. 7,000
<b>D. Truck, Bus</b>	Rs. 8,000
<b>E. Dozer, Excavator, Loader, Roller, Crane and other like machinery equipment</b>	Rs. 12,000
<b>F. Oil Tanker, Gas Bullet, Tipper</b>	Rs. 12,000
<b>G. Tractor</b>	Rs. 2,000
<b>H. Power Triller</b>	Rs. 1,500
<b>3 Wheeler / Auto Rickshaw / Tempo</b>	Rs. 2,000
<b>Gain from Disposal of Non Business Chargeable Assets:</b>	
[After taking into consideration exemption limit (i.e. Rs. 400,000 for individual and Rs. 450,000 for couples):	
- From Disposal of Land & Building <b>on any amount</b> (owned for 5 Years or more)	2.50 %
- From Disposal of Land & Building <b>on any amount</b> , (owned for less than 5 Years)	5 %
- From Disposal of Listed Securities (Gain to be calculated Weighted Average basis	5 %
- From Disposal of Other Non-Business Chargeable Assets (including Non Listed Securities)	10 %
<b>Non Resident Individuals: on any Amount</b>	25%

Particulars	Tax Rate
<b>Resident Individuals- Turnover Tax: Applicable for</b>	
<b>Turnover upto 50 Lakhs.</b> Person selling Cigarette, Gas etc., by adding commission or profit upto 3%	<b>0.25%</b> of the turnover above 20 Lakhs
Person engaged on transaction other than above	<b>0.75%</b> of the turnover above 20 Lakhs
Person engaged in Service Sector business	<b>2.00%</b> of the turnover above 20 Lakhs
<b>For Turnover upto 20 Lakhs, Tax shall be as per Schedule 1 (Sec 7)</b>	
For Eg: If a person does turnover of Rs. 30 Lakhs of Gas in a Metropolitan area, tax shall be Rs. 10,000 (7,500+2,500)	
<b>Tax as above should be paid in 2 installments:</b>	
<b>1<sup>st</sup>: Within Poush 20</b>	
<b>2<sup>nd</sup> &amp; Final: Within Ashad 20 based on actual transaction</b>	

**Note:**

- ✚ Husband and Wife, having separate income source, are given option either to get assessed separately as individual or jointly as couple.

**Further Deductions / Facilities for Resident Natural Persons:**

- ✚ Resident Disabled/Incapacitated person shall get an additional 50% of Exemption Limit (i.e. 50% of Rs. 450,000 in case of Couple & 50% of Rs. 400,000 in case of Individual).
- ✚ Individual having Life Insurance Policy shall get an additional exemption from the Taxable Income to the extent of Rs. 25,000 or Premium Amount, whichever is lower.
- ✚ Individual having Health Insurance Policy shall get an additional exemption from the Taxable Income to the extent of Rs. 20,000 or Premium Amount, whichever is lower.
- ✚ Annual Remote Area Allowance up to Rs. 50,000 (depending upon Remote Area Category) is exempted from tax.
- ✚ Employees working in Nepalese Diplomatic Mission abroad are allowed 75% exemption on Foreign Allowances.
- ✚ Contribution in Approved Retirement Fund is deductible to the limit of 1/3<sup>rd</sup> of Assessable Income or Rs. 300,000 whichever is lower.
- ✚ Individual having Pension Income shall not be liable to pay 1% SST w.e.f FY 2072/73.
- ✚ Compensation received in respect of death of natural person is not taxable [Sec 31 (2)].

**Tax Credit for Resident Natural Persons:**

- ✚ In case of Approved Medical Expenses, Medical Tax Credit for Rs.750 or 15% of Approved Medical Expenses or Actual Approved Medical Expenses incurred whichever is lower is available to resident natural persons as deduction from tax liabilities. Unutilized Expenses, if any, can be carried forward to Next Financial Year.

Where Foreign Income is included in Taxable Income of a Resident Natural Person, Foreign Tax paid in Foreign Country can be (at the option of the Tax Payer): i. Deducted as Expense or ii. Tax Liability in Nepal be reduced by such tax paid up to the Average Rate of Tax applicable in Nepal.

**➤ Tax Rates for Entities:**

<b>Particulars</b>	<b>Tax Rate</b>
Bank, Finance Company, General Insurance Company, Telecom and Internet Service Providers, Money Transfer agent, Capital Market organizations, Stock Exchange, Stock and Commodity Brokers, Merchant banking company, Commodity Future Market, Petroleum Entities, Cigarette, Tobacco, Beer and Alcohol Company	30%
Co-operative Institution registered under Co-operative Act, 2074 (other than co-operatives dealing in Exempted Transaction) except as mentioned below:	20%
<ul style="list-style-type: none"> <li>• Co-Operative running in Municipality area</li> </ul>	75% Rebate on Applicable Tax
<ul style="list-style-type: none"> <li>• Co-Operative running in Sub-Metropolitan &amp; Metropolitan area</li> </ul>	50% Rebate on Applicable Tax
Private Ltd. Co. / Limited Co. / Partnership Firm not specifically mentioned above	25%
Non-resident person Providing Shipping, Air Transport or Telecommunications Services in Nepal	5%
Repatriation of income of a Foreign Permanent Establishment of a Non-Resident situated in Nepal.	5%
Non Resident Airline Services having office in and business in Nepal but not operating flights to and within Nepal	2%
Agriculture Income other than those derived by any firm, partnership or company.	Nil

**Note:** Trust of Dead or Incapacitated Person shall be taxed as natural Person

**Tax Concessions & Rebate (Sec 11):**

<b>Particulars</b>	<b>Tax Rate</b>
Agriculture Income other than from firm, company, partnership or institution and other than as mentioned in Sec 12 (घ & ङ) of Land Related Act, 2021 (Sec 11(1))	100% Exempt
Income of Specified operation of Co-operative Society established in Remote Area under Co-operative Act, 2074 (Sec 11(2))	<ul style="list-style-type: none"> <li>• 100% Exempt</li> <li>• Dividend Tax Also Exempt</li> </ul>
Annual interest up to Rs. 25,000 in the amount deposited to the Micro Credit Institutions, Rural Development Banks, Postal Saving Bank, and Co-operatives as mentioned in Sec 11(2) in the rural area (Sec 11 (2क))	100% Exempt
<b>Profit on Income from Special Industry – For Natural Person (Sec 11(2 ख)(क))</b>	<b>20% where Tax Rate is 30%</b>
<b>Profit on Income from Special Industry – For Entities (Sec 11(2 ख)(ख))</b>	<b>20% Rebate on Applicable Tax</b>
Special Industries & I.T. Industries providing direct employment to 100 or more Nepalese Nationals throughout the year (Sec 11(3)( क))	90% of Applicable Tax
Special Industries & I.T. Industries providing direct employment to more than 300 and upto 500 Nepalese Nationals throughout the year (Sec 11(3)(क))	80% of Applicable Tax
Special Industries & I.T. Industries providing direct employment to more than 500 and upto 1000 Nepalese Nationals throughout the year (Sec 11(3)(क))	75% of Applicable Tax
Special Industries & I.T. Industries providing direct employment to more than 1000 Nepalese Nationals throughout the year (Sec 11(3)(क))	70% of Applicable Tax
Special Industries & I.T. Industries providing direct employment to 100 Nepalese nationals of which, 33% are women, dalits (the downtrodden) or the handicapped, throughout the year (Sec 11(3)(क))	10% additional discount on the applicable tax including above mentioned benefit
Special Industries operating in Highly Undeveloped Area. (Sec 11(3)(ख))	10% of Applicable Tax for 10 Yrs from the year of operation
Special Industries operating in Undeveloped Area (Sec 11(3)(ख))	20% of Applicable Tax for 10 Yrs from the year of operation
Special Industries operating in Under-Developed Area (Sec 11(3)(ख))	30% of Applicable Tax for 10 Yrs from the year of operation

<b>Particulars</b>	<b>Tax Rate</b>
Special Industries established with a capital investment of Rs. 100 crores or more and providing direct employment to 500 or more persons throughout the year (Sec 11(3)(ग))	A Rebate of 100% for first 5 Years & 50 % for next 3 Years on Applicable Tax
Special Industries, already in operation, which enhances 25% of its installed capacity and increases its capital investment to Rs. 100 crores or more and providing direct employment to 500 or more persons throughout the year (Sec 11(3)(ग))	A Rebate of 100% for first 5 Years & 50 % for next 3 Years on Applicable Tax on income from such enhanced capacity
Industries established in Special Economic Zone (SEZ) of Himalayan Districts and other prescribed Hilly District (Sec 11(3क)(क))	A Rebate of 100% for 10 Years & 50 % thereafter on Applicable Tax
Industries established in Special Economic Zone (SEZ) of Other Areas (Sec 11(3क)(ख))	A Rebate of 100% for 5 Years & 50 % thereafter on Applicable Tax
Dividend distributed by Industries established in Special Economic Zone (SEZ) (Sec 11(3क)(ग))	A Rebate of 100% for first 5 Years & 50% for next 3 Years on Dividend Tax
Income from Foreign Technology, Management Fee and Royalty earned by Foreign Investors from industries established in Special Economic Zone (SEZ) (Sec 11(3क)(घ))	A Rebate of 50% on Applicable Tax
Person engaged in Mining Research & Extraction of Petroleum and Natural Gas, if commercially starts the transaction within Chaitra End 2080 (Sec 11(3ख))	A Rebate of 100% for first 7 Years & 50 % for next 3 Years on Applicable Tax
Industry related to Software Development, Data Processing, Cyber Cafe, Digital Mapping established at prescribed Technology Park, Biotech Park & Information Technology Park (Sec 11(3ग))	A Rebate of 50% on Applicable Tax
Entity licensed to generate, transmit and distribute electricity, if commercially starts generation, generation & distribution, distribution of hydropower by end of Chaitra 2080 The facility is available also for Solar, Bio-gas and Wind Energy [However, entities already having started commercial production of electricity prior to introduction of the above provision shall be eligible for facility as prevalent at the time of obtaining license.] (Sec 11(3घ))	A Rebate of 100% for first 10 Years & 50 % for next 5 Years on Applicable Tax

<b>Particulars</b>	<b>Tax Rate</b>
<b>Profit on Export Income – For Natural Person (Sec 11 (3ड)(क))</b>	<b>15% where Tax Rate is 20/30%</b>
<b>Profit on Export Income – For Entities (Sec 11 (3ड)(ख))</b>	<b>20% Rebate on Applicable Tax</b>
<b>Profit on Export Income from Manufacturing Industry– For Natural Person (Sec 11 (3ड)(ग))</b>	<b>Additional 25% Rebate</b>
<b>Profit on Export Income from Manufacturing Industry– For Entity (Sec 11 (3ड)(ग))</b>	<b>Additional 25% Rebate</b>
<b>Entity Operating Tram or Trolley Bus (Sec 11 (3च)(क))</b>	<b>20% Rebate on Applicable Tax</b>
<b>Entity engaged in Construction and Operation of Ropeway, Cable Car, Railways, Tunnel or Sky Bridge (Sec 11 (3च)(ख))</b>	<b>20% Rebate on Applicable Tax</b>
<b>Entity engaged in Construction and Operation of Airports (Sec 11 (3च)(ग))</b>	<b>40% Rebate on Applicable Tax</b>
<b>Entity engaged in Construction and Operation of Road, Bridge or Underpass (Sec 11 (3च)(घ))</b>	<b>52% Rebate on Applicable Tax</b>
<b>Entity Investing and Operating in Tram or Trolley Bus (Sec 11 (3च)(ङ))</b>	<b>52% Rebate on Applicable Tax</b>
<b>Entity wholly engaged in the (BOOT) projects conducted so as to build public infrastructure, own, operate and transfer it to the Nepal Government &amp; in power generation, transmission, or distribution (Sec 11 (3च))</b>	<b>20% Rebate on Applicable Tax</b>
<b>Listed entity engaged in Manufacturing, Tourism, Hydropower generation, distribution &amp; transmission and specified Industry established in special economic Zone u/s 11 (3ग) (Sec 11 (3ङ))</b>	<b>15% Rebate on Applicable Tax</b>
<b>Industries manufacturing Brandy, Wine, Cider from fruits in very Undeveloped Area (Sec 11 (3ज))</b>	<b>40% Rebate on Applicable Tax for 10 Years from Operation Date</b>
<b>Royalty Income from the Export of Intellectual Property (Sec 11 (3झ))</b>	<b>25% Rebate on Applicable Tax</b>
<b>Income from Sale of Intellectual Property (Sec 11 (3ञ))</b>	<b>50% Rebate on Applicable Tax</b>



Particulars	Tax Rate
Tourism Related Industry or Airline Company operating International Flights with capital investment of Rs. 200 Crore or entities already in operation, which enhances 25% of its installed capacity and increases its capital investment to Rs. 200 crores or more (Sec 11 (3८))	A Rebate of 100% for first 5 Years & 50 % for next 3 Years on Applicable Tax on income from such enhanced capacity
Capitalization of Reserve and Surplus by a Special Industry, Agro Based Industry, or Industry related to Tourism by issuing Bonus Shares (Sec 11 (3९))	100% Tax exemption on Dividend Distribution Tax
Conversion of existing pvt ltd. Company with minimum paid up capital of Rs. 50 crore into public company <i>[However, companies mentioned in Sec 12 of Companies Act, 2063 are not eligible for this benefit]</i> (Sec 11 (3९))	Tax Rebate of 10% on applicable tax for 3 yrs from the date of such conversion
Domestic Tea Production and Processing industry, dairy industry engaged in milk products and garment industry (Sec 11 (3९))	Tax rebate of 50% on applicable tax rate
Health Center Run by Community Centers (Sec 11 (3९))	20% Tax Rebate on applicable tax rate
For Micro Scale Industries (As defined in Industrial Enterprises Act, 2073, Section 15 (1)(Ka)) (Sec 11 (3९))	<ul style="list-style-type: none"> <li>• 100% tax rebate for 5 years from the date of start of business</li> <li>• Additional 2 years tax rebate of 100% incase run by female</li> </ul>

**Note:**

- In case a person is eligible for above tax concession / rebate under more than one category; it shall have the option to choose only one type of tax concession / rebate **except as per Sec 11 (2 ञ)**.
- **Facilities on Infrastructures Development Projects of national interest related to inquiry of Source of Income has been discontinued (Old Sec 11 ञ)**
- Rs 1 Million or 10 % of Assessable Income shall be allowed as expenses if incurred for preservation of national religious and cultural heritage sites in Nepal and development of sports infrastructure, with prior approval from the Inland Revenue Department. (Sec 12(क))
- In case any person contributes any amount to Prime Minister Relief Fund or National Reconstruction Fund established by Government of Nepal during any Income Year, the amount can be deducted while calculating taxable income of the person during the Income Year. (Sec 12(ख))
- Gifts or Donation to Registered Tax exempt entities can be claimed as deduction for subject to the limits of Rs. 100,000 or 5% of Taxable Income before such Gift or Donation, whichever is less
- Repair & Improvement Expenses is deductible up to 7% of the depreciation basis of the block of the Assets. However, this limit shall not be applicable in case of Airline Service
- Taxes paid to provincial government and local bodies can be claimed as expenses.
- **Payment of Salary & Wages to employees/workers not Pan will be treated as inadmissible expenses w.e.f. FY: 2076-77 (Sec 21(1)(घ1))**



- Expenses booked based on invoices of Non-Pan registered parties above Rs. 1,000.00 will be treated as inadmissible expenses w.e.f. FY: 2076-77 (Sec 21(1)(ब2))
- Compulsory Bio-metric registration for all registered person in concerned offices within stipulated time. (Sec 78)
- Liability of payment of all kind of taxes shall be of the actual beneficiary if the business is not registered in the name of beneficiary. (Sec 110ण)

### TDS (Tax Deduction at Source):

- **Payments that attract TDS:** TDS on following payments needs to be deducted at below given rates:

Particulars	TDS Rate
<b>Remuneration (Sec.87)</b>	<b>Normal Rate of Individual (deductible on Equal Monthly Basis)</b>
<b>Investment Returns &amp; Service Fees (Sec.88):</b>	
-Natural Resource Payment	15%
-Rent to Individuals	10% *
-Rent to VAT registered Vehicle Service provider	1.50%
-Rent to Others	10%
-Royalty	15%
-Gain from Investment (Life) Insurance	5% *
-Gains from Unapproved Retirement Fund	5% *
<b>Service Fees:</b>	
- Paid to Service Oriented Resident registered under VAT	1.50%
- <i>Paid to Resident Entity doing VAT Exempted Transaction.</i>	<b>1.50%</b>
- Paid to Others	15%
-Meeting Allowances (More than Rs. 20,000 shall treated as AIT)	15% *
-Commission	15%
-Commission paid by Resident Companies to Non Residents	5%

<b>Particulars</b>	<b>TDS Rate</b>
-Bonus on Sales	15%
-Aircraft Lease Payment	10%
-Lump Sum Retirement Payment from Approved Fund & Nepal Government under Sec 65(1b) <i>[in excess of 50% of payment to an individual or Rs.500,000 whichever is higher]</i> Teaching on Period Basis	5% * 15% *
<b>Dividends:</b>	
-Distributed by Resident Companies	5% *
-Distributed by Partnership Firms	5% *
-Distributed by Resident Entity (other than Companies & Partnership Firms)	-
-Gain Payment by Mutual Fund to Individuals	5%*
-Distributed to Mutual Fund	-
<b>Interest:</b>	
-On Deposits / Debentures from Resident Bank, Finance Companies or listed companies and on Govt. Bonds to Individuals not related to business.	5% *
-To Mutual Fund	-
-To Others (not stated above)	15%
Contract # Payments above Rs. 50,000	1.50%

<b>Particulars</b>	<b>TDS Rate</b>
<b>Contract # Payments to Non- Residents:</b>	
- Contracts related to Air Craft Repair*	5%
- Other Contracts*	5%
-General Insurance Premium paid to Non-Resident Co.*	1.50%
-General Insurance Premium paid to Resident Co.	-
-Payment to non-resident person under a contract*	15%*
<b>Others</b>	
Wind Fall Gain (Prizes, lotteries, or any other casual income either in cash or in kind). <i>[However, there shall be no Windfall Gain Tax for amount up to Rs. 5 Lacs prize received on National or International Level on account of contribution to Literature, Art, Games, Journalism, Science, Technology and Public Administration)</i>	25%*
Gain from Commodities Future Market Transactions	10%
<b>Gain from Disposal of Listed Securities (to be deducted by Nepal Stock Exchange)</b>	
-To Resident Individuals	7.5%
-To Other Resident entities except natural persons (not applicable to Resident entity established under prevalent laws for dealing in purchase/sale of securities)	10%
-To Others	25%
Gain from Disposal of Non- Listed Securities (to be deducted by respective companies) [Other than Gain on Disposal by Mutual Fund] <i>(Approval of such disposal will be allowed by OCR only if the proof of payment of such tax is shown to the office)</i>	
-To Resident Individuals	10%

Particulars	TDS Rate
-To Others (not applicable to Resident entity established under prevalent laws for dealing in purchase/sale of securities)	15%
-To Others	25%
<b>Capital Gain from Disposal of Land and Building in case of Natural Persons: (to be deducted by respective Malpot Office at the time of Registration)</b>	
- Owned for a period below 5 Years. ( <i>Value more than or equal to Rs 10 Lacs</i> )	5%
- Owned for 5 Years or more. ( <i>Value more than or equal to Rs 10 Lacs</i> )	2.5%
<b>- Other Cases: Disposal of Land &amp; Building (to be deducted by respective Malpot Office at the time of Registration on Transaction value)</b>	<b>1.50%</b>
Payment against use of Satellite, Bandwidth, Optical Fiber, Telecom related equipment or electric transmission line	10%
Payment of Transportation Charges to transport service providers ( <i>Final Tax for payment to Natural Persons</i> )	2.5%
On Payment of more than 50 Lacs to consumer committee (Upabhokta Samiti) for any work	1.5%
On Import of goods/ Items mentioned in Part 1 such as Buffalo, Goat, Sheep etc; Part 3 such as Fishery items; Part 6 such as Fresh Flowers; Part 7 such as Fresh Vegetables, Potato, Onions and Part 8 such as Fresh Fruits of customs tariff	5% of declared rate at respective custom point
On Import of goods/ Items mentioned in Part 2 such as Meat, etc; Part 4 such as Milk Products, Egg, Honey; Part 10 such as Kodo, Phapar, Junelo, Rice, Kanika; Part 11 such as Maida, Wheat Flour; Part 12 such as Herbs (Jadibuti), Sugarcane; and Part 14 such as Vegetable Products of customs tariff	2.5% of declared rate at respective custom point

\* Denotes Final Tax Payment.

# Notes:

- Rs. 50,000 referred to in Sec. 89 shall be determined by aggregating a payment under a contract with any other payment made by the person or an associate of the person during the previous 10 days under the same contract to the same payee or an associate of the payee.
- Contract has been defined as agreement entered into for supply of goods or labour or construction/erection/establishment of tangible assets or structure or any work prescribed as contract by the Inland Revenue Department.

- Payment for Services to VAT Registered Party shall attract TDS @ 1.50 % for VAT Registered Party & 15% for Non VAT Registered Party.

### Payments that do not attract TDS:

- Payment of remuneration to the writer of the articles published in Newspaper & Magazines.
- Payment of remuneration for preparation of question paper or checking of answer sheet.
- Interregional interchange charges paid to a bank issuing Credit Cards.
- Payment by individual other than payment in course of business.
- Payment of Interest / Dividend to Mutual Fund.
- Payment of interest to a resident bank or other resident financial institution.
- Payments to Tax-exempted entities.
- General Insurance Premium paid to Resident Companies.
- Payment of Dividend by entities other than Company and Partnership Firm.
- Payment of Annual interest up to **Rs. 25,000** in the amount deposited to the Micro Credit Institutions, Rural Development Banks, Postal Saving Bank, and Co-operatives in the rural area.
- **Cash back on payment of Vat through electronic payment as per Sec 25 (1ख) of VAT Act, 2052 (Sec 88(1)(5)(ग))**

### TDS Deposit & TDS Return Submission:

- TDS amount should be deposited within 25 Days from the Nepalese Month End in which such TDS is deducted. For non-deposit of TDS amount, Interest @ 15% of TDS amount per annum shall be levied.
- TDS Return should be submitted within 25 Days from the Nepalese Month End in which such TDS is deducted. ***For non-submission of TDS Return, Fee @ 2.50% of TDS amount per annum shall be levied. (Sec 117(3))***

### Advance Income Tax:

- Income Tax for F/Y should be paid in 3 installments as follows:

Instalment	Time Period	Amount
First	Up to Mid-January (Poush end)	40%
Second	Up to Mid- April (Chaitra end)	70%
Third	Up to Mid-July (Ashadh end)	100%

- Where an instalment of tax paid by a person is less than 90% of Tax Payable, interest shall be levied @ 15% for each month and part of month from the date of first installment on the amount of installment payable.
- The presumptive tax-payers need not require paying any advance tax as above.
- Further if the Tax Amount for the F/Y is less than Rs. 7,500.00, installment is not required to be paid.
- For failure to pay Tax; Interest at 15% per annum shall be levied for the period of failure to pay tax, considering part of a month as a complete month.

### **Filing Annual Income Tax Returns**

- Annual Income Tax Return should be filed within 3 months from the end of an Income Year i.e. Ashwin end (i.e. Mid October). However, a taxpayer may have the due date extended [Maximum Allowed extension: a period of 3 months i.e. up to Poush end (Mid January)] upon filing an application with the respective IRO with bona-fide reasons for such extension. The decision for extension (whether or not to grant extension & period for which to grant extension) rests exclusively with the IRO.
- Individual assessee having income more than Rs. 40 Lakhs in a income year is liable to file Income Tax Return as per Sec 96. (Sec 97(2))
- **Revised return can be filed within 30 days from the date of filing of original return as per procedure specified by IRD. (Sec 96(6))**

### **General Rate of Interest levied by IRD:**

- General Rate of Interest levied by the IRD to the assessee continues to be 15%.

### **Deduction for General Insurance Business:**

- Following Expenses continues to be allowable as deductible expenses for General Insurance Business:
  - i. 50 % of Net Insurance Premium provided for Unexpired Risk &
  - ii. 115 % of outstanding claim at year end as per Insurance Act/Rules.
- However, amount deducted as expenses above in a year should be included in the Income of next year for calculating such business income or loss for next year.

### **Set Off /Carry Forward of Loss:**

- Loss from Business of a person in a year can be set off against any other Business Income & Investment Income of that year.

- Loss from Business can be carried forward up to 7 years for set off against Business Income and Investment Income.
- Loss from Investment of a person in a year can be set off against any other Investment Income of that year.
- Loss from Investment Income can be carried forward up to 7 years for set off against Investment Income.
- Carry Forward of Loss can be made up to 12 years in case of Projects building, operating & transferring public infrastructure to the Nepal Government, Projects building Electricity Production House, generating & transmitting electricity and entities dealing in petroleum products under Nepal Petroleum Act, 2040.
- Loss incurred in business or investment where assesses enjoys full tax exemption cannot be carried forward.

### **Penalty for Non-Filing of Income Tax Return on Time:**

- Non-Filing of Estimated Income Tax Return Income u/s 95 within due date shall attract penalty of Rs. 5,000.00 or 0.01% of the Taxable Income whichever is higher per Return. (Sec 117)
- Non-Filing of Income Tax Return Income u/s 96 within due date shall attract penalty of @ 0.10% of Annual Turnover (including all incomes) or Rs. 100 per month whichever is higher. (Sec 117)

<b>Administrative Review</b>
<ul style="list-style-type: none"> <li>- Provision has been to file an application in the department for the administrative review in the cases related to Income Tax/VAT by depositing 1/4<sup>th</sup> of disputed tax amount and 100% of undisputed tax amount (Sec 115(6))</li> <li>- Applicant can apply to Revenue Tribunal if IRD doesn't give information of the decision within 60 days</li> <li>- Applicant has to submit the copy of application to Revenue Tribunal to IRD within 15 days of filing such application</li> </ul>



### **Sundries:**

- Sec 127 - If a person knowingly Helps, Advice or Influences for Abetment/ Crime under this act or certifies false financial statements or false tax audit report or provide false consultancy, such person is liable for half of the punishment which would be provided to default assessee under this Act.  
However, if such person is government employee, then he shall be liable for equal punishment given to the assessee.
- Unless otherwise specified in this act, a person is liable to pay fine and penalty from Rs 5,000 to Rs 25,000 for failing to adhere provisions under this act or rules under this act as per Section 119 Ka.
- Compensation received by a resident natural person on account of physical injuries due to personal accident shall not be included in his income; likewise, Medical Expenses incurred in the treatment for such accident cannot be claimed for Tax Adjustment.

- Section 97 (1) (e): No need to file Income Tax Return to natural persons having income only from sale of non-business chargeable assets subject to sec 97(2) or unless specified by IRD.
- Section 110Kha: Person engaged in JV shall be jointly and severally liable to pay Income Tax

### **Payments above Rs. 50,000:**

- Payment above Rs. 50,000 through Account Payee Cheque (instead of Bearer Cheque) has been made mandatory for eligibility of deduction of expenses
- **Further elaboration in this regard:**

A person having annual turnover for an income-year shall not be allowed a deduction for a Cash Payment in excess of Rs 50,000 incurred *other than in the following conditions* by the person during the year:

  - Payment is made to Nepal Government, a constitutional body, a corporation owned by Nepal Government, or a bank or financial institution;
  - Payment is made to a farmer or a producer producing primary agricultural products even in the case where the product is primarily processed by the farmer himself;
  - Payment is a retirement contribution or retirement payment;
  - Payment is made in an area where banking services are not available;
  - Payment is must necessarily be made in cash or on a day when banking services are closed; or
  - Payment is made into a bank account of the payee.

**Cash Payment** means a payment other than made through a bank or financial institution by way of letter of credit, Account Payee Cheque, Draft, Money Order, Telegraphic Transfer, Money Transfer (Hundi), and any other form of transfer made between two banks or financial institutions.

### **Tax Payment in Installment:**

- Before an assessee is sued on account of non-payment of income tax; if the assessee requests in writing for payment in installment; the tax officer may permit payment in installment over a reasonable period of time.
- In case of non-payment of income tax within extended time as stipulated above; additional interest @ 5% per annum shall be levied on the remainder tax amount.



### **Special Provisions related to Merger of Banks & Financial Institutions and between Insurance Companies (Sec. 47 क)**

- Change in Control Provision of Sec. 57 shall not apply.
- Loss till the date of Merger can be carried forward and set off in pro-rata basis in next 7 years post-merger (However, in case of demerger later on, Tax on such Set Off amount has to be repaid).
- 50% Reduction in applicable tax rate to employees for lump sum payment (other than Retirement Fund Payments & Payments mentioned in the Employees' Service Contract in case of group retirement of employees due to merger.
- No Capital Gain Tax shall be levied on disposal of shares by shareholders of merged entity till 2 years from the date of merger.
- No tax on dividend till two years which is paid to shareholders of the time of merger.
- Notification to IRD should be given within *Ashadh end, 2077* and merger should be done within *Ashadh end, 2078* for the purpose of this section.
- ***Entities who have been merged as per this provision, after effectuation of this provision, but not utilized facilities under this provision, shall be able to utilize as per this provision.***

### **Loan Loss Provision**

- 5% of Realizable Loan kept aside in Risk Bearing Fund and 5% of the provisions made for Non Banking Assets, as per the Guidelines of Nepal Rastra Bank, shall be allowed as deduction for Income Tax purpose for person carrying on Banking Business.
- Loan Loss Provision up to 5% of Realizable Loan kept aside in Risk Bearing Fund, shall be allowed as deduction for Income Tax purpose for Co-operative Entities.

### **Additional Deductions**

- Manufacturing Industries may deduct 50% of capital amount for Power Generating Assets in the year of acquisition as Additional Depreciation. (Sch-2, Sec. 3(3))
- Capital Expenditure incurred for purchasing Fiscal Printer and Cash Machine can be claimed as depreciation in the year of purchase.

### **Double Tax Avoidance Agreement (DTAA) Agreements available with**

- India
- Sri Lanka
- Mauritius
- Thailand
- Qatar
- Pakistan
- Norway
- Korea
- Austria
- China