Kathmandu Business Consultants

NEPAL BUDGET 2081-82 (2024-25)

TABLE OF CONTENTS

03	Objectives of the Budget
04	Priorities of the Budget
05	Budget Size and Allocation
06-07	Comparison of Budget Size
08	Ministry Wise Budget Allocation
09-17	Areas for Budget Allocation
18-27	Other Major Highlights
28-30	Major Highlights Relating to Tax Revenue
31-34	Special Amendments Made by Finance Bill, 2081
35-60	Income Tax
61-73	Value Added Tax (VAT)
74-81	Excise Duty
82-85	Customs Duty

OBJECTIVES OF THE BUDGET

1. Increase production, productivity, and employment
2. Boost private sector investment and accelerate economic activities
3. Develop Human Resources
4. Ensure balanced and equitable utilization of resources to reduce economic disparities and poverty
5. Improve the effectiveness of public service delivery

PRIORITIES OF THE BUDGET

1. Economic development and poverty alleviation
2. Infrastructure development including roads, bridges, IT, telecommunication, electricity generation
3. Social development including education, health care, and other social welfare programs
4. Inclusivity and social security
5. Good governance, efficient administration, and improvement in public service delivery

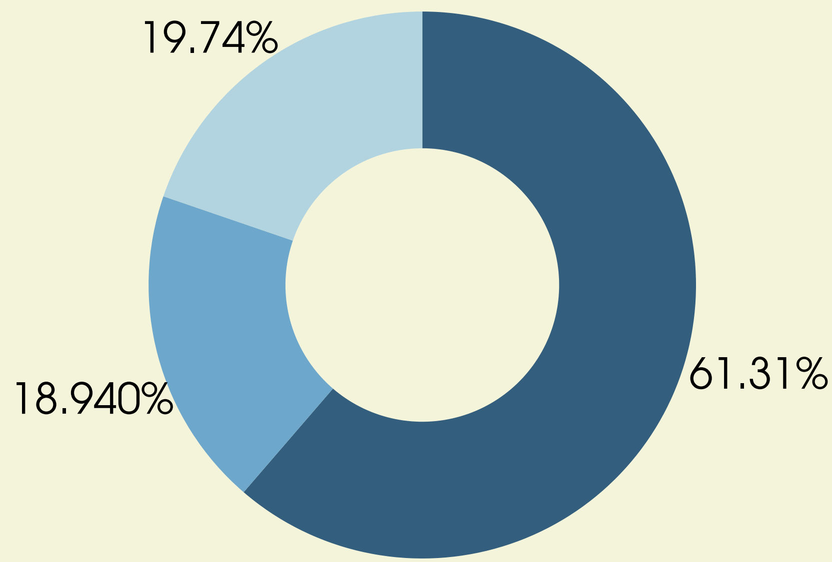
BUDGET SIZE AND ALLOCATION

Total Budget Allocation
= NPR 18 Kharba 60 Arba 30 Crore

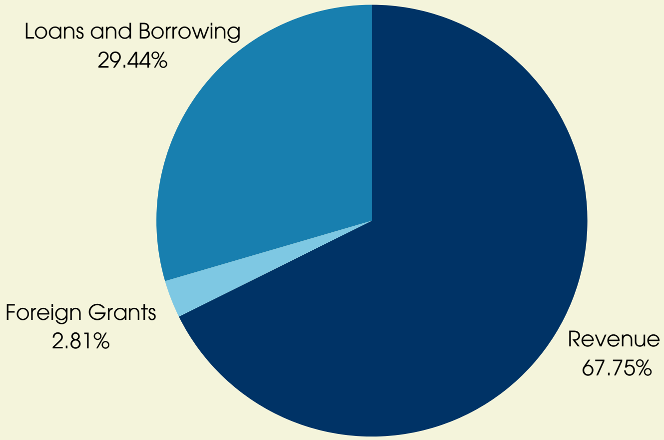
Current Expenditure
NPR 11 Kharba 40 Arba 66 Crore

Capital Expenditure
NPR 3 Kharba 52 Arba 35 Crore

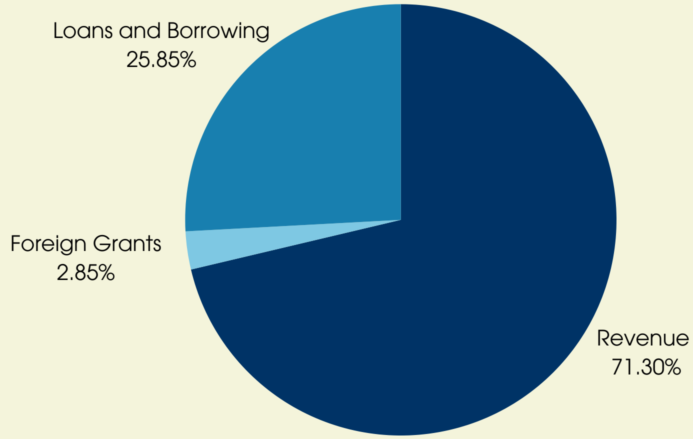
Financial Management
NPR 3 Kharba 67 Arba 28 Crore



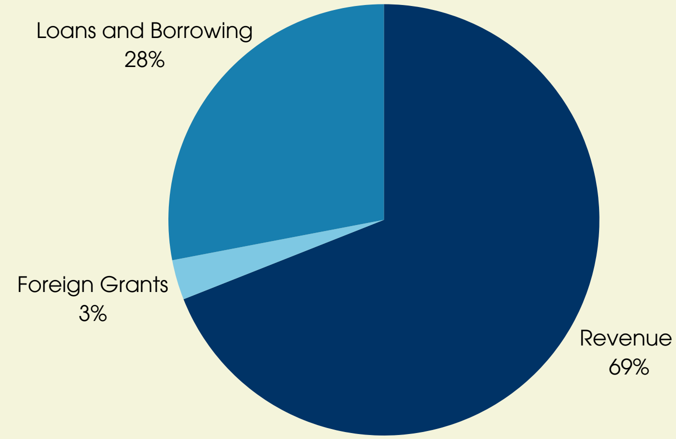
COMPARISON OF BUDGET SIZE
SOURCE OF FUND



2081-82

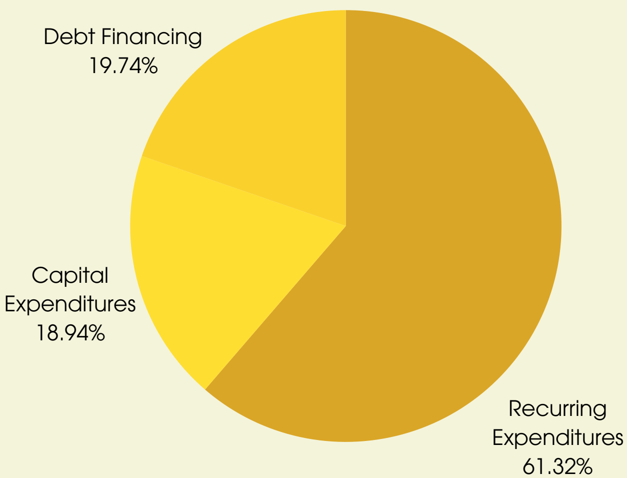


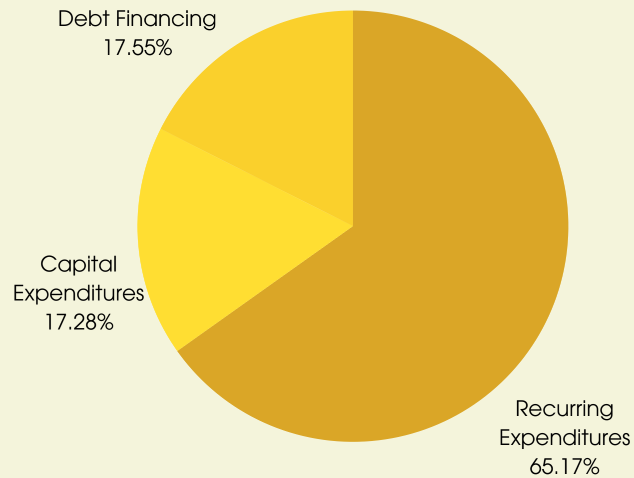
2080-81

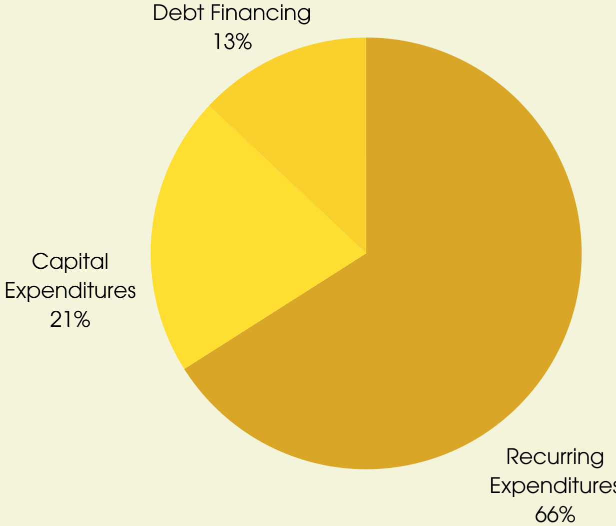


2079-80

COMPARISON OF BUDGET SIZE
APPLICATION OF FUND





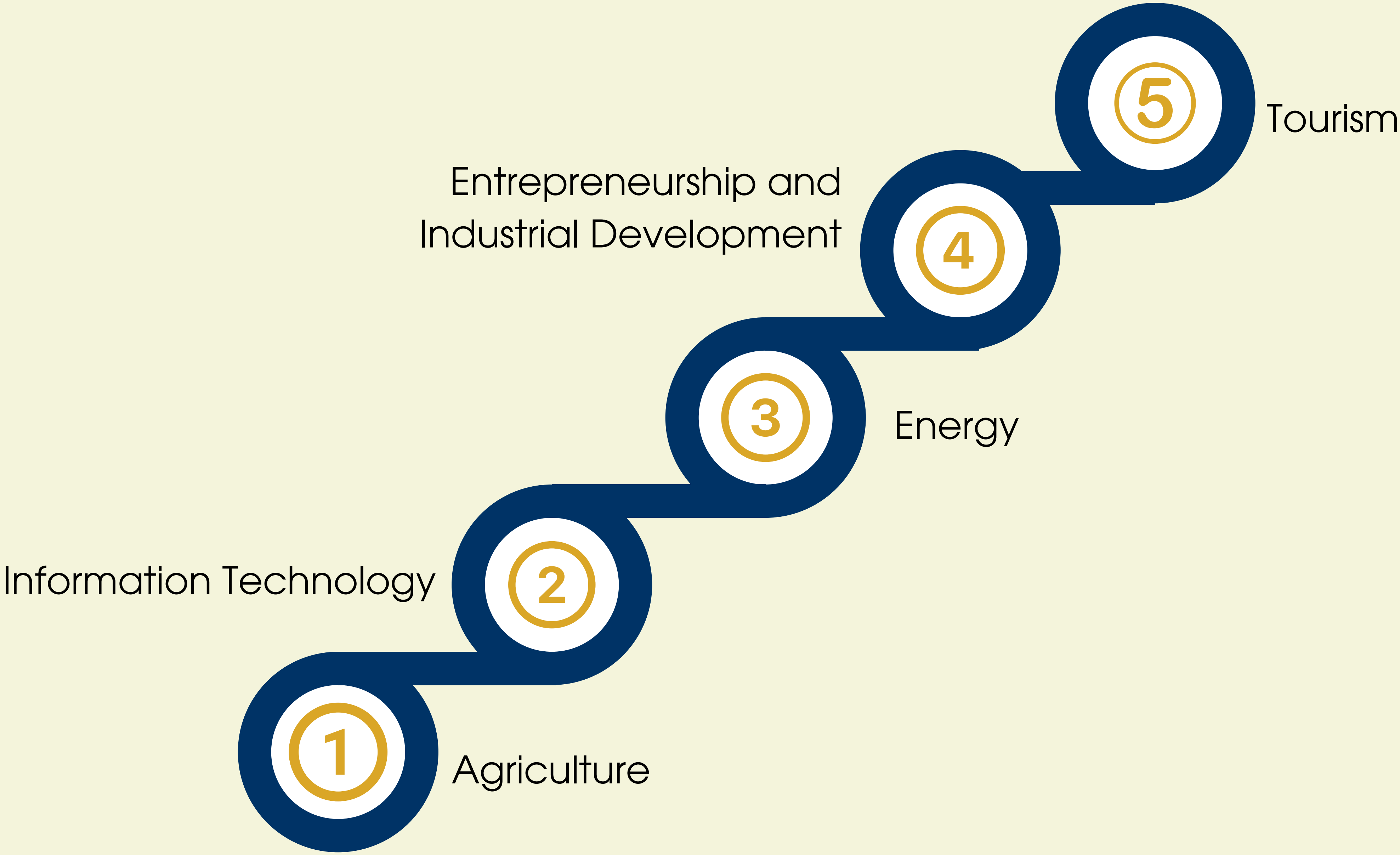


2081-82 **2080-81** **2079-80**

MINISTRY WISE BUDGET ALLOCATION

S.N.	Ministry	Total Budget	% of Total
1	Office of the Prime Minister and Council of Ministers	55,917.00	0.30%
2	Ministry of Finance	22,28,606.00	11.98%
3	Ministry of Industry, Commerce and Supplies	92,822.00	0.50%
4	Ministry of Energy, Water Resources and Irrigation	8,75,599.00	4.71%
5	Ministry of Law, Justice and Parliamentary Affairs	5,453.00	0.03%
6	Ministry of Agriculture and Livestock Development	5,72,905.00	3.08%
7	Ministry of Water Supply	2,66,347.00	1.43%
8	Ministry of Home Affairs	19,92,434.00	10.71%
9	Ministry of Culture, Tourism and Civil Aviation	1,19,115.00	0.64%
10	Ministry of Foreign Affairs	67,742.00	0.36%
11	Ministry of Forests and Environment	1,57,091.00	0.84%
12	Ministry of Land Management, Cooperatives and Poverty Alleviation	68,262.00	0.37%
13	Ministry of Physical Infrastructure and Transport	15,05,321.00	8.09%
14	Ministry of Women, Children and Senior Citizen	16,045.00	0.09%
15	Ministry of Youth and Sports	35,048.00	0.19%
16	Ministry of Defense	5,98,714.00	3.22%
17	Ministry of Urban Development	9,26,354.00	4.98%
18	Ministry of Education, Science and Technology	20,36,620.00	10.95%
19	Ministry of Information and Communications	73,529.00	0.40%
20	Ministry of Federal Affairs and General Administration	91,714.00	0.49%
21	Ministry of Health and Population	8,62,389.00	4.64%
22	Ministry of Labor, Employment and Social Security	80,997.00	0.44%
23	Others than above-including committees, commission	58,74,006.00	31.58%
	Total	1,86,03,030.00	100%

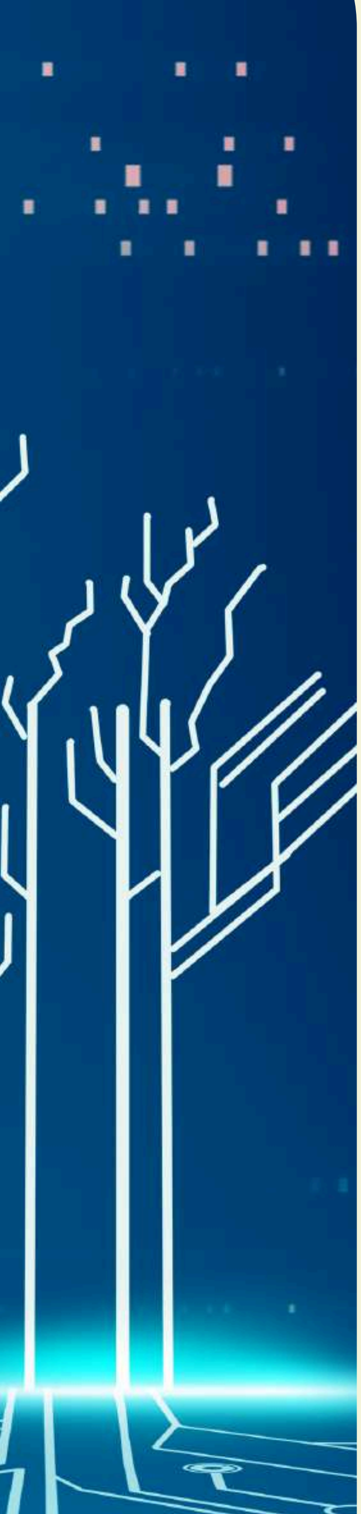
AREAS FOR BUDGET ALLOCATION



AGRICULTURE

Budget Allocation =NPR 57.29 billion

- The decade 2081-91 BS declared the **"Decade for Investment in Agriculture"**
- **Fertilizer Subsidy: NPR 27.95 billion** to ensure a timely supply to farmers
- **Agriculture Research: NPR 3.52 billion** to **increase research capacity** and **develop 75 new technologies**
- **Sugarcane Cultivation: NPR 2.25 billion** to promote and incentivize farmers
- **Crop and Livestock Insurance: NPR 1.65 billion** for premium subsidies
- **Dairy Production: NPR 380 million** for breed improvement of cows and buffaloes
- **Vaccine Production: NPR 400 million** allocated, with a free vaccination campaign over the next three years to eradicate PPR and classical swine flu



INFORMATION TECHNOLOGY

Budget Allocation =NPR 7.35 billion

- The decade 2081-91 BS declared the **"Decade of Information Technology"**, Targeting the creation of 1.5 million jobs and NPR 30 trillion in IT service exports over ten years
- **NPR 590 million allocated** for the reform and implementation of the Digital Nepal Framework(DNF)
- Construction of a multi-story IT hub in Charkhal, Dillibazar through a public-private partnership and NPR 170 million allocated for establishing a Knowledge Park in Khumaltar, Lalitpur
- The government will prioritize using Nepal-created software and improve regulations for public and private data centers to ensure organized and reliable electronic data storage, security, and utilization
- Providing tax rebates to IT companies on reinvested profits to encourage further investment in the sector

ENERGY

Budget Allocation =NPR 50.74 billion

- An additional **900 MW of electricity will be added** to the national grid, **increasing total capacity to 4,500 MW**
- The per capita consumption of electricity is **targeted to increase to 450 units**
- Hydroelectric projects like **Budhigandaki** (1,200 MW), **Dudhkoshi** (670 MW), **Nalsinggad** (417 MW), and **Naumure** (280 MW), will be constructed for **dry season self-reliance**
- Projects funded by **foreign employment investments**, such as **Ghunsa** (77.5 MW) and **Simbua** (70.3 MW), **will also progress**
- Arrangements will be made to **export electricity to Bangladesh** in the upcoming fiscal year
- Legal provisions will be established to involve the private sector in constructing and distributing electricity transmission lines

ENERGY

Budget Allocation
=NPR 50.74 billion

- Programs will be developed to replace fossil fuels with renewable energy, aiming for zero carbon emissions by 2045
- The private sector will facilitate the installation of 100 MW of solar power to diversify energy production
- Despite the push for renewable energy, the government has increased the tax on electric vehicles (EVs) by an average of 10%, which may counteract efforts to reduce carbon emissions

ENTREPRENEURSHIP & INDUSTRIAL DEVELOPMENT

Budget Allocation =NPR 6.55 billion

- The government proposed the Gandaki Economic Triangle project to develop Bharatpur-Butwal-Pokhara, with NPR 2 billion allocated for infrastructure and industrialization through public-private partnerships
- Establish the Nepal Startup Board and **set up a startup fund of NPR 1 billion** to encourage youth participation in entrepreneurship
- Initiate the Sovereign Welfare Fund to channel remittances into productive sectors
- Launch the NRNs on Homeland program to utilize funds created by NRNs productively
- NPR 7 billion allocated to boost domestic production, focusing on agricultural productivity, rural tourism, and IT-based enterprises through partnerships

ENTREPRENEURSHIP & INDUSTRIAL DEVELOPMENT

Budget Allocation
=NPR 6.55 billion

- **NPR 1.74 billion allocated** for promoting biogas, solar energy, and electric cooking
- **NPR 6.55 billion allocated** for promoting industrial development and entrepreneurship
- Revive closed industries like Hetauda Textile and Gorakhkali Rubber through public-private partnerships
- The government plans to partner with the private sector to establish **special economic zones in each province**:

-Koshi: Industry hub
-Madhesh: Agricultural hub
-Bagmati: Technical hub
-Gandaki: Tourism hub
-Lumbini: SME hub
-Karnali: Medical & Aromatic Plants hub
-Sudurpashchim: Religious Tourism hub

TOURISM

Budget Allocation =NPR 11.91 billion

- Plan to attract **1.6 million tourists** next year
- Establish a one-stop system for tourist services and digitize the mountaineering permit system
- **NPR 5.46 billion allocated** for tourism development infrastructure
- **NPR 3.77 billion allocated** for civil aviation infrastructure, including the construction of the second terminal at Tribhuvan International Airport
- **NPR 360 million allocated** for the expansion of Bharatpur Airport, expected to be completed next year
- **Nijgarh International Airport** to be constructed through a **public-private partnership**
- Promote **Janakpur as a wedding hub** and **Lumbini as a birthing hub** to encourage destination weddings and tourism

TOURISM

Budget Allocation =NPR 11.91 billion

- Direct transportation from border cities to Pashupatinath, Swargadwari, and Muktinath to promote pilgrimage tourism
- Develop the Great Himalayan Trail, Mundhum Trail, and Guerrilla Trail to attract trekkers
- Operate paragliding, parachuting, skydiving, ultralight flights, and other adventure activities at currently unused airports (Lamidanda, Manang, Rumjatar, Baitadi)
- Establish a Himalayan Resource Center at culturally important sites like Upper Mustang

OTHER MAJOR HIGHLIGHTS

- **Health Insurance Program: NPR 7.5 billion allocated** for expansion, ensuring access and eliminating duplication with social security programs
- **Primary Healthcare Hospitals: NPR 15.41 billion** for constructing 5-10 and 15-bed hospitals
- **Free Medicines and Vaccines: NPR 1.43 billion** for 98 types of free medicines, vaccines, and reproductive health materials at basic health service centers and primary hospitals
- **Safe Motherhood and Newborn Care: NPR 3.06 billion allocated**
- MBBS Programs: Necessary budget allocated to start programs at the National Academy of Medical Sciences, Bharatpur Hospital, Pokhara Institute of Health Sciences, and National Institute of Health Sciences

OTHER MAJOR HIGHLIGHTS

- **Drinking Water Distribution: NPR 500 million allocated** to enhance distribution in Kathmandu Valley outside the ring road
- **Urban Development Program: NPR 27 billion allocated** for a comprehensive Urban Development and Settlement Development Program
- **Federal Parliament Building: NPR 2.12 billion allocated** for completion
- Groundwater Recharge Centers and Watershed Conservation: Plans to ensure minimum flow in the Bagmati River during the dry season
- **Bagmati Civilization Project: NPR 2.72 billion allocated** for continued river cleaning and revival
- Open Spaces and Parks: Government to identify and protect open spaces and construct **"One Ward, One Park"** with community participation

OTHER MAJOR HIGHLIGHTS

- **Scholarships: NPR 600 million allocated**, extending from grades 9-12 to 6-12, benefiting 45,000 more marginalized students
- **Classroom Construction: NPR 2.50 billion** for 1,000 disabled-friendly, gender-sensitive classrooms and water facilities in 500 schools
- **Educational Reform: NPR 870 million** for the President's Educational Reform Program, aiding 100,000 students
- **Higher Education: NPR 21.45 billion** for restructuring the University Grants Commission, ensuring quality, and establishing medical colleges
- **Dalit Scholarships: NPR 1.59 billion** for technical education scholarships for low-income, meritorious Dalit students
- Teacher Training: **Boot camps to train 1,500 teachers** in early childhood development
- **Midday Meal Program: NPR 8.39 billion allocated**, benefiting 3 million students from early childhood to grade 5

OTHER MAJOR HIGHLIGHTS

- **East-West Highway: NPR 29.88 billion** for expansion, including four lanes in Narayanghat-Butwal and Kamala-Kanchanpur, with completion expected next fiscal year
- Upgrading Road Sections: Upgrading Kakadbhita-Laukhi, Kamala-Dhalkevar-Pathalaiya, Pathalaiya-Narayanghat, Butwal-Gorusing Gay, and Bhalu Bang-Lamhi sections
- Expressway Projects: **NPR 22.54 billion for Kathmandu-Terai and Madhesh expressways**, with tunnels to be completed next year
- **North-South Corridor: NPR 4.43 billion** for accelerating Koshi, Kaligandaki, and Karnali corridor construction
- Waterways: Commencing Sunkoshi and Narayani Rivers construction, with a safe passenger terminal in Narayani
- **Railway Development: NPR 3.88 billion allocated,** continuing land acquisition for Vijaypura-Bardibas and Bathnaha-Biratnagar sections

OTHER MAJOR HIGHLIGHTS

- Prime Minister Employment Program: **NPR 6 billion to provide 100-day employment to 200,000 locally registered unemployed individuals**
- Employment Initiatives: Establishment of **'Employment Bank'** and **'Labor Donation'** programs to provide services and employment information
- Social Security and Welfare: Inclusion of informal sector workers in social security, enhanced benefits for dependents of foreign labor migrants
- Foreign Employment: Mobilization of diplomatic channels for safe and organized foreign employment, expansion of bilateral labor agreements
- Returnee Entrepreneurship: **Free orientation training and support for one lakh returnees to become self-employed** through the Returnee Entrepreneurial Program

OTHER MAJOR HIGHLIGHTS

- **President Chure Conservation Program: NPR 1.05 billion allocated**
- Medicinal Herbs Cultivation: **Promotion of high-value medicinal herbs**, including Himalayan herbs like Yarsagumba, through quality planting materials, lab certification, export encouragement, and research advancement
- **Forest Fire Control: Budget for equipment purchase** and public awareness campaigns
- Carbon Trading and Climate Initiatives: Continued carbon trading programs generate revenue from sustainable forestry for climate change adaptation in vulnerable communities.
- Climate Change Management: Integration of adaptation, migration, and disaster response in the President's Climate Change Management Program
- Save the Himalayas Campaign: The **"Save the Himalayas, Save Humanity"** campaign will be continued

OTHER MAJOR HIGHLIGHTS

- Mountaineering Tourism Honor: **Recognition of key figures and organizations on International Everest Day**, celebrated annually on May 29
- Productivity and Employment Partnership Program: Initiative to boost domestic production, reduce imports, increase exports, and enhance employment linkage
- **Make in Nepal & Made in Nepal** Campaign: Promotion of domestic production in coordination with private sectors under the Prime Minister's Nepalese Production and Consumption Promotion Program
- **Business Incubation Centers: Establishment in each province** to nurture entrepreneurial skills among youth
- Investment and Industry Law Amendments: Simplification of laws related to investment, industry, labor, hedging, forests, land acquisition, derivatives, intellectual property, and credit transactions

OTHER MAJOR HIGHLIGHTS

- Postal Service Restructuring: Transformation into an Electronic Business Hub; **construction of Film Studios in Banepa, Kavrepalanchowk, and Dolakha** through Public-Private Partnership
- Unified Social Security and Health Insurance: Integration of Social Security Fund (SSF) and health insurance management through SSF
- Regulatory Body for Co-operatives: Establishment to regulate Saving & Credit Co-operatives; easing merger processes
- Liquidity Crisis Management: Refund management for Saving & Credit Co-operatives, securing deposits up to NPR 5 lakhs against collateral
- **Year of Investment in Women**: Dedicated focus year on enhancing investment opportunities for women
- **Prime Minister's Daughter Independence Program: Employment-focused skill development for women**, coordinated at province and local levels

OTHER MAJOR HIGHLIGHTS

- National Level Sports Promotion: **Organization of 80 national-level sports events,** promoting Nepali cultural sports like Bagchal, Dandinbiyo, and Ghodchadi
- **Cricket Stadium Developments**: Construction of Mulpani and Girija Prasad Koirala Cricket Stadiums as national pride projects; upgrading Kirtipur Cricket Stadium; expedited construction of Fapla Cricket Ground; ongoing work on Gautam Buddha International Cricket Stadium in collaboration with federal, state, and local governments
- Sita Dahal Memorial College Development: Infrastructure initiation for Naturopathy and Yogic Science under Tribhuvan University
- Survey and Census Program: **Initiative to update the base year for national accounting through surveys and censuses**
- **Domestic Alcohol Production: Legal framework development** for production, branding, marketing, and sales

OTHER MAJOR HIGHLIGHTS

- Research and Development Fund: **Allocation of 1% of annual capital expenditure to R&D initiatives**
- Banking Access Expansion: Establishment of a bank branch in Saipal Rural Municipality, providing access to banking facilities for the first time
- Regulatory Strengthening: Enhancements in the regulatory capacity of Nepal Rastra Bank, Foreign Exchange Regulation Act, Securities Board of Nepal, and Nepal Insurance Authority
- **Stock Exchange and Commodity Market Reforms:** Structural reforms for Nepal Stock Exchange, CDS and Clearing Limited; legal and institutional arrangements for operating a commodity exchange market; mandatory listing for companies exceeding specified capital amounts in the securities market

MAJOR HIGHLIGHTS RELATING TO TAX REVENUE

- Custom and Excise Duties Reduction: **Duties on raw materials for industries (e.g., medicines, induction stoves, thread, helmets, incense sticks, sanitary pads, cashew and almond processing, spring plates) decreased** to promote local industry by imposing higher duties on finished goods
- Income Tax Reduction: **Decreased income tax on interest payments for loans from foreign banks and financial institutions**
- **Dividend Tax Exemption**: Exempted dividend tax on capitalization of profit by the Information Technology industry
- Tax Exemptions on Capital Increase: **Tax exemptions for changes in control due to capital increase** to enhance business capacity
- **Custom Duty Reduction on Steel Milk Cans:** Decreased duty for animal farms producing over 1,000 liters of milk daily

MAJOR HIGHLIGHTS RELATING TO TAX REVENUE

- VAT Exemption for Disabled Persons: **Exempted VAT on scooter imports for differently-abled** individuals at customs
- Separate Custom Duty Bill: **New Custom Duty Bill formulated for the current fiscal year**
- Central Billing Monitoring System (CBMS): Transactions of taxpayers with **annual transactions exceeding NPR 25 crore to be connected to CBMS**
- VAT Refund System Improvement: Resolve and implement the system for **refunding 10% VAT paid via digital medium effectively from Shrawan**
- Automated Tax Clearance Certificates: Development of a system to **provide automated tax clearance certificates with QR codes**
- **Financial Statements Linkage:** Ensure financial statements submitted to banks are linked with tax system information

MAJOR HIGHLIGHTS RELATING TO TAX REVENUE

- **Bank Account Payments:** Legal provisions ensuring business-related payments are deposited only in business bank accounts
- **Transfer Pricing Guidelines:** Formulation of guidelines to reduce tax evasion from base erosion, profit shifting, and income splitting
- **E-assessment and Faceless Audit:** Implementation of e-assessment and faceless audit systems
- VAT Removal: **VAT removed on potato, onion, apple, and other selected vegetables and fruits**
- Excise Duty Increase: **Increased excise duty on liquor, beer, tobacco, and cigarettes**
- VAT Registration Threshold: **Increased threshold for VAT registration to NPR 30 lakhs for businesses trading goods and services**
- Green Tax Introduction: **Green tax introduced on the import of petroleum products and coal**

SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2081

Green Tax shall be levied on import of the various goods like petrol, coal, etc. at customs points **(Section 07)**

Rebates to the person who comes under Tax Bracket **(Section 22)**

- If a person involved in a taxable transaction without obtaining PAN obtains PAN and submits income return and tax of Income Year 2078/79 and 2079/80 within Falgun end, 2081 applicable fee and interest shall be exempted
- Taxes, fees, and interest of other previous income years will be exempted if the Income Return is submitted and tax is deposited as mentioned in subsection

Rebates to the taxpayer remaining to submit the Income Returns **(Section 23)**

- Taxpayers who have taken PAN but have not submitted the income return can avail the waiver on fees and remaining interest if the income return is submitted and tax along with 25% of applicable interest are deposited within Falgun end, 2081

SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2081

Rebates to the taxpayer remaining to submit the VAT Returns **(Section 24)**

- Taxpayers who are registered in VAT but have not submitted the VAT return up to Ashad end, 2081 can avail the waiver on penalties, additional fees, and remaining interest if the VAT returns, VAT, and 50% of applicable interest are submitted within Falgun end, 2081

Rebates on VAT to international air transport service providers **(Section 25)**

- If the international air transport service providers registered or not registered in VAT have not collected or submitted the VAT to be collected on the air transport service within the period from 2080 Jesth 15 to 2080 Aswin end, such VAT, penalties, additional fees, and interest are exempted
- Taxes, fees, and interest of other previous income years will be exempted if the Income Return is submitted and tax is deposited as mentioned in subsection

SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2081

Waiver on VAT to the person doing the transaction of the transportation service **(Section 26)**

- If a person engaging in transaction of renting transportation vehicles or providing transportation services, who was required to be registered for VAT but did not collect VAT either being registered under VAT or without being registered for VAT from 2076 Jestha 15 to 2078 Jestha 14, deposit 1% of such transaction within Mangsir end, 2081,remaining tax, additional fee, interest, and penalty shall be exempted
- If the tax amount is due after completion of tax assessment on the transaction mentioned in sub-section (1) or such assessment is under administrative review or any other judicial hearings and if such cases are withdrawn and 1% of transaction is deposited within Mangsir end, 2081, remaining tax, additional fee, interest and penalty shall be exempted

Waiver on VAT on the local production of potato, onion and apples **(Section 27)**

- Due VAT, interest, additional fees, and penalties will be waived to the person doing the transaction of potato, onion, and apples produced locally in Nepal even if the person has not collected the applicable VAT up to Jestha 14, 2081 or Inland revenue office has completed tax assessment on such transaction

SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2081

Waiver on VAT to the entity providing the credit information **(Section 28)**

- If the entity established under section 88 of Nepal Rastra Bank Act 2058 with the objective of providing credit information service to bank and financial institutions licensed by Nepal Rastra Bank, is not registered in VAT, gets registered in VAT within Asad end 2081 and deposits the 50% of VAT to be collected up to that period within Asoj end 2081, then the remaining VAT, penalty, interest and additional fees will be waived
- If the tax amount is due after completion of tax assessment on the transaction mentioned in sub-section (1) or such assessment is under administrative review or any other judicial hearings and if such cases are withdrawn and amount defined in sub-section (1) is deposited within Mangsir end, 2081, remaining tax, additional fee, interest and penalty shall be exempted

INCOME TAX

36	Major Highlights
37	Income Tax for Resident and Non-Resident
38-40	Notes Tax Rates
41	Corporate Tax
42-50	Amendments in Income Tax Act, 2058
51-55	Existing provisions of Income Tax relevant to business entity not amended by Finance Act 2081
56-58	WithHolding Taxes
59-60	Tax Collection at Services (TCS)

INCOME TAX

- There has been an expansion in the idea of permanent establishment
- For IT industries, there is no dividend tax on the capitalization of profit in the form of bonus shares
- Compensation received through channels other than banks that over twenty-five thousand dollars is not admissible for tax purposes
- The funds intended for business purposes shouldn't be placed in personal accounts
- For the purposes of the Income Tax Act's Section 57, the entry of capital into the business by a new shareholder for expansion does not constitute a change in the entity's control
- Transfer Pricing Guidelines shall be developed by IRD
- The tax rates for individuals and corporations remain unchanged

INCOME TAX

For Resident

Assessed as Individual:

Income Level (NPR)	Tax Rate FY 2081/82	Tax Rate FY 2080/81
Up to 5,00,000	1%*	1%*
Next 2,00,000	10%	10%
Next 3,00,000	20%	20%
Next 10,00,000	30%	30%
Next 30,00,000	36%	36%
Above 50,00,000	39%	39%

Assessed as Couple:

Income Level (NPR)	Tax Rate FY 2081/82	Tax Rate FY 2080/81
Up to 6,00,000	1%*	1%*
Next 2,00,000	10%	10%
Next 3,00,000	20%	20%
Next 10,00,000	30%	30%
Next 30,00,000	36%	36%
Above 50,00,000	39%	39%

Excludes job income of the person making the deposit into the Social Security Fund (SSF), proprietorship income, pension income, and income from contribution-based pension funds*

For Non-Resident

Name of Transaction	FY 2081/82	FY 2080/81
Income earned from normal transactions	25% flat rate	25% flat rate
Repatriation by Foreign Permanent Establishment	5%	5%

NOTES-TAX RATES

- A natural person employed in a remote location may deduct up to Rs. 50,000 from their taxable income
- For natural individuals receiving pension income, those making contributions to SSF, and proprietorship firms, Social Security tax is not applicable
- Natural persons who are incapacitated may deduct an additional 50% of the amount specified in the first tax bracket from their taxable income
- A resident natural person who purchases life insurance and pays the premiums will be eligible to deduct from their total taxable income the real yearly insurance premium, or Rs. 40,000, whichever is less
- A resident natural person may deduct the actual yearly insurance premium—or Rs. 20,000, whichever is less—from their gross taxable income if they have obtained health insurance and paid the premium amount associated with it
- A resident natural person who purchases an insurance policy for their home and pays the premiums associated with it is eligible to deduct the actual yearly insurance premium from their total taxable income, up to a maximum of Rs. 5,000

NOTES-TAX RATES

- For employees working for Nepal's overseas diplomatic mission, just twenty-five percent of their international allowances should be counted towards their compensation
- If a female employee's only source of taxable income is her job, she is eligible for a 10% tax liability rebate
- A further deduction from taxable income equal to 25% of the first slab's total amount will be made for every resident natural person receiving pension income
- When a resident natural person disposes of listed shares, the relevant stock exchange will tax the gain at the following rates: 5% of profit if the securities were held for more than 365 days, and 7.5% of profit if the securities were held for 365 days or less
- When non-business chargeable assets (land and buildings) are disposed of, tax is owed at the following rate: If kept for five years or longer, five percent of the profit and if held for fewer than five years, 7.5% of the profit

NOTES-TAX RATES

- Any resident natural person who does not participate in the business operation but receives payment in foreign currency for providing software or a comparable type of other electronic service outside of Nepal is subject to 5% tax
- Any resident natural person who does not participate in the business activity but receives payment in foreign currency for delivering consultation services outside of Nepal is subject to 5% tax
- Any natural person who resides in a country and is not involved in the company operation but receives money in foreign currency for uploading audiovisual content to social media networks will be subject to 5% tax

INCOME TAX

Corporate Tax

Section	Nature of entity	Applicable for FY 2081-82
Sch 1 Sec2(2)	Normal Tax Rate	25%
	Bank and Financial Institution	30%
	Entities Carrying out the Financial Transactions (Bittiya Karobar)	30%
	General insurance business	30%
	Petroleum Industries	
	Entity engaged in Petroleum business under Nepal Petroleum Act , 2010	30%
	Merchant Banks, Telecommunication and Internet Services Industry, Money Transfer Capital Market, Commodity Future Market, Securities Brokers and Companies involved in securities business	30%
Sch 2 Sec6	Non resident carrying on air and water transport and Telecommunication services in Nepal :	
	a. If the goods and Passengers embarking from Nepal	5%
	b. If a person books a ticket from Nepal but the departure is from any foreign country	2%

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
2(Tra1)	**Definition: Contribution Based Retirement Payment "Contribution Based Retirement Payment" means the payments of the amount deposited in approved retirement fund derived from the monthly deduction from remuneration of the employee or workers along with the addition by the employer as retirement contribution and the increment in such amount**	No Provision
2(KaDa)	**Definition: Permanent Establishment (5) A place outside Nepal where the person resides and assumes a significant digital presence in Nepal, or a place outside Nepal where a data server is kept and is engaged in the transaction of data or services in Nepal for at least 90 days in a period of last twelve months**	No Provision
10(Ta)	Removed	Amounts earned by Drinking Water and Sanitation Consumer Organizations, registered under the Water Resources Act, 2049, in accordance with its objective.

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
11(3Tha)	If a Special Industry, **Information Technology Industry**, or Industry related to Tourism Sector capitalizes its accumulated profit into shares for increase in capacity of the same industry, there shall be full exemption from the dividend tax leviable in distribution of dividends from such capitalization. **Clarification: "Information Technology Industry" for this subsection refers to the industries related to technology parks, information technology parks, biotech parks, software development, data processing, digital mapping, business process outsourcing, data mining, cloud computing.**	If a special industry or industry related to tourism sector capitalizes its accumulated profit into shares for increase in capacity of the same industry, there shall be full exemption from the dividend tax leviable in distribution of dividends from such capitalization.
21(1)(Kha)	Tax payable under this Act and a fine or similar other fee paid to the government of any country or any local body thereof for a violation of any law or regulation, byelaw framed thereunder, Provided that **tax collected under section 95Ka(7) and not settled within the related income year**, tax paid to the provincial government and local level is allowed for deduction as expenses.	Tax payable under this Act and a fine or similar other fee paid to the government of any country or any local body thereof for a violation of any law or regulation, byelaw framed thereunder, Provided that tax paid to the provincial government and local level is allowed for deduction as expenses.

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
21(1)(Nga)	**List of expense or amount not allowed for deduction while calculating income from business, employment, or investment:** **Monthly remuneration exceeding NPR.25,000 per individual not paid through the bank.**	No Provision
33(3)	**The valuation method of transfer pricing between associated persons under this section shall be as prescribed by the department.**	No Provision
57(1)	If the ownership of any entity changes by fifty percent or more as compared to its ownership until before the last three years, the entity shall be deemed to have disposed the property under its ownership or the liability borne by it. **However, the provision of this subsection will not be applicable if the capital has been increased through addition of shareholder or partner keeping the number of shares and capital of the existing shareholders or partners same**	If the ownership of any entity changes by fifty percent or more as compared to its ownership until before the last three years, the entity shall be deemed to have disposed the property under its ownership or the liability borne by it.

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
65(1)	Removed	**Clarification: For the purpose of this section, "Contribution-based Interest" means interest related to the retirement contribution contributed within the limit as per section 63(3).**
76 (6)	**The department is bound to take action in accordance with the advance ruling unless the advance ruling issued under subsection (1) is cancelled.**	No Provision
81(5)	**Notwithstanding anything contained in subsection (4), the department may by publishing a notice instruct the taxpayer, mentioned in the notice, to compulsorily issue invoice through electronic medium and link it to the Central Billing Monitoring System (CBMS).**	No Provision
81 (6)	**The department shall develop and implement procedure for safety and confidentiality of equipment and software used in issuance of invoice through electronic mediums. Producers, distributors, and users shall comply such procedure.**	No Provision

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
81Ka	**Amount related to business transactions shall not be deposited in individual accounts:** **Any person receiving an amount in cash, cheque, QR Code or through any other electronic medium is not allowed to deposit such amount in individual bank account.**	No Provision
88(1)	Proviso 9: In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta bank, at the rate of **five percent.**	Proviso 9: In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta bank, at the rate of **ten percent.**
88Ka(2)	Notwithstanding anything contained in sub-section (1), no tax shall be levied on national and international awards of up to five hundred thousand rupees for contributions made to literature, art, culture, sports, journalism, science, technology, and public administration. **However, if the amount of award is more than five lakh rupees windfall gain tax shall be levied only on the excess amount.**	Notwithstanding anything contained in sub-section (1), no tax shall be levied on national and international awards of up to five hundred thousand rupees for contributions made to literature, art, culture, sports, journalism, science, technology, and public administration.

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
94(2Ka)	**Notwithstanding anything contained in this section, advance tax under section 95Ka shall not paid in installments in case of gain from disposal of Non-Business Taxable Asset.**	No Provision
95Ka(7)	**Advance tax shall be collected as below at custom point on goods imported, as per the prevailing laws on custom duty, for business purpose:** **Ka) 10% on the value determined for custom purpose on import of living animals under Chapter 1, meat, and edible offal under Chapter 2, live, fresh, and all types of fish products under Chapter 3, fresh flowers and other products under Chapter 6, edible plants, roots, and stems under Chapter 7, edible fruits, wood fruits and other products under Chapter 8.** **Kha) 2.5 % percentage on the value determined for custom purpose on import of dairy products, eggs, honey and other products under Chapter 4, food products other than for seed purpose under Chapter 10, falling in Chapter 4, flour, wheat flour and other product under Chapter 11, herbs and sugarcane under Chapter 12 and plant-based products under Chapter 14.** However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable.	**Advance tax shall be collected and recovered at custom point at the rate of 5% on the value determined for custom purpose on import of he-buffalo, buffalo, he-goat, hogget, sheep, mountain goat (chyangra) falling in Chapter 1; live, fresh or frozen fish falling in Chapter 3; fresh flowers falling in Chapter 6; fresh vegetables, potato, onion falling in Chapter 7 and fresh fruits falling in Chapter 8 of HS system and at the rate of 2.5% on import of meat falling in Chapter 2, dairy products, eggs, honey falling in Chapter 4,kodo, fapar, junelo, rice, kanika falling in Chapter10, flour, wheat flour falling under Chapter 11, herbs and sugarcane falling in Chapter 12 and plant-based products falling in Chapter 14, imported for business purpose.** However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
95(15)	**If the department is convinced that the person who is required to collect and deposit tax under this section has not deposited the tax, deposited less tax, or has not deposited tax within prescribed time, order may be given to deposit undeposited tax or less deposited tax and interest under section 119 and charge under section 120.** **However, a written notice shall be given providing period of 15 days to submit justification for doing such.**	No Provision
101Ka	**Tax Assessment on assets with unidentified source:** **(1) If a written notice is received by the department regarding the tax assessment of assets with unidentified source under section 28 of the Money Laundering Prevention Act, 2064, the department shall investigate under such section whether or not he/she has committed a tax-related offense.** **(2) If, after conducting the investigation under subsection (1), no tax related offence is found, income tax shall be collected from that person at the maximum rate applicable to the income of that year.**	No Provision

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
113(8)	**If the amount collected under section 95Ka(7) in an income year is in excess after deduction of tax liability for that income year, the excess amount shall not be allowed to carry forward for upcoming income years or refunded.**	No Provision
117(1)(Ga)	If the income return of any income year is not submitted under section 96(1), **NPR. 1200 per return (or NPR. 100 per month if the period is less than one year)** shall be imposed as a charge to the persons defined in section 4(4) and for other persons, higher of 0.1 percent per year of the assessable income (including all the amount that needs to be included and without deducting any amount that can be deducted while calculating income) or **NPR. 1200 per return (or NPR. 100 per month if the period is less than one year) shall be imposed as a charge.**	If the income return of any income year is not submitted under section 96(1), NPR. 100 per month shall be imposed as a charge to the persons defined in section 4(4) and for other persons, higher of 0.1 percent per year of the assessable income (including all the amount that needs to be included and without deducting any amount that can be deducted while calculating income) or NPR.100 per month shall be imposed as a charge.

AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
119Ka	**Charge to be Imposed:** **(1) If a taxpayer, who has obtained approval to issue an electronic invoice under section 81(4) or not, uses software in which the data can be deleted or modified, a charge of NPR. 5 lakhs shall be imposed.** **(2) If a person engaged in the development, installation, or operation of software or equipment related to electronic invoices doesn't comply with the procedure issued by the Inland Revenue Department, a charge of NPR. 5 lakhs shall be imposed.** **(3) In case of violation of section 81Ka the lower of NPR. 5,000 or 2% of the total amount shall be imposed as a charge on each monitoring.** (4) Except as otherwise provided in this Act, a charge of five thousand to twenty-five thousand rupees shall be imposed to the person who does not comply with any provision of this Act or the Rules framed under this Act	**Charge to be Imposed:** **Except as otherwise provided in this Act, there shall be imposed a charge of five thousand to twenty-five thousand rupees on a person who does not comply with any provision of this Act, or the Rules framed under this act.**

EXISTING PROVISIONS OF INCOME TAX RELEVANT TO BUSINESS ENTITY NOT AMENDED BY FINANCE ACT 2081

SECTION	NATURE OF ENTITY	APPLICABLE FOR BOTH FY 2081/82	
Sch 1(13)	Presumptive tax in case a Resident Natural Person is engaged in business of Public Vehicles	Rate as per nature of vehicles	
		1. Car, Jeep, Van and Micro Bus	
		Up to 1300CC	Rs. 5,500
		From 1301 CC to 2000 CC	Rs. 6,000
		From 2001 CC to 2900 CC	Rs. 6,500
		From 2901 CC to 4000 CC	Rs. 8,000
		Above 4001 CC	Rs. 9,000
		2. Mini Truck, Mini Bus & Water tanker	Rs. 8,000
		3. Mini Tripper	Rs. 9,000
		4. Truck & Bus	Rs. 10,500
		5. Dozers, Excavator, Loader, Roller, Crane and like such machinery equipment	Rs. 15,500
		6. Oil tanker, Gas Bullet and tripper	Rs. 15,500
		7. Tractor	Rs. 2,500
		8. Power tiller	Rs. 2,000
		9. Auto Rickshaw, Three wheeler, Tempo	Rs. 2,500
		10. In case of Electrical Vehicles:	
		Upto 50 KW	Rs. 3,000
		50 KW-125KW	Rs. 4,000
		125 KW-200KW	Rs. 6,000
		More than 200KW	Rs. 7,500

EXISTING PROVISIONS OF INCOME TAX RELEVANT TO BUSINESS ENTITY NOT AMENDED BY FINANCE ACT 2081

SECTION	NATURE OF ENTITY	APPLICABLE FOR BOTH FY 2081/82
	<u>Domestic income</u>	
	Normal Rate (NR)	25%
	Other	
	Providing direct employment to Nepalese citizens by special industries and information technology industries for whole year:	
11(3) (Ka)	For 100 or more Nepali National	90% of Normal Rate
	For 300 or more Nepali National	80% of Normal Rate
	For 500 or more Nepali National	75% of Normal Rate
	For 1000 or more Nepali National	70% of Normal Rate
	For 100 Nepalese including 33% women, dalit & disabled by Special industries.	Additional 10% rebate
11(3)(Ga)	Special industry and tourism industry (excluding casino) established with capital investment exceeding Rs. 1 billion and providing direct employment to more than 500 individuals throughout the year shall be eligible for	100% income tax exemption for five years from the date of commencement of business and 50% exemption for three years thereafter
Proviso to section 11(3)(Ga)	Provided that, special and tourism industry (excluding casino) currently in operation, where such industry increases its capital investment to at least Rs. 2 billion and provides direct employment to more than 300 individuals throughout the year along with enhancement in capacity by at least 25%, there shall be full tax exemption on income generated from enhanced capacity	100% exempt up to first five years and 50% rebate in subsequent years

EXISTING PROVISIONS OF INCOME TAX RELEVANT TO BUSINESS ENTITY NOT AMENDED BY FINANCE ACT 2081

SECTION	NATURE OF ENTITY	APPLICABLE FOR BOTH FY 2081/82
11 (3Ka)	Industry established in 'Special Economic Zone' recognized in mountain areas or hill areas by the GON	Up to 10 years 100% exempt and 50% rebate in subsequent years
11 (3Ka)	Industry established in 'Special Economic Zone' other than above locations	100% exempt up to first five years and 50% rebate in subsequent years
11 (3Ka)	Dividend distributed by the industry established in the special economic zone	Dividend Tax is 100% exempt up to first five years and 50% rebate in subsequent 3 years
11 (3Ka)	Income derived by the foreign investors from investment in 'Special Economic Zone'(source of income use of foreign technology, management service fee and royalty)	50% of applicable tax rate
11 (3Gha)	100% tax exemption for first ten year and 50% tax exemption for next five year from the date of commercial operation of hydro electricity, solar, wind and bio product transmission and distribution of electricity	The sunset date of the commercial operation has been extended to Chitra end, 2084 (B.S.) from Chitra end, 2083 (B.S.)
11 (3Yna)	Income from sale by intellectual asset by a person through transfer	50% of applicable tax rate
11 (3Ta)	Tourism Industry or International Airlines established with more than NPR 2 Billion	100% Tax Exemption for first 5 Years and 50% Tax Exemption for next 3 years

EXISTING PROVISIONS OF INCOME TAX RELEVANT TO BUSINESS ENTITY NOT AMENDED BY FINANCE ACT 2081

SECTION	NATURE OF ENTITY	APPLICABLE FOR BOTH FY 2081/82
11 (3Tha)	Dividend Distribution Tax in case Special Industry, Industry based in Agriculture and Tourism sector capitalizing its profit for the purpose of expansion of capacity of industry	100% exempt of Dividend Tax
11 (3Da)	Private Company having Paid up Capital NPR 500 Million or More converted into Public Company	10% Rebate in Income Tax for 3 Years
11 (3Ana)	Health Services Provided by the Community	20% Reduction of Income Tax Act
11(3ta)	Income generated by micro industries for Seven years from the date of commencement of business or transaction. Where such industry is owned by woman, there shall be tax exemption for another three years thereafter	100% exemption of income tax
11 (3Tha)	Dividend Distribution Tax in case Special Industry, Industry based in Agriculture and Tourism sector capitalizing its profit for the purpose of expansion of capacity of industry	100% exempt
11(3Cha)	Entities carrying out the following transactions shall be provided following concession for 10 years from the date of commencement of commercial transactions/operations on the income tax levied:	• ka. Operation of Trolley or Tram - 40 % concession • Kha. Construction and operation of Ropeway, Cable Car, Sky Bridge – 40% Concession • Ga. Construction & Operation of Roads, Bridge, Tunnel Way, Tunnel, Railway, Airport - 50 %concession

EXISTING PROVISIONS OF INCOME TAX RELEVANT TO BUSINESS ENTITY NOT AMENDED BY FINANCE ACT 2081

SECTION	NATURE OF ENTITY	APPLICABLE FOR BOTH FY 2081/82
11(3Chha)	**Income manufacturing industry, tourism service industry hydropower generation, distribution and transmission industry listed in the security exchange (i.e. capital market)**	**85% of applicable tax rate**
11(3Ja)	**There shall be tax concession of 40 % and 25 % for ten years from the date of Operation, if an industry produces brandy, cider or wine based on fruits in highly undeveloped area and undeveloped area respectively**	**There shall be tax concession of 40 % for ten years from the date of Operation, if an industry produces brandy, cider or wine based on fruits in highly undeveloped area**
11 (3Jha)	**Royalty from export of Intellectual Asset by a person**	**75% of applicable tax rate**
11 (3Dha)	**Domestic Tea Production & Processing Industries, Dairy Industries & Textile Industries**	**50% of applicable tax rate**
11 (3Ana)	**Health Services Provided by the Community**	**20% Reduction of Income Tax Act**

WITHHOLDING TAXES

SECTION	NATURE OF TRANSACTION	FY 2081/82	FY 2080/81
11(2ka)	Interest income from deposit up to Rs 10000 under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank' & Co-Operative in Village Municipality areas	Exempt from tax	Exempt from tax
88ka (2)	Wind fall gains	25%	25%
	Wind fall gains from Literature, Arts, Culture, Sports, Journalism, Science & Technology and Public Administration amount received up to 5 lacs	Nil	Nil
88 (1)(5)	Payment of rent by resident person having source in Nepal However, no TDS on payment of rent to natural person	10%	10%
88 (2) (ka)	On dividend paid by the resident entity. - To Resident Person - To Non Resident Person	5% for both	5% for both
88 (2) (kha)	On payment of gain in investment insurance	5%	5%
88 (2) (ga)	On payment of gain from unapproved retirement fund	5%	5%
88 (3)	On payment of interest or similar type having source in Nepal to natural person (not involved in any business activity by Resident Bank, financial institutions or debenture issuing entity, or listed company	6%	6%
88 (4) (ka1)	Payment for articles published in newspaper	No TDS	No TDS
88 (4) (kha)	Interest payment to Resident bank, other financial institutions	No TDS	No TDS
88 (4) (gha)	Interregional interchange fee paid to credit card issuing bank	No TDS	No TDS
89	On payment of general insurance premium to resident insurance company	No TDS	No TDS

WITHHOLDING TAXES

SECTION	NATURE OF TRANSACTION	FY 2081/82	FY 2080/81
89 (3) (kha)	On payment of premium to non-resident insurance company	1.5%	1.5%
89 (1)	Contract payment exceeding Rs 50,000 for a single contract within 10 days	1.5%	1.5%
88 (1) (6)	Interest & Dividend paid to Mutual Fund	15%	15%
88 (1) (4)	Payment of consultancy fee:		
	- to resident person against VAT invoice	1.5%	1.5%
	- to resident person against non VAT invoice	15%	15%
89 (3) (ka)	Payment on contract to Non Resident Person	5% for both	5% for both
88 (1) (6)	TDS deducted on payment of dividend made by Mutual fund to natural Person	5%	5%
88 (1) (7)	TDS on Payment by Resident Person for utilizing services related with Satellite, Bandwidth, Optical Fiber, equipment relating to telecommunications or electric transmission	10%	10%
88 (1) (5)	Payment for the freight to transportation service or Renting of Transportation vehicle (In case Service provider is Not registered in VAT)	2.5%	2.5%
88 (1) (5)	Payment for the freight to transportation service or Renting of Transpiration vehicle (Service provider Not registered in VAT)	2.5%	2.5%
88 (1) (5) (ka)	Payment for the freight to transportation service or renting of Transportation vehicle (Service provider registered in VAT)	1.5%	1.5%

WITHHOLDING TAXES

SECTION	NATURE OF TRANSACTION	FY 2081/82	FY 2080/81
88 (1) (5)	Renting of Passenger Vehicle		
	-VAT Registered	1.5%	1.5%
	-No VAT Registered	10%	10%
88 (1)	Payment made against question setting, answer evaluation	15%	15%
89 (3kha)	Payment to Non Resident Company against Commission paid for Reinsurance	1.5%	1.5%
89 (3ka)	Payment made to Consumer Committee above 50lacs	1.5%	1.5%
88 (1) (9)	Interest paid by resident bank and financial institution to foreign Bank/FI	5%	10%
88 (1) (10)	Encouragement amount received by consumer of good and services for the payment made through payment cards, E-Money (Wallet), Mobile Banking and electronic payment during purchases as per the prevailing laws, no tax shall be deducted	No TDS	No TDS
88 (1) (12)	Interest on Deposit of Life Insurance Companies	5%	5%
88 (1) (13)	Royalty to resident person for Literary articles or write up (Rachana)	1.5%	15%
88 (1) (9ka)	Interest on Loan paid to Foreign Bank/FIs by the reservoir or semi reservoir based Hydropower above 200 MW	5%	5%

TAX COLLECTION AT SERVICES (TCS)

SECTION	NATURE OF TRANSACTION	FY 2081/82	FY 2080/81
95 (1)	Profit and Gain from Transaction of commodity future market	10%	10%
88 (1)	Payment made against question setting, answer evaluation	15%	15%
89 (3kha)	Payment to Non Resident Company against Commission paid for Reinsurance	1.5%	1.5%
89 (3ka)	Payment made to Consumer Committee above 50lacs	5% for both	5% for both
95ka (7)	Commercial Import of Buffalo, Goat, Sheep, Fresh & Frozen Fish, Fruits	5% of Custom Value	5% of Custom Value
95ka (7)	On Import of Meat, Milk Product, Egg, Honey, Millet, Buckwheat, Junelo, Rice, Wheat Flour, Meslin Flour, Other Flours, Herbs, Sugarcane, Herbal products	2.5%	2.5%
95ka (6ka)	Foreign Currency Exchange service by resident bank for students going abroad for study making payment for language exam and standardized test	15%	15%
88 (1) (9)	Interest paid by resident bank and financial institution to foreign Bank/FI	5%	10%
88 (1) (10)	In case of the encouragement amount received by consumer of good and services for the payment made through payment cards, E-Money (Wallet), Mobile Banking and electronic payment during purchases as per the prevailing laws, no tax shall be deducted	No TDS	No TDS
95ka (6kha)	Payment received by a person in foreign currency for providing software or other electronic services of similar nature outside Nepal	1% To be Collected by Bank/FI/Money T/F	1% To be Collected by Bank/FI/Money T/F

TAX COLLECTION AT SERVICES (TCS)

SECTION	NATURE OF TRANSACTION	FY 2081/82	FY 2080/81
88 (1) (12)	Interest on Deposit of Life Insurance Companies	5%	5%
88 (1) (13)	Royalty to resident person for Literary articles or write up (Rachana)	1.5%	1.5%
95ka. (6anga)	A resident e-commerce operator while making payment for sale of goods, services or goods & services from its platform	1% To be collected by the E-Commerce Operator	1% To be collected by the E-Commerce Operator
	Profit and Gain from Disposal of Shares:		
	<u>In case of Natural Resident Person</u>		
95 ka (2) (ka)	- Listed Shares held for more than 365 days	5%	5%
95 ka (2) (ka)	- Listed Shares held for 365 days or less	7.5%	7.5%
95 ka (2) (kha)	- Non Listed Shares	10%	10%
	<u>Resident Entity</u>		
95 ka (2) (ka)	- Listed Shares	10%	10%
95 ka (2) (kha)	- Non Listed Shares	15%	15%
	<u>Others</u>		
95 ka (2) (ka)	- Listed Shares	25%	25%
95 ka (2) (kha)	- Non Listed Shares	25%	25%

VALUE ADDED TAX (VAT)

62	VAT Rate
63-64	VAT Threshold
65	Amendments in Value Added TAX ACT, 2052
66-67	Added in Schedule I of VAT Act from FY 2081-82 (Now Exempt from VAT)
68-73	Removed from Schedule I of VAT Act from FY 2081-82 (Now VAT Applicable)

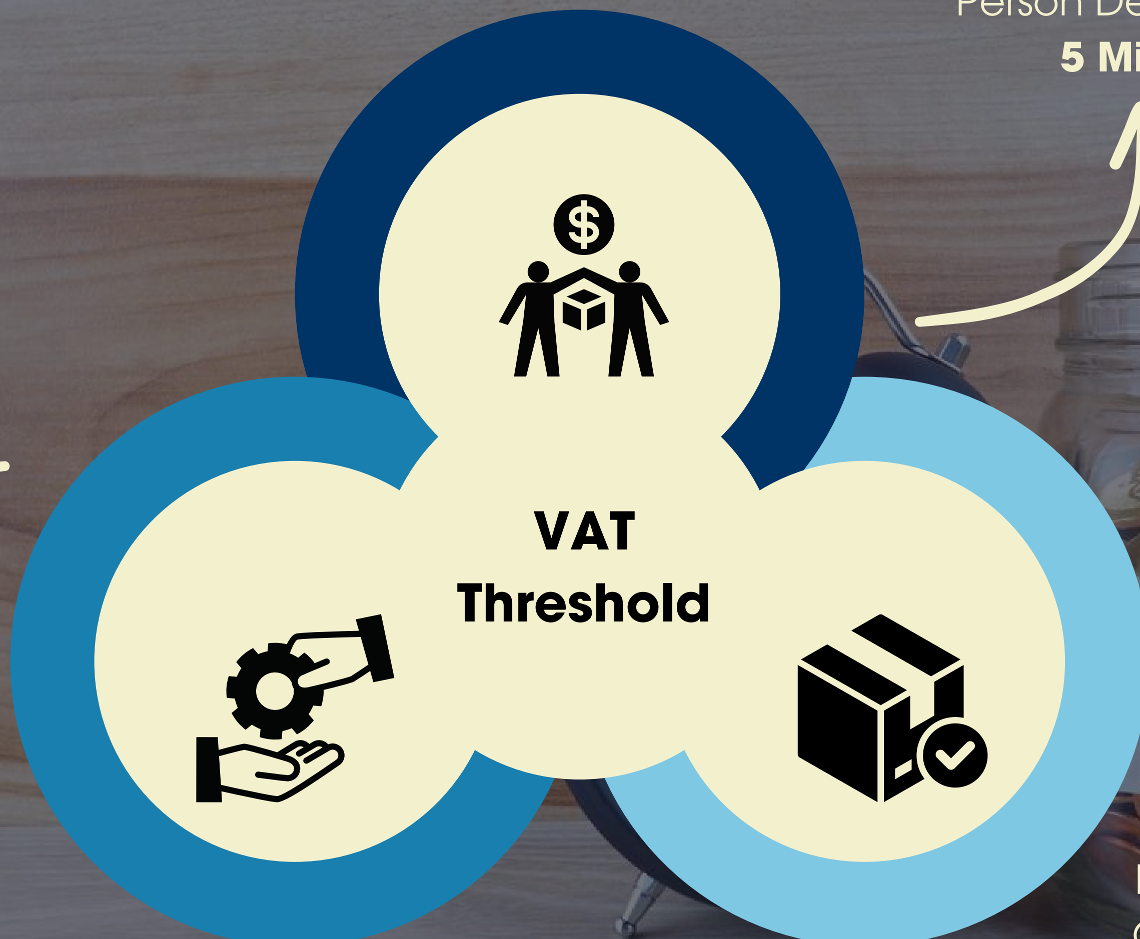
VALUE ADDED TAX (VAT)

VAT RATE 13%

No Change in VAT Rate

VALUE ADDED TAX (VAT) THRESHOLD

Person Dealing in Goods
5 Million NPR



Person Dealing in Services
3 Million NPR

Person Dealing in Goods & Services
3 Million NPR

VALUE ADDED TAX (VAT) THRESHOLD

- The previously set NPR 2 million threshold restriction for nonresident person registration has been raised to NPR 3 million
- The tax officer has the authority to suspend the import or export of a taxpayer if they do not file a tax return within four months of the deadline

Note: The VAT Regulation, which has not yet been published, defines the threshold limit for VAT Registration for Services, Goods, and Service Mixed. It is now clear that the NPR 3 million threshold for registration under VAT applies to both services and goods and services mixed. This is because the threshold limit for services, goods, and services mixed has been altered for the purpose of cancellation under VAT.

AMENDMENTS IN VALUE ADDED TAX ACT, 2052

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
10 Kha1	Registration related provision for nonresident person: **(1) Notwithstanding anything mentioned in the Act, a non-resident person providing taxable electronic services or offline air transport services in Nepal of more than 30 lakhs in last 12 months shall be registered in VAT.** (2) Registration process of non-resident persons as per subsection (1) shall be as determined by the department. (3) If the non-resident person registered under sub-section (1) closes the business or ceases to do the transaction, the registration shall be canceled according to the procedure determined by the department	Registration related provision for nonresident person providing electronic services: **(1) Notwithstanding anything mentioned in the Act, non-resident person providing electronic service business of more than 20 lakhs in last 12 months shall be registered in VAT.** (2) Registration procedure for nonresident person involved in electronic service business shall be as determined by the Department. (3) If the nonresident person involved in electronic service business and registered as per sub sec. (1) closes the business or ceases to do the transaction, the registration shall be cancelled according to the procedure determined by the department.
11 (1)(Cha)	Cancellation of Registration: If the taxable transaction of the taxpayer does not reach fifty lakhs in case of goods, and **thirty lakhs** in case of services and transaction mixed with goods and services in past twelve months.	Cancellation of Registration: If the taxable transaction of the taxpayer does not reach fifty lakhs in case of goods, and **twenty lakhs** in case of services and transaction mixed with goods and services in past twelve months.
18(3)	**If the taxpayer who is required to submit the tax return according to this section fails to submit it within 4 months from the date of submission of the tax return, the tax officer may stop the import or export of taxpayer.**	No Provision

ADDED IN SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW EXEMPT FROM VAT)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
Group 1 : Basic Agricultural Products		
07.01		Potatoes, fresh or chilled
	0701.90.00	Other
07.03		Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled
	0703.10.00	Onions and shallots
08.08		Apples, pears and quinces, fresh.
	0808.10.00	Apples
Group 3: Animals and Animal Products		
02.04		Meat of sheep or goats, fresh, chilled or frozen
	0204.50.00	Meat of Goats

ADDED IN SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW EXEMPT FROM VAT)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
Group 11: Other Goods and Services		
84.79		**Machinery and mechanical appliances; having individual functions, not mentioned any where in this chapter**
	8479.89.60	**Sailo**

Notes on Petroleum Vehicle VAT:
It has been observed that vehicles classified as petroleum-based and falling under Heading 8703 are free from value-added tax. It appears that the legislator does not want to exclude from VAT, nonetheless. In the same regard, we believe those cars are vatable, which the agency might later provide clarification on.

REMOVED FROM SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW VAT APPLICABLE)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
Group 1: Basic Agricultural Products		
08.04		**Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried**
	0804.50.00	**Guavas, mangoes and mangosteens**
	0804.50.30	**Mangosteens**
Group 2: Goods of Basic Necessities		
44.01		**Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms**
		Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms :
	4401.11.00	**Coniferous**
	4401.19.00	**Non-Coniferous**

REMOVED FROM SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW VAT APPLICABLE)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
44.02		Wood charcoal (including shell or nut charcoal), whether or not agglomerated.
	4402.10.00	Of bamboo
	4402.20.00	Of shell or nut
	4402.90.00	Other
Group 3: Animals and Animal Products		
02.04		Meat of sheep or goats, fresh, chilled or frozen
	0204.30.00	Carcasses and half - carcasses of lamb, frozen

REMOVED FROM SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW VAT APPLICABLE)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
Group 4: Agricultural Materials		
38.08		**Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (for example, sulphur-treated bands, wicks and candles, and fly-papers)**
	3808.91.90	**Others**
	3808.92.00	**Fungicides**
	3808.93.10	**Herbicides, anti-sprouting products and plant-growth regulators**
	3808.99.11	**Rodenticides**

REMOVED FROM SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW VAT APPLICABLE)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
82.01		Hand tools, the following : spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry
		Spades and shovels
	8201.10.90	Other
Group 5: Medication and Similar Health Services		
30.02		Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera, other blood fractions and immunological products, whether or not modified or obtained by means of biotechnological processes; vaccines, toxins, cultures of micro-organisms (excluding yeasts) and similar products; cell cultures, whether or not modified
		Other

REMOVED FROM SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW VAT APPLICABLE)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
	3002.90.10	Diagnostic Kits
30.05		Wadding, gauze, bandages and similar articles (for example, dressings, adhesive plasters, poultices), impregnated or coated with pharmaceutical substances or put up in forms or packings for retail sale for medical, surgical, dental or veterinary purposes
	3005.90.20	Bandages
37.01		Photographic plates and film in the flat, sensitised, unexposed, of any material other than paper, paperboard or textiles; instant print film in the flat, sensitised, unexposed, whether or not in packs
	3701.10.00	For X- ray
Group 11: Other Goods and Services		
62.11		Articles of apparel and clothing accessories, not knitted or crocheted Track suits, swimwear and other garments (not knitted or crocheted)

REMOVED FROM SCHEDULE I OF VAT ACT FROM FY 2081-82 (NOW VAT APPLICABLE)

HEADING	SUB-HEADING	DESCRIPTION OF GOODS & SERVICES
71.01		Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured, temporarily strung for convenience of transport
84.21		Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases.
	8421.21.00	For filtering or purifying water

EXCISE DUTY

75 Changes on Excise Duty on Electric Vehicle

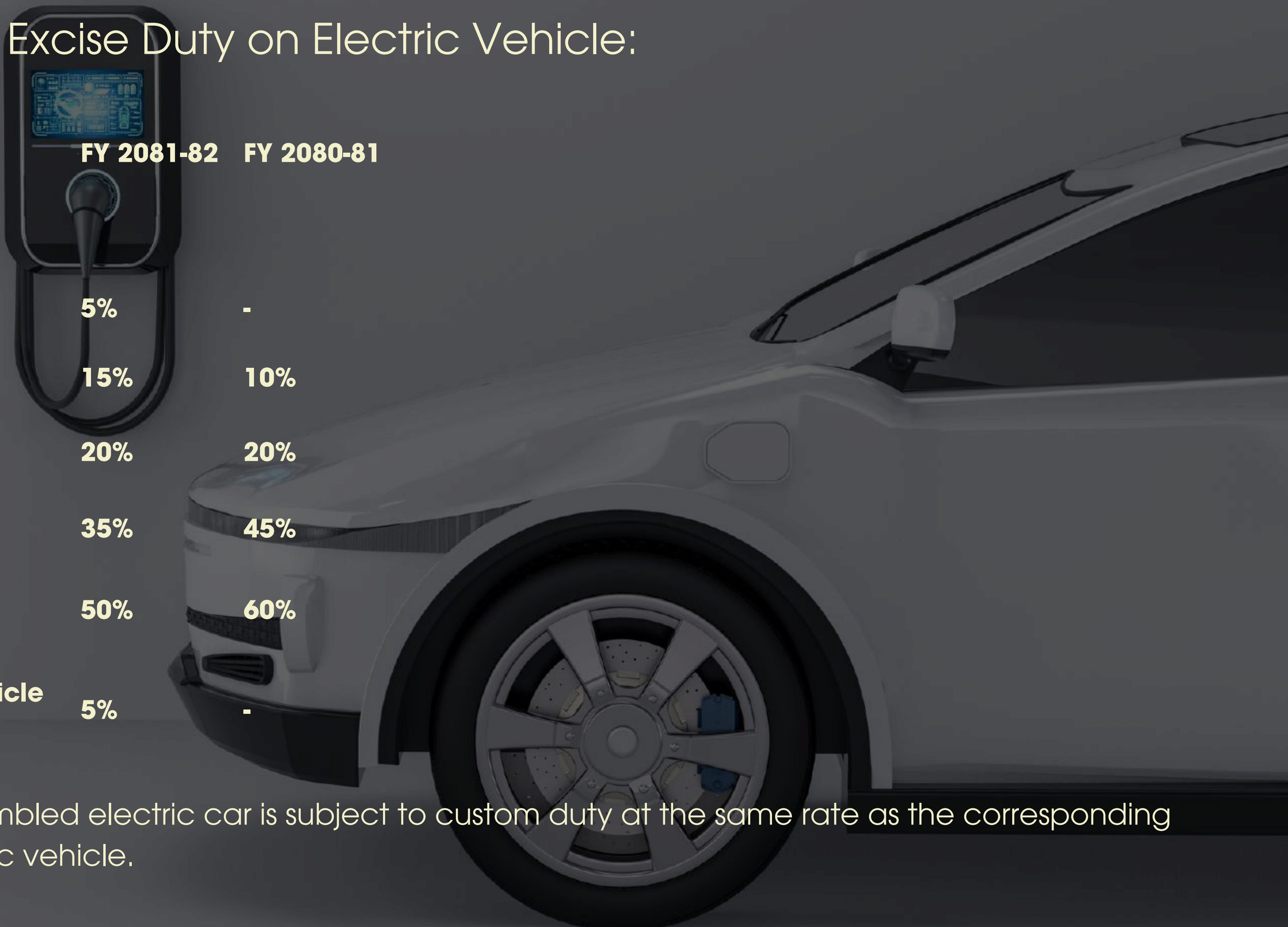
76 New Excise Duty

77-81 Amendments in Excise Duty Act, 2058

EXCISE DUTY

Changes on Excise Duty on Electric Vehicle:

Electric Vehicle	FY 2081-82	FY 2080-81
Car, Jeep, Van		
50<	**5%**	**-**
50 to 100	**15%**	**10%**
100 to 200	**20%**	**20%**
200 to 300	**35%**	**45%**
>300	**50%**	**60%**
Transportation Vehicle (four-wheeler)	**5%**	**-**



Note: The unassembled electric car is subject to custom duty at the same rate as the corresponding assembled electric vehicle.

EXCISE DUTY

- Electric cigarettes tax increased by 40% from Rs. 475 per kg
- Excise duty on fruits juice, non-alcoholic beer, energy drinks, alcohol cigarettes, cigars, beedi, Hukka Flavor, pan masala, and areca nuts also increased

New Excise Duty:

Producers	FY 2081-82	FY 2080-81
Supplements that are used for cement, mortar or concrete		
Non-refractory mortars and concretes	5%	-
Laptops and notebooks		
HYDRAULIC BRAKE FLUIDS	20%	20%
Trays, plates, dishes, cups of paper & of bamboo.	10%	-
Ice Cream	30%	20%

Note: The excise duty on tempered or laminated safety glass used in automobiles, planes, spaceships, or other vessels has been removed.

AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
2 (Ja1)	"Tobacco Products" means pan masala, gutkha, chewing tobacco or other similar products containing mixture of tobacco or tobacco products for smoking or for consumption by chewing or to be put in mouth and this term also includes cigarette, quid of tobacco (bidi), cigar,**electronic cigarette (vape) and hukkah flavor.**	"Tobacco Products" means pan masala, gutkha, chewing tobacco or other similar products containing mixture of tobacco or tobacco products for smoking or for consumption by chewing or to be put in mouth and this term also includes cigarette, quid of tobacco (bidi), cigar.
3Ka (4)	Any excise duty paid for goods **incurring loss** due to fire, theft, accident, destructive incident **or remained in stock due to** expiry of the date of utility of the good, may be deducted as prescribed by the Department.	Any excise duty paid for goods incurring loss due to fire, theft, accident, destructive incident or expiry of the date of utility of the good, may be deducted as prescribed by the Department.
4Ga (2) (Kha)	If any diplomatic agency, project, person and other governmental or non-governmental organization intends to scrap and cancel the registration of any motor vehicle imported by them under tariff facility6, which is older than **ten** years from the year of its production **or such old vehicles used by diplomatic agency or diplomatic employees which can't be used further due to accident or technical reason,** with the approval of Ministry of Finance such that it cannot be re-used, the excise duty shall not be levied on such motor vehicle.	If any diplomatic agency, project, person and other governmental or non-governmental organization intends to scrap and cancel the registration of any motor vehicle imported by them under tariff facility, which is older than **fifteen** years from the year of its production, with the approval of Ministry of Finance such that it cannot be re-used, the excise duty shall not be levied on such motor vehicle.

AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
9 (1)	However, no excise duty license shall be required to import excisable goods under the diplomatic facility on the recommendation of the Ministry of Foreign Affair, Government of Nepal and to sell or store **or export goods** under self-removal system.	However, no excise duty license shall be required to import excisable goods under the diplomatic facility on the recommendation of the Ministry of Foreign Affair, Government of Nepal and to sell or store goods under self-removal system.
9 (6Ka)	For renewal within the timeframe as mentioned in Sub-Section (5), fine equivalent to fifty percent of renewal fee for the first 3 months after expiry of time limit, hundred percent of renewal fee for second 3 months after expiry of first 3 months time limit and **two hundred percent of renewal fee for remaining period of the fiscal year** shall be levied.	The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5), shall, for renewal of license, deposit the fine equivalent of fifty percent of the renewal fees in the first three months after the expiry of time limit and a fine of hundred percent of renewal fees in the next three months.
10 Chha	If any diplomatic agency, project, person and other The Excise Duty Officer may at any time examine the content or quality of alcohol in the liquors removed from the factory with approval and in the substances sent for processing for production of liquor **at the laboratory of the department or laboratory as prescribed by the department.** The alcohol content shall not differ more than one percent or the quality shall not be substantially different.	The Excise Duty Officer may at any time examine the content or quality of alcohol in the liquors removed from the factory with approval and in the substances sent for processing for production of liquor. The alcohol content shall not differ more than one percent or the quality shall not be substantially different.

AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
10Yna1	**Use of Excise Ticket:** **(1) Excise ticket shall be used in excisable goods as prescribed by the department that are produced and exported within Nepal.** **(2) The format of excise ticket shall be as prescribed by the department.**	No Provision
10Ta	**Explanation:** **For the purpose of this section "fake excise duty ticket" means:** **(1) Not confirming to or different from the security mark or features or quality as approved by the department.** **(2) Excise duty ticket issued for one industry or entity used by another industry or entity.** **(3) Excise duty ticket issued for production of one class (category) used for production of another class (category) without the approval of department.** **(4) Excise duty ticket used once is reused.** **(5) Having torn, fragmented or false QR code.**	No Provision

AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
10Tha	**Can be destroyed:** **(1) The prescribed committee may by determining the quantity destroy following excise duty tickets: excise duty tickets kept in stock after making decision of not using the same due to not confirming the characteristics or standards as prescribed by the department, excise duty tickets having no cost, covered by dew, covered by fungus, eaten by termite, torn, not suitable for use due to change in mark of Nepal Government, unmatched or missing serial number, unmatched size and shape, partially burned due to fire, damaged due to destructive activities or can't be used due to any other reason. However, in case where quantity of old excise duty tickets can't be ascertained, the committee may destroy the excise duty tickets by raising muchulka of existing status.** **(2) Date expired tobacco products, cigarettes, beer, wine and other excisable goods that cannot be consumed may be destroyed as prescribed.**	No Provision
10Ta	If excise duty is not recovered or recovered less during sale of goods and services **produced by the entity** under Self-Removal System, upon recovering the excise duty leviable, fine of cent percent of the excise duty not recovered or less recovered.	If excise duty is not recovered or recovered less during sale of goods and services under Self-Removal System, upon recovering the excise duty leviable, fine of cent percent of the excise duty not recovered or less recovered.

AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
16 (4) (Dha)	While examining the stock of a licensee producing liquors, cigarettes, tobacco products, molasses, spirit used as raw material for liquor and other substances subject to excise duty, if the stock is found to be more than the goods mentioned in the purchase book or stock book as prescribed ~~**in Excise Duty Rules, 2059 (2002),**~~ the Excise Duty Officer may, upon adding the income of such goods and valuating such additional goods at the market value, impose a fine of cent percent of such value of the additional goods.	While examining the stock of a licensee producing liquors, cigarettes, tobacco products, molasses, spirit used as raw material for liquor and other substances subject to excise duty, if the stock is found to be more than the goods mentioned in the purchase book or stock book as prescribed **in Excise Duty Rules, 2059 (2002),** the Excise Duty Officer may, upon adding the income of such goods and valuating such additional goods at the market value, impose a fine of cent percent of such value of the additional goods.

CUSTOMS DUTY

83	Major Highlights
84-85	Amendments in Custom Act, 2064

CUSTOMS DUTY

- Customs related to tariff exemptions for imports from Tibet, an autonomous territory of China, and the Republic of India have been removed
- Paper or paperboard that has been recovered (waste and scrap), unwrought aluminum, and unwrought zinc are free from customs duties
- Imported steel milk cans by dairy and agricultural companies are only subject to a concessional tariff rate of 1%
- Imported cattle bedding mats from livestock companies and industries are only subject to a 1.00 percent concessional tariff rate
- An increase in the customs duty for electronic vehicle imports

AMENDMENTS IN CUSTOM ACT, 2064

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
34(18)	The audit referred to in this section may be done within **two years** after the date of clearance of goods. If it is proven that the importer or exporter, by producing false documents, has deposited less custom duty than required, the custom auditor upon approval of Director General, may conduct an audit even after the period of **two years.**	The audit referred to in this section may be done within **four years** after the date of clearance of goods. If it is proven that the importer or exporter, by producing false documents, has deposited less custom duty than required, the custom auditor upon approval of Director General, may conduct an audit even after the period of **four years.**
47 (3)	The concerned Customs Office shall publish **a seven-day public notice** for taking delivery of the goods which have not been cleared within the period referred to in subsection (2).	The concerned Customs Office shall publish **a fifteen-day public notice** for taking delivery of the goods which have not been cleared within the period referred to in subsection (2).
49 (Ka)	Goods to be forfeited: Parcels, packets, or containers used to pack or transport such goods **other than the container transported through cargo rail.**	Goods to be forfeited: Parcels, packets, or containers used to pack or transport such goods.
2 (Fa)	"Customs duty" means customs duty chargeable on goods to be exported or imported in accordance with **Customs Tariff Act, 2081.**	"Customs duty" means customs duty chargeable on goods to be exported or imported in accordance with **laws.**

AMENDMENTS IN CUSTOM ACT, 2064

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
22 (1)	After determining the customs value in accordance with Section 21, the customs officer shall examine whether the declared goods have been classified in accordance with Customs Tariff Act 2081. In such examination, the customs officer determines whether the classification is appropriate or not also based on subject matter mentioned in Section 61A (3).	After determining the customs value in accordance with Section 21, the customs officer shall examine whether the declared goods have been classified in accordance with the **sub-headings of the relevant Finance Act.** In such examination, the customs officer determines whether the classification is appropriate or not also based on subject matter mentioned in Section 61A (3).
	Section Removed	Section 5, 6, 7, 8, 9, 11, 72, 73, 74 and 75

Thank You!

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