

Nepal Tax Fact F.Y. 2014/15

July 2014



The [Nepal Tax Facts 2014/15](#) booklet aims at providing a brief overview of the Nepalese Taxation system based on Finance Act 2071.

The information contained in this booklet is intended as a quick reference guide, specifically designed for our clients. Details of the relevant legislation have not been included. While every care is taken during the compilation of document, Baker Tilly Nepal does not bear any loss incurred due to the decisions taken on the basis of this Tax Fact. Specific professional advice should be obtained before taking any action.

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Special Budget Proposals

A. Tax Proposals- Income Tax & VAT

1. Presumptive Tax Payers

1.1 If the tax payer with turnover up to Rs. 2 Million and Profit up to Rs. 0.2 Million who has not submitted tax return for 2069/60 and earlier year, submits tax return for F.Y. 2067/68, F.Y. 2068/69 and F.Y. 2069/70 and pays tax within Poush end, 2071, tax return is not required to be submitted for period before that and the tax, fees and Interest shall be exempted.

1.2 If the taxpayer registered for VAT have not submitted any VAT return for F.Y. 2069/70 and earlier and have not paid any VAT, the fees, penalties and other additional interest are exempted if VAT is paid and return is submitted within Poush end, 2071.

2. Doctors, Engineers, Artists, Lawyers, Auditors, Traders, Industrialists, Consultants, Commission Agents, others:

In case doctor, engineer, artists, lawyers, auditors, traders, industrialist, consultants, commission agents, or authorities, employees, teachers, professors whether in the job or retired or entities have earned taxable income before F.Y.2069/70 but have not paid tax on that income shall be exempt from Fees, Interest and Taxes of Income Year 2066/67 and earlier; submits tax returns and pays taxes on Income of F.Y. 2067/68, 2068/69, and 2069/70 after obtaining PAN number within Poush end, 2071. In case the above mentioned facility is not utilized, the applicable tax, fees and interest will be collected for all the years in which the return is not submitted or the tax is not paid.

3. Journalists and Publication Houses

In case Journalists and Publication Houses submits tax return and pays tax of F.Y. 2068/69 and 2069/70 after obtaining PAN Number within Poush end 2071, they shall be exempted from obtaining PAN number and submitting Income Tax Return of earlier Income Years.

4. Cooperatives

Exemption on Fees, Interest and Taxes of Income Year 2066/67 and earlier; in case cooperatives (that are registered under Cooperatives Tax, 2048 and that are not exempted from Tax u/s 11(2) of the Income Tax Act, 2058) submits tax returns and pays taxes on Income of IY 2067/68, 2068/69 and 2069/70 within Poush end, 2071 as per their audited financial statements. Same applies to the Withholding Taxes: Exemption on Fees, and Interest on failure to submit Withholding Tax (WHT) return and payment of WHT of Income Year 2066/67 and earlier; in case cooperatives pays WHT of F.Y. 2067/68, 2068/69 & 2069/70 within Poush end, 2071

5. Special Provisions for Presumptive Tax Payers not registered for VAT

In case a person paying presumptive taxes after falsifying their sales showing transaction up to Rs. 20 Lakhs and who are not registered for VAT, provides self declaration of transaction till FY 2070/71 and registers in VAT within Poush end 2071, if pays 3% of difference on Sales as VAT and 2% of difference on Sales as Income Tax, the tax will be final. In case of Gas and cigarette, it is 0.5% for VAT and 0.5% for Income Tax.

6. Special Provisions for the VAT registration of Educational Consultancy Service Provider & Crusher Industries

In case a educational consultancy service provider & Crusher Industries that are not registered for VAT till Ashad 2071 get registered within Poush end 2071, the VAT on transactions before the registration along with the applicable fees and interest is exempted.

If the educational consultancy service provider & Crusher Industry pays the VAT assessed by tax officer till Ashad 2071 and which is disputed &/or payable within Poush end 2071, the fees and interest assessed at the time of assessment & applicable till the date of payment is waived.

If the crusher industry pays the outstanding excise duty payable till F.Y. 2070/71 within Poush end, 2071; the fees, interest & fines applicable on it is waived.

B. Tax Proposals- Other Taxes

1. Health Service Tax

5% of Health Service Tax is levied on Health Services invoices of all entities providing health services, except for those provided by Government of Nepal and Community Hospitals.

2. Education Service Fee

Education Service Fee is levied as follows:

- 2.1. All educational institutions operated by Private sector within Nepal providing education above Higher Secondary Level: 1% on Monthly fee and Admission Fee
- 2.2. All private sector educational institutions within Kathmandu Valley, sub metropolitan city, municipality, district headquarters and area prescribed by IRD: 1% on Monthly Fee and Admission Fee

Date of submission of Return and payment of tax: On quarterly basis within 25th of next month immediately succeeding the quarter end (i.e. tax collected from Shrawan to Kartik shall be deposited within 25th of Mangsir; from Mangsir to Falgun within 25th of Chaitra and from Chaitra to Ashad within 25th of Shrawan)

Interest & Fees due to non submission and non-payment:

15% p.a. interest, if not deposited on time and Rs. 1,000 fess if return is not submitted on time

- 2.3. All the educational institutes under public Educational Guthi are not required to collect educational service fee.
- 2.4. All students who are obtaining exchange facility for educational fees: 1% of Fees at the time of granting such exchange facility

Date of submission of Return and payment of tax: On monthly basis within 25th of next month

3. Road Repair and Improvement Fees

Rs. 4 per liter in petrol and Rs. 2 per liter in Diesel.

4. Pollution Control Tax

50 Paisa per liter in petrol and diesel.

5. Royalty of Casino

- 5.1. Royalty of Rs. 30 Million per annum by the license holder which is Rs. 20Million for games using modern machines and equipments
- 5.2. The amount shall be paid within 2 months of the beginning of fiscal year
- 5.3. In case the casinos closed registering a letter with Ministry of Culture within Ashwin 2070 pays 25% of applicable royalty of F.Y. 2070/71 along with applicable fees, interest, fines within Ashoj 2071, remaining royalty, and applicable fees, interest, fines are waived
- 5.4. In case the casinos that were forced to be closed by Ministry of Culture since Baisakh 2071 pays 75% of applicable royalty of F.Y. 2070/71 along with applicable fees, interest, fines within Ashoj 2071, remaining royalty, and applicable fees, interest, fines are waived.

6. Fees related to Forest Products

- 6.1. If woods of Sal and Khaer is sold to outsiders by Community Forest: 15% of sales to be deposited to GON's reserve fund.

Major Changes in Income Tax Act & VAT Act

A. Change in Income Tax Act

Affected Persons	Section	Existing Provision	New Provision
Cooperatives u/s 11 (2), micro finance, Post Office Saving banks, Rural Development banks based on Rural Areas	11 (2Ka)	No provision- as per existing provision on Sec. 88 (4)- these persons shall not withhold tax on payment of up to Rs. 10,000 on deposit	Interest up to Rs. 25,000 paid by rural based micro finance, rural development bank, Post Office Saving Bank & Cooperatives specified in Sec. 11 (2) on deposit
Cooperatives	24 (3)	Notwithstanding anything written in Sub-section 1, IRD may approve the accounting method followed by Banks & Financial Institutions as prescribed by NRB as per the provisions of NRB Act, 2058 and existing banking laws	Notwithstanding anything written in Sub-section 1, IRD may approve the accounting method followed by Banks & Financial Institutions as prescribed by NRB as per the provisions of NRB Act, 2058 and existing banking laws. Provided that Cooperatives may follow the cash basis of accounting to book their interest Income.
Bank & Financial Institutions & Insurance	47Ka (6)	The merging entities shall register their willingness to merge within 2071 Ashad end to avail the facilities u/s 47Ka	The merging entities shall register their willingness to merge within 2072 Ashad end to avail the facilities u/s 47Ka
Bank & Financial Institutions & Insurance	47Ka (7)	The entities registering the willingness u/s 47ka (7) shall complete the merger procedure within Asadh end 2072	The entities registering the willingness u/s 47ka (7) shall complete the merger procedure within Asadh end 2073
Bank & Financial Institutions & Insurance	47Ka (8)	New sub-section added with existing sub-section shifted to sub-section 9	The entities those could not enjoy the facilities of Sec. 47Ka after the implementation of Act even after the merger can enjoy the facility under this Section.
Bank & Financial Institutions & Insurance	59 (1Ka)	The person conducting banking business are allowed to claim as expenses an amount equivalent to the amount set aside in risk bearing fund as per the standard prescribed by NRB to the extent of 5% of loan outstanding. While a person opts for this provision, the	The person conducting banking business are eligible to claim as expenses an amount equivalent to the amount set aside in risk bearing fund as per the standard prescribed by NRB to the extent of 5% of Outstanding Loan & provision against Non Banking Assets.

		written off expenses cannot be claimed for tax purpose. Such expenses shall be included in income in the year when such amount is capitalized or distributed as dividend or profit.	
Bank & Financial Institutions & Insurance	59 (1Kha)	No provision of claim of LLP by Cooperatives	The cooperatives are allowed to claim as expenses an amount equivalent to the amount set aside in risk bearing fund to the extent of 5% of loan outstanding
Bank & Financial Institutions & Insurance	59 (1Ga)	Second sentence of existing provision of Sec 59 (1Ka) given a separate sub-section.	In case when person claims expenses of such amount set aside for risk bearing fund as per subsection 1Ka and 1 Kha, the written off expenses related to bad loans cannot be claimed for tax purpose. Such amount in risk bearing fund claimed as expenses shall be included in income in the year when such amount is capitalized or distributed as dividend or profit

B. Change in VAT Act

Related Provision	Section	Existing Provision	New Provision
Definition of Group Entity or Company	2	Group Entity or Company includes the group of companies or entities in which the following condition prevail: a. An individual related in a group entity or representative of a group entity operating a business. b. In case of supply of goods by a group entity to its related entity or to any other group entity. c. Supply of goods or services to its group of entities or any other member of the group. d. In case the permanent address of businesses of two or more entities is the same.	Group Entity or Company includes the group of companies or entities in which the following condition prevail: a. An individual related in a group entity or representative of a group entity operating a business. b. In case the permanent address of businesses of two or more entities is the same. c. In case one individual or group of individuals directly or indirectly has control over the management of the group entity

		e. In case one individual or group of individuals directly or indirectly has control over the management of the group entity	
Registration requirement	10	In case the transaction becomes taxable or a person transacts in brick or a person conducts transaction of hardware, sanitary, furniture, fixture, furnishing, automobiles, motor parts, electronics, marble, educational consultancy, disco theque, health club, catering service, party palace business, parking service, dry cleaners using machinery equipments, restaurant with bar, colorlab in Metro/submetro/ municipality or areas prescribed by IRD, such person shall get registered for VAT within 30 days of the transaction being taxable or operation of business.	In case the transaction becomes taxable or a person conducts following transactions, such person shall get registered for VAT within 30 days of the transaction being taxable or operation of business: <ul style="list-style-type: none"> a. Transaction of brick after producing it, or conducts transaction of distributor of alcohol, wine shop, software, trekking, rafting, ultra light flight, paragliding, tourist transportation, crusher, slate or stone industry b. Transaction of hardware, sanitary, furniture, fixture, furnishing, automobiles, motor parts, electronics, marble, educational consultancy, disco theque, health club, catering service, party palace business, parking service, dry cleaners using machinery equipments, restaurant with bar, colour lab, boutique, tailoring with shirting-suiting materials, supplier of uniform in educational/health/ other institutions, ice cream industry in Metro/submetro/ municipality or areas prescribed by IRD

Income Tax provisions for 2014/15

A. Introduction to Income Tax Law of Nepal

1. Overview

The principal taxes in Nepal are the income tax and indirect taxes, such as value added tax (VAT), customs duty and excise duties. Capital gains form part of normal business income. Natural persons are also charged on gain on non-business chargeable assets.

Tax incentives focus mainly on establishments in special zones, industries such as Information Technology, Hydropower etc, and encouraging investments in undeveloped areas. The incentives are normally in the form of rebates in income tax rates.

The income tax law has provisions for GAAR, Transfer pricing and controlled foreign entities, but detailed guidelines are yet to be prepared.

Inland Revenue Department under Ministry of Finance administers income tax, VAT and excise duties while Department of Custom administers custom charges.

2. Charge of Tax

A resident person is charged to tax on global income, while non-residents are subject to tax only on Nepal sourced income. There are specific guidelines for ascertaining Nepal sourced incomes. Generally, a natural person is resident if he stays in Nepal for a period of 183 days or more in an income year (Mid July to Mid July) or if his habitual place of abode is in Nepal. A company is considered resident in Nepal if it is incorporated in Nepal or if effective control and management of the company is in Nepal in the year.

3. Heads of Income

There are four heads of income:

- a. Employment
- b. Business
- c. Investment
- d. Windfall Gain

In general, a tax payer's taxable income is determined by aggregating the income from all of the heads. The computation of business income is normally based on the profits shown in the financial statements, after adjusting for exempt income, final withholding payments, nondeductible expenditure, special deductions and unabsorbed losses and depreciation.

Expenditures are allowed for deduction for income from business and investment. But any deductions and expenditure incurred for earning final withholding payments and exempt incomes are not allowed as deduction.

Resident Natural persons are eligible for special deductions such as contribution to approved retirement fund, life insurance premiums, remote area benefits etc. There is no expenditure deduction for income from employment.

Tax on windfall gains is collected through WHT in case payments are made by resident persons. Resident tax payers are required to pay tax on windfall gains earned outside Nepal.

4. Tax on Non-resident

Normally, tax on service fees etc. earned by Non-Resident by providing service in Nepal is collected through WHT deducted by the resident person. But where both service provider and recipient of service are non-resident, there is no WHT on service fee payment and the recipient is required to submit income tax return and pay tax on income from service provided in Nepal.

The non-resident may create a permanent establishment if it provides service in Nepal for more than 90 days in a 365 days period. Such permanent establishment of non-resident is treated as resident taxable entity, independent from the non-resident parent company and taxed as resident person.

Foreign airlines operating in Nepal pay turnover based income tax for sales arising from travel of person and goods originating from Nepal (Excluding transits) and for sales of tickets from Nepal for travel outside Nepal (other than originating from Nepal). Other income of the airlines are treated as normal income and taxed accordingly.

5. Dividend Distribution & Profit Repatriation

Dividends paid by resident entities are subject to 5% WHT. This is final withholding and so is not required to be included in calculation of taxable income.

Dividends received by resident tax payers from non-residents are taxed as normal income.

Profit repatriated by permanent establishment to its parent company is subject to 5% WHT.

6. Double Taxation relief

Nepal has double tax avoidance treaty (DTAT) with ten countries: Austria, China, Korea, India, Mauritius, Norway, Pakistan, Qatar, Sri Lanka and Thailand.

Nepal also has unilateral tax credit mechanism where resident tax payers are eligible to claim foreign tax credit for tax paid abroad with respect to their taxable income in Nepal.

7. Self Assessment

Nepal follows a self assessment system and tax paid is not questioned unless the tax calculation is not in accordance with the law. If tax officer does not revise your assessment within four years, the tax return submitted and tax paid is considered final. The self assessment of tax liability and submission of final annual tax return and tax payment should be done within 3 months from the end of an income year. An extension for return submission is granted on request, for a maximum period of 3 months, but there is no extension for tax payment deadline. Companies and certain tax payers are also required to submit estimated tax return and pay estimated tax on three installments (Refer Page 21 of this document).

B. Taxation of Individuals

1. For Resident Taxpayers

Taxable Income Slab	Individual		Taxable Income Slab	Couple*	
	Employment	Proprietorship Firm**		Employment	Proprietorship Firm*
First Rs. 250,000	1%***	-	First Rs.300,000	1%***	0
Next Rs. 100,000	15%	15%	Next Rs. 100,000	15%	15%
Next Rs. 21,50,000	25%	25%	Next Rs. 21,00,000	25%	25%
Balance	Para 1.1	Para 1.1	Balance	Para 1.1	Para 1.1

* Husband and wife should elect to be treated as couples and the option is not an automatic choice.

** The rates are general rates tax rates for proprietorship firms, and may differs on basis of nature of business, due to business concessions and facilities offered. (Refer Page 15)

*** The 1% tax on employment should be deposited in separate revenue account in IRD as Social Security Tax.

1.1 Additional tax of 40% for taxable income exceeding Rs.2.5 million

If the natural person has taxable income of Rs.2.5 million & above, additional tax need to be paid, calculated as 40% of tax liability for income above Rs. 2,500,000.

Illustration 1

Mr. Thapa has total income from employment of Rs.3 million per annum. He has contributed Rs. 0.5 million to approved retirement fund. Assuming individual, tax will be calculated as follows.

Total Income	3,000,000.00
<i>Less Contribution to Approved Retirement Fund</i>	<i>(300,000.00)</i>
Taxable Income	2,700,000.00
Tax Liability	
1st Rs. 250,000	2,500.00
Next Rs.100,000	15,000.00
Balance Rs. 23,50,000	587,500.00
Tax Liability before Additional Tax	605,000.00
Additional Tax @ 40% on 25% of 200,000 (Rs. 200,000 is the difference of Rs. 27,00,000 less Rs. 25,00,000)	20,000.00
Total Tax Liability	625,000.00

1.2 Rebate on Tax Liability for Resident Female with only employment income

A female resident natural person having only remuneration income from employment shall be provided with a rebate of 10% on the tax liability. Income Tax Manual, 2068 requires the female to opt for individual assessment of tax to avail the Rebate facility.

Illustration 2

In illustration 1, if the income is earned by Ms. Pradhan, opting as an individual, total tax liability will be 90% of Rs. 637,000.00, i.e. Rs. 573,300.00.

1.3 Tax Rate for Non Business Chargeable Assets

Gain from disposal of Non Business Chargeable Assets of a resident natural person is taxed at 10% after taking into consideration exemption limit (i.e. Rs. 250,000 for individual and Rs. 300,000 for couples), subject to following:

- In case of land and buildings, if the disposed land & buildings has been owned for more than 5 years, tax rate of 2.5% shall apply.
- In case the disposed land & buildings has been owned for less than 5 years, tax rate of 5% shall apply. In case of gain from disposal of shares of listed entities, 5% tax rate shall apply for resident natural person.

Gain from Non Business Chargeable Assets includes:

- gain from sale of shares of companies,
- Gain from sale of land and building owned and resided for less than 10 years and disposed for more than Rs.30 lakhs.

The tax is collected on source, deducted as withholding tax (WHT). The tax payer should submit tax returns to avail exemption benefit.

1.4 Special Tax Rates for Natural Persons

Particulars	Applicable Tax Rates
For incomes earned from operating special industries	20% where 25% tax rate applies
For incomes earned from export business	15% where 25% tax rate applies

1.5 Deductions and Facilities for Resident Persons

• Life Insurance Premium

While calculating taxable income, life Insurance premium paid by a resident natural person is deductible up to the limit of Rs 20,000. Where both husband and wife have opted as couple, the insurance paid can be clubbed to claim for deduction, subject to maximum of Rs. 20,000.

• Employees working in Diplomatic Agencies

75% of foreign allowance is deducted from taxable income in case of an employee employed at diplomatic agencies of Nepal situated at foreign countries.

- **Incapacitated natural persons**

In case of incapacitated natural persons, the minimum exemption limit (Rs. 250,000 for individual and Rs. 300,000 for couples) is increased by additional 50%.

- **Remote Area Benefit**

In case of resident natural persons working in remote areas, minimum exemption limit shall be increased by Rs 50,000 depending on remote area category, as follows:

Category A	Rs. 50,000
Category B	Rs. 40,000
Category C	Rs. 30,000
Category D	Rs. 20,000
Category E	Rs. 10,000

The facility is proportionately calculated for period of stay.

- **Additional limit for pension income**

If income of a resident natural person includes pension income, the taxable income is first reduced by additional 25% or pension amount included in income whichever is lower and tax liability is calculated on balance income.

1.6 Tax Credits for Resident Persons

- **Medical Tax Credit**

In case of approved medical expenses, medical tax credit is available to resident natural persons as deduction from tax liabilities. The limit prescribed is Rs.750 or 15% of Approved medical expense or actual approved medical expense incurred whichever is lower. Any unutilized expenses can be carried forward to next year. Approved medical expense does not include cost incurred for cosmetic surgery.

- **Foreign Tax Credit**

If foreign income is included in taxable income of a resident person, foreign tax credit for tax paid in foreign country in respect of that income. The foreign tax paid can either be deducted as expense or tax liability in Nepal can be reduced by such tax paid up to average rate of tax applicable in Nepal, depending on the option of tax payer. The calculation should be done for each sourced income separately and tax not eligible as credit in a year can be carried forward to claim as foreign tax credit in future year from the same source country.

2. Tax Rate for Non Resident Natural Person

Taxable income of a non resident natural person shall be taxed at 25%. No any deduction is allowed.

C. Taxation of Business & Entities

1 Normal Tax Rates

• General companies/firms/industries	25%
• Special Industries	20%
• Banks and Financial Institutions	30%
• General Insurance Companies	30%
• Entities engaged in the business of petroleum products	30%
• Industries producing products with tobacco as basic raw material and industries producing liquors, beers and similar other products	30%
• Entities involved in operation of roads, bridges, tunnels (including cable-car), rope-way, sky bridge, after construction	20%
• Entities involve in operation of trolley bus & tram	20%
• Cooperative Societies registered as per Cooperative Act 2048 and engaged in business other than tax exempt	20%
• Export Income of an entity with source in Nepal	20%
• Trust of dead or incapacitated person	Rates as natural person

2 Reduced Rates- Concessions for F.Y. 2014/15

Industries	Rates as Percentage of Applicable rate
• Special Industries and Information Technology Industries providing direct employment to 300 or more Nepalese citizens during a period	90%
• Special Industries providing direct employment to 1200 or more Nepalese citizens during a period	80%
• Special Industries providing direct employment to more than 100 Nepalese citizens during a period; 33% of which are women, incapacitated and dalits	80%
• Special Industries operating in remote area for first ten years	10%
• Special Industries operating in undeveloped area for first ten years	20%
• Special Industries operating in underdeveloped area for first ten years	30%
• Industry with capital investment of more than Rs. 1 Billion and employing 500 individuals during the whole year	0% for first five years of operation & 50% of applicable rate thereafter for next three years
• Existing Industries increasing installed capacity by 25% and increasing the capital to Rs. 1 Billion	No tax on incremental profit & 50% of applicable rate for next three years thereafter
• Industries established in Special Economic Zone of hilly district as specified by the government and mountain district	0% for 10 years, 50% thereafter

• Industries established in Special Economic Zone of other areas	0% for 5 years & 50% of rate thereafter
• Income from foreign technology, management fee and royalty earned by foreign investor from industries established in special economic zone	50%
• Person transacting on exploration of petroleum and natural gases, if business operation starts within 2075 Chaitra end	0% for 7 yrs & 50% for next 3 yrs
• Industry operating in Technology Park, Biotech Park, and IT park and involved in software development, statistical processing, cyber café, digital Mapping	50%
• Entity involved in generation, transmission and distribution of electricity, if starts commercial activities related to generation, generation and transmission., generation and distribution, or generation and transmission and distribution within Chaitra end of 2075	0% for 7 yrs and 50% for next 3 yrs of applicable Rate
• Entity involved in generation, transmission and distribution of electricity, if starts commercial activities related to generation, generation and transmission., generation and distribution, or generation and transmission and distribution within Chaitra end of 2075 and the construction if started within 2071 Bhadra 7	0% for 10 yrs and 50% for next 5 yrs
• Profit on export income of an industry	25% Rebate on applicable rate
• In case of dividend of industries in Special Economic Zones	Dividend tax exempt for first five years of operation and 50% concession is provided for dividend tax in next three years
• Income from construction and operation of roads, bridges, tunnels (including cable-car), rope-way, sky bridge or investment and operation of tram, trolley bus	40% rebate on applicable rate
• Manufacturing, tourism, hydroelectric generation, distribution and transmission entities and Industry operating in Technology Park, Biotech Park, and IT park and involved in software development, statistical processing, cyber café, digital Mapping; if listed in Stock Exchange	10% rebate on applicable rate
• Industry producing brandy, cider and wine based on fruits and established in remote area (for first ten years of operation)	40% rebate on applicable rate
• Royalty income from export of intellectual property	25% rebate on applicable rate
• Income from sale of intellectual property	50% rebate on applicable rate
• Industry related to Tourism Sector or aviation company for international flights with capital investment of more than Rs. 2 Billion	No tax for first five years and 50% of applicable rate for next three years

3 Tax Rates for Special business of Non Residents

Particulars	Tax Rates
For incomes earned from operation of water transport, charter service or air transport where the departure is from Nepal or by operating a cable, radio, optical fiber or earth-satellite communication business from the transmission of news or information through the equipments installed in Nepal.	5%
For incomes earned from providing air transport, water transport or telecommunication services outside the territory of Nepal, the first point of departure being outside Nepal	2%
On repatriation of income by Foreign Permanent Establishment	5%

4 Presumptive Taxation- Income Tax on Owners of public vehicles

Type of Vehicle	Tax
Minibus, Minitruck, Truck and Bus (per vehicle per annum)	Rs 1,500
Car, Jeep, Van, Micro bus (per vehicle per annum)	Rs 1,200
Three Wheeler, Auto Rikshaw and Tempo (per vehicle per annum)	Rs 850
Tractor and Power Tiller (per vehicle per annum)	Rs 750

5 Income Tax for Small Tax Payers

Resident Natural Persons who only have business incomes with annual business turnover of Rs. 20,00,000 and net income below Rs 2,00,000 may chose to pay tax as below. In such case, the person cannot claim medical tax credit or advance tax for TDS deposited.

Location of business	Tax
For resident natural persons operating business in Metropolitan and Sub-Metropolitan areas (per annum)	Rs 5,000
For resident natural persons operating business in Municipality areas (per annum)	Rs 2,500
For resident natural persons operating business in other areas (per annum)	Rs 1,500

6 Additional Deductions for businesses

- Manufacturing entities may deduct 50% of capital amount for power generating assets in the year of acquisition as additional depreciation
- Capital expenditure incurred for purchasing fiscal printer and cash machine can be claimed as depreciation in the year of purchase.

7 Carry forward of normal business loss

Losses arising from business in an income year may be set off against income from any other business or investment in that year of the same person. Investment loss cannot be set-off from business income. A business loss may be carried forward and set off against future business profits in the next seven assessment years. Similarly, investment loss may be carried forward and set off against future business profits in the next seven assessment years. Foreign sourced loss can be set-off only with foreign sourced income.

Any business loss that is not set-off in seven years can be carried forward infinitely to set off against gain from disposal of business assets and liabilities. In case of natural persons, any business loss and investment loss that is not set-off in seven years can be carried forward infinitely to set off against gain from disposal of non-business chargeable assets.

8 Loss on disposal of Assets

The Income Tax law has classified assets of an entity into stock, depreciable assets and business assets. Personal assets of Natural persons may be taxed as Non Business Chargeable Assets if they meet certain criteria.

- Loss from stock is adjusted in cost of goods sold.
- Depreciation is calculated on pool basis, with assets classified into five pools. Gain or loss on disposal of depreciable assets is not calculated separately for each assets, but considered on pool basis. If there is loss on disposal of a pool of depreciable assets, it is deductible as normal loss in the concerned income year.
- Non depreciable capital assets are categorized as business assets. Any loss from disposal of business assets can be claimed as deduction in the same year as normal loss. But while calculating gain from disposal of business assets in a year, any unrelieved business loss of previous years (due to seven years limit) can be claimed for setoff. The same provision applies for disposal of business liability.

D. Withholding Taxes (WHT or TDS)

1 Concept

- WHT is deducted only by resident persons.
 - The resident natural person is allowed to deduct WHT only for payments in connection with business and payment of house rent even if not related with business.
 - For the recipient, WHT can be either advance tax or final tax.
 - Advance Tax can be claimed in the year such income is included as income in income tax statement of the person.
 - WHT is final tax if the payment falls within the list of final withholding payment. No further tax is levied in case of final withholding payments and so it is not required to be included in income, and any expenditure incurred for earning the income cannot be claimed.
- Final withholding payments basically include:

- a. Payments received by natural persons other than in connection with business such as gains from investment insurance, retirement payments, interest etc.
 - b. Windfall gains
 - c. Payments received by tax exempt organization
 - d. Payments made to non-resident person
 - e. Dividend distributed by resident entity and benefit distributed to a natural person by Mutual Fund
 - f. Meeting allowance, Payment for part time lecture
- Even if the payer fails to deduct WHT, it is regarded that WHT has been deducted by the payer (deemed WHT).
 - The Withholding taxes deducted from the recipient and the return of such taxes shall be filed within 25th of next month as per Nepalese calendar for every deduction in each month.

2 Income from Employment

Resident employer should withhold tax while making employment income payment with sources in Nepal to an employer as follows:

Monthly WHT = Annual Tax calculated as per schedule 1 on annual employment income divided by 12.

The WHT is not final tax, but the employee is exempt from submitting returns provided certain conditions are fulfilled, such as only Nepal sourced employment income, one employer at a time etc. If the employee has foreign sourced income, tax return is mandatory.

3 TDS as per Sec.88

Particulars	Rates
On Interest, Royalty, Service Charge, Retirement Payment having source in Nepal, except mentioned otherwise	15%
Payment made to resident person on Service Charge invoiced in VAT bill	1.5%
On Nepal sourced Interest by Banks and financial institutions and/or listed companies to a natural person, except made in connection with business.	5%
On payment made by a resident person for rent having source in Nepal. No TDS is required on vehicle rent paid to owners of public vehicles who pay presumptive tax each year.	10%
On payment of gain from Investment Insurance	5%
On payment of gain from retirement fund	5%
On payment of commission by resident employer company to a non resident person	5%
On payment of lease rental of aircraft	10%
On payment of returns to natural person by mutual fund (Introduced from F.Y.2013/14)	5%

4 TDS as per Sec.88 Ka

On windfall gains- except national and international level prizes as prescribed by Nepal Government. But there shall be no windfall gain tax on national and international prizes/awards up to Rs. 500,000 in case the awards are achieved due to contribution towards literature, art, culture, sports, journalism, science, technology and public administration.	25%
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5 TDS as per Sec.89

On contract payments exceeding Rs 50,000. Contract refers to agreement entered into for supply of goods or labor or construction/erection/establishment of tangible assets or structure or any work prescribed as contract by the Inland Revenue Department. The limit of Rs.50,000 is calculated by adding contract payments of last 10 days to the same person on same contract.	1.5%
On contract payments made by resident person to non-resident persons: <ul style="list-style-type: none"> - On repair of aircrafts and other contracts - Premium paid to non-resident insurance company - In other cases, if written notice is issued to the payer resident person 	5% 1.5% As per rate prescribed in notice

6 TDS as per Sec.95 Ka

On gain from disposal of interest held in a resident entity listed in stock exchange <ul style="list-style-type: none"> - received by a resident natural person - received by others 	5% 10%
On gain from disposal of interest held in a resident entity not listed in stock exchange <ul style="list-style-type: none"> - received by a resident natural person - received by others 	10% 15%
Capital Gain tax on disposal of land and building classified as Non Business Chargeable Assets, TDS to be deducted by concerned government office <ul style="list-style-type: none"> - if the land and building is owned for period less than 5 years - if the if the land and building is owned for period more than 5 years (If the building is owned and resided for a period more than 10yrs., it does not fall in the definition of Non Business Chargeable Assets and so is not taxable.)	5% 2.5%
On gain from transaction on commodity future market	10%

7 TDS as per Sec. 54

On dividend paid by resident entity and partnership firm	5%
On dividend paid by other entities	No TDS

8 Exceptions- WHT not required

- Payments made by natural persons other than conducting business. However, TDS is required on payment of house rent.
- 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.
- Interest or fee paid by Nepal Govt., under an agreement, to Foreign Govt. or an international organization (to which Nepal is a party).
- Payment of interest to a resident bank or other resident financial institution
- Payments that are exempt from tax
- Payment of dividend or interest to Mutual Fund

E. Tax Returns

1 Payment of Advance Tax & Estimated Tax Return

Every person liable to pay installment tax is required to file an estimated tax return within Poush end 2071 (15th January 2015).

Advance tax (in installment) is to be paid by every person having or likely to have assessable income from business or assessable income from investment in an income year. However, in case a person's total estimated tax liability is below Rs 5,000 advance tax in installments need not be paid.

- **Advance Tax**

Due Dates

Poush end 2071 (Mid January 2015)

Chaitra end 2071 (Mid April 2015)

Ashad end 2072 (Mid July 2015)

Amount to be deposited (Notes)

40% of estimated tax liability

70% of estimated tax liability

100% of estimated tax liability

2 Annual Tax Returns

Annual tax return should generally be filed within 3 months from the end of an income year. So, the due date of filing annual tax returns for the income year 2071/72 (2014/15) is Asoj end 2072 (Mid October, 2015). However, a taxpayer may have this due date extended for a maximum period of 3 months i.e. up to Poush end 2072 (mid January, 2015) in case he files an application in the IRD with bonafide reasons for such extension. This extension only applies to tax return submission and not for payment of tax.

F. Fees and Interest

Particulars	Fees and Interest
For failure to submit estimated income statement	Rs 2,000 for each of such statements.
For delay in filing annual tax return	<p><u>For Small Tax Payers</u> Rs 100 per month</p> <p><u>For Others</u> Fee at the rate of 0.1% on <i>gross assessable income</i>* or Rs 100 per month, whichever is higher.</p>
For failure to keep documents as required by Act	Fee at the rate of 0.1% on <i>gross assessable income</i> * or Rs 1000, whichever is higher.
Failure to submit financial statements within 3 months of Income Year end by Exempt Organization	0.1% p.a. of Gross Revenue of the organization
For under estimation of advance tax installments	Interest at 15% per annum on shortfall amount. The difference amount shall be calculated as 100% of installment, had the estimation be correct and the actual amount deposited; only if the deposited amount is lower than 90% or less of actual tax liability
For non submission of TDS return as per Sec 90	1.5% of TDS to be deposited per annum
For non submission of Advance Tax Collection return as per Sec 95Ka	1.5% p.a. of amount on which the advance tax is to be collected
For failure to pay tax	Interest at 15% per annum for the period of failure to pay tax, considering part of a month as a complete month.

*Gross Assessable income of a person for a period means assessable income of the person for the period calculated by including all the items of taxable income and ignoring all allowable expenses, for the period.

G. Tax Assessment, Appeal & Review

1 Self Assessment

The taxpayer is required to make self assessment of its tax and should file annual return and pay tax within 3 months from the end of an income year. So, the tax should be paid and return should be filed within Asoj end 2072 (Mid October, 2015) for the income year 2071/72 (2014/15). However, a taxpayer may have due date extended for a maximum period of 3 months i.e. up to Poush end 2072 (mid January, 2015) on request to IRD with bonafide reasons for such extension.

2 Amended Assessment

The tax return filed as per self assessment by a taxpayer is not final. Tax Authority may revise the assessment within four years from the date of submission of tax return under self assessment. It may revise it as many times as it deems necessary but within the four years period. If tax authority obtains evidence that the tax return of any year is misleading due to fraudulent assessment, it may revise the assessment at any time after the submission of return, but within one year of obtaining the information. If any authorized body restricts tax authority to make additional assessment, the tax authority cannot make amended assessment.

3 Appeal & review

When tax authority makes amended assessment, the taxpayer has the right to go for administrative review. The review petition can be filed within 30 days of obtaining notification as per Sec 102. In case a taxpayer cannot file a review petition within the specified days, the due date may be extended for another 30 days if an application is filed within 7 days of expiry of the due date of first 30 days. A deposit of 33% of disputed tax is required for application.

In case Inland Revenue Department (IRD) does not decide in the review within 60 days of filing the review petition or decides against the tax payer, the taxpayer may file an application to Revenue Tribunal within 35 days. The application deadline may be extended further by 30 Days. A deposit of 50% of disputed tax is required for application.

Major Provisions of Excise Act & Custom Acts- amended through Finance Act 2071

A. Excise Duty:

New Introduction of Excise in Following Products – Major Products:

Products	Excise Rate
Bathroom Goods of Plastic (H.C. 3922)	5%
House Hold Goods of Plastic (H.C. 3924)	5%
Builders' Ware Goods of Plastic (H.C. 3925)	5%
Brake Lining & Pad (H.C. 6813.20.00 & 6813.89.00)	5%
Oil / Petrol Filters for Internal Combustion Engines (8421.23.00)	5%
Intake Air Filters for Internal Combustion Engines (8421.31.00)	5%
Valves (84.81)	5%

Increase in Excise Tariff for F/Y 2071/72 - Few Major Items:

Products	Excise Rate	
	F/Y 2071/72	Earlier
Soft Drink (Alcohol Free)	Rs.6.50 / Litre	Rs.4.50 / Litre
Pan Masala (containing Lime)	Rs.325 / Kg	Rs.275 / Kg
Drinks other than Beer/Wine with alcohol above 12% (Import)	Rs.230 / Litre	Rs.210 / Litre
Beer	Rs.92 / Litre	Rs.88 / Litre
Cider Manufactured in Nepal	Rs.130 /Litre	Rs.55 /Litre
Cigar (All Types)	Rs.10 / Pc	Rs.9 / Pc
Raw Tobacco packed with lime	Rs. 184 /Kg	Rs. 160 /Kg
Ready Bldi	Rs. 70 / M	Rs. 60 / M
Cigarette 70 MM without Filter	Rs. 294 / M	Rs. 272 / M
Cigarette 70 MM with Filter	Rs. 657 / M	Rs. 597 / M
Cigarette (over 70 – up to 75 MM) with Filter	Rs. 839 / M	Rs. 763 / M
Cigarette (over 75 – up to 85 MM) with Filter	Rs. 1075 / M	Rs. 977 / M
Cigarette (over 85 MM) with Filter	Rs. 1463 / M	Rs. 1306 / M
Pipe Tobacco	Rs. 800 /Kg	Rs. 700 /Kg

- There has been increase in excise duty of liquor items.

Sundries:

- 50 % Exemption on Excise Duty on domestic production of Motorcycle & 25 % Exemption on Excise Duty on domestic production of other vehicles.
- 80 % Exemption on Excise Duty on domestic production of Brandy 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..
- Collection of Excise Duty on Vehicles' Stocks purchased up to F/Y 2065-66 shall be as per Finance Act, 2065 (i.e. Excise @ 15% shall be levied).
- Electrical Vehicles continues to be exempted from Excise Duty.
- Withdrawal of Exemption on MS Wire Rod in Coil (H.C. 7213.91.10) imported as raw material by industries on the recommendation of Department of Industries.
- Excise Duty continues to be exempted on domestic production of Marbles.
- Excise Duty continues to be exempted on domestic production of Lead Acid Batteries (H.C. 85.07).
- 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.

Remarks:

- For Exhaustive List of Excise Duty, please refer to Revised Schedule of Excise Tariff of Excise Act, 2058 given in Finance Ordinance, 2071.

B. Custom Duty:

Import Duty has been revised in following major items:

Custom Code	Description	Custom Duty Rate	
		F/Y 2071/72	Earlier Year
0802.90.00	Macadamia Nuts (Others)	Rs. 45 / Kg	15%
1905.90.20	Potato Chips	30%	20%
2016.90.70	Tobacco Free Incensed Supari	Rs. 50 / Kg	-
2402.10.00	Cigars, cheroots, cigarillos & cigarettes containing tobacco	Per Thousand sticks Rs 3500	Per Thousand sticks Rs 3000
2402.20.00	Cigarettes containing tobacco		
2402.90.00	Other		
1905.90.20	Potato Chips	30%	20%
2523.10.00	Cement Clinkers	Rs 2400 Per M.T	Rs 2200 Per M.T
2523.29.00	Portland Cement – Other	Rs 4050 Per M.T	Rs 3750 Per M.T
2618.00.00	Granulated Slag (Slag Sand) from the manufacture of Iron or Steel	Rs 1000 Per M.T	5%
2619.00.00	Slag Dross (other than Granulated Slag) Scaling and other waste from manufacture of Iron or Steel	Rs 1000 Per M.T	5%
6406.20.00	Outer Soles & Heels of Rubber or Plastic	10%	15%
8481.81.10	Valve of Gas Regulator	20%	10%
8526.10.00	Radar Apparatus	5%	15%
9401.20.00	Seats of a kind used in Motor Vehicles	30%	15%
9401.30.00	Swivel Seat with Variable Height Adjustment	30%	15%
8712.00.00	Cycles	5%	1%
71.06	Gold (including Small Gold Coins under 71.08 imported by Commercial Banks for sale to general public)	Rs. 5200 / 10 Gm	Rs. 3600 / 10 Gm

- There has been increase in custom duty of liquor items.

Partial Exemption of Import Duty-Major Items:

Particulars	Custom Duty Rate
<i>Cable under HS Code 73.12 required for manufacture of Cable Car, Readymade Cab, Steel Plats for manufacture of Cab, imported by Cable Car Industries</i>	50% Rebate
<i>Hybrid Vehicles (operated by battery as well as fuel) under HS Code 87</i>	25% Rebate
<i>Raw Amber under HS Code 25 imported by Jewellery Industries exporting jwelleries.</i>	1% Custom Duty
<i>Medical PVC Tube and auxiliary materials required for manufacture of Custom Tubing Pack (CTP) used during Heart Surgery, imported by such industries, on the recommendation of the</i>	10% Custom Duty.

Particulars	Custom Duty Rate
Department of Industries)	
One 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
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
Software imported via C.D. or Pen Drive or other such medium or imprinted on papers, other than having Custom Duty Exemption.	50% Rebate
Paper for Newspaper (HS Code: 4801.00.00) imported by Media Houses approved for Newspaper publication.	50% Rebate
Plastic Granules imported by Syringe (HS Code: 90.18) Manufacturing Industries, on the recommendation of the Department of Industries)	2.50% Custom Duty.
Mill Machinery & Equipment imported by Tomato Ketchup industries that are run through cooperatives on the recommendation of the Ministry of Agriculture & Cooperatives	1% Custom Duty.
Kitchen Equipment, Lift, A/c, Furniture & Fixtures, Colors, Electric Installation, Carpet (other than Wool Carpet), Crockery, Glassware, Table ware, Sanitary Fitting, Linen Ware etc. imported by Star Hotels, Star Resorts for Hotel Construction, Expansion, Grade Increment, Replacement as per approved plan. This facility shall be provided once in every 5 years.	- 5% Custom Duty.
Composite LPG Cylinders under HS Code 3923 (recommended by Nepal Gunastar & Naptaul Bibhaag)	- 15% Custom Duty.
Sewing Machine (HS Code 84.52) [Call & Interlock Machine]	- 1% Custom Duty.
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 on Custom Duty. - 68% Rebate on Agriculture Reform Fee
Soybean Seeds imported for manufacture of Soybean Oil	- 50% Rebate on Custom Duty. - 100% Rebate on Agriculture Reform Fee
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).	1% Custom Duty
Generator with Capacity of 10 KW or more.	1% Custom Duty
Aircraft, Helicopter, their Gear Box, Engine, Tyre, Battery, Nut, Bolt, Rivet & Parts. (In case of Lease, such 1% Custom Duty shall be refunded, if aircraft/helicopter/engine is returned within 3 Years of Import)	1% Custom Duty
Seed of Tori, Rayo, Sarsyo and Canola (Rapeseed)	1% Custom Duty

Particulars	Custom Duty Rate
Air condition having capacity above 4 Ton (under chapter 84) imported by the industries for their industrial purpose.	5% Custom Duty
Machine, Equipment, Parts imported by Pharmaceuticals/Other industries (other than H.C. 90.27 goods having Zero Custom Duty)	1% Custom Duty
Diamond under Heading 71.02	1% Custom Duty
Natural, Precious & Semi-Precious Stones under Heading 71.03, 71.04 & 71.05	1% Custom Duty
Gold Ornaments under H.C. 71.13	10% Custom Duty
Raw Materials & Auxiliary Raw Materials for Tyre Manufacturing Industries.	1% Custom Duty
Vacuum Ironing Table and Steam Iron for Readymade Garments Exporting Industries.	1% Custom Duty
Generating Parts imported by Generator Manufacturing Industries having VAT Registration.	1% Custom Duty
Man Made Staple Fibers under Chapter 55 imported by Carpet Industries	90% Rebate
Pashmina Yarn under Chapter 51.08 (Cashmere Yarn)	1% Custom Duty
Mill Machinery & Equipment (excepting parts) other than House-hold Equipment Under Custom Code 84 having Custom Duty Rate of 5%	4% Custom Duty
Tanker (under 87) for transportation of Milk imported by the Dairy Industry.	80% Rebate
Cotton Yarn under heading of custom code 52.05 and 52.07	80% Rebate
LP Gas	5% Custom Duty
Import of Polyester Film, BOPP film, Extracted Poly-film under heading of 39.19, 39.20 and 39.21 by industries registered in VAT and producing Poly-coating Paper and Printed Lamination Film.	10% Custom Duty
Filler Master Batch under Custom Code 39.20.	10% Custom Duty
Sari, Lungi, Cotton Towel and Cotton Dhoti under Custom Code 62.11.	5% Custom Duty
Vehicles under Heading 87 operated on Electricity / Battery	50% Rebate
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.	50% Rebate
Vehicles under Custom Code 87.04 installed with full refrigeration system for purpose of transport of goods in refrigerated condition	10% Custom Duty
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]	10% Custom Duty
Unassembled Television under HS Code 8528.72.10 consisting of Parts, Semi Finished LCD or LED, Panel, Cathode Ray Picture Tube and auxiliary Raw Materials, imported by Television Assembling Industries.	10% Custom Duty
UPVC Corrugated Roofing Sheet (Tiles) under Custom Code 3918	15% Custom Duty
Machinery, Equipment and its parts used for production of organic fuel	1% Custom Duty
Equipment imported by industries for Pollution Control	1% Custom Duty
Tin box (under 80.07) with its printed name imported by the Dairy Industry.	50% Rebate
Raw Material, Auxiliary Materials, Chemicals & Packing Materials of Pharmaceutical Industry on recommendation of DDA	1% Custom Duty
Cable, Battery & Telecommunication Equipment (other than Tower Structure & Shelter) imported for establishment of Exchange and network expansion in rural areas by government / private sector telecommunication operator upon recommendation of Information & Communication Ministry, having Custom Duty more than 5%	7% Custom Duty

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)

New Developments:

- **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.**

Sundries:

- **The rate of custom duty on import shall be levied as per Annex 1 of the Finance Ordinance, 2071 for F/Y 2071/72 w.e.f. July 13, 2014.**
- 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) **has been decreased by 2%** as follows:
For goods falling under Duty Rate up to 30% : **5% Rebate**
3
For goods falling under Duty Rate Above 30% : **3% Rebate**
- Rebate in Custom duty on goods of Chinese Origin imported from China through Letter of Credit (other than the goods on which custom duty is levied on quantitative rate) **has been decreased to 3% from 4%**.
- Concessional Custom duty on goods imported from SAARC Countries other than goods listed under Section 20 of Annex 1 of the Finance Ordinance, 2071 through Letter of Credit has further been reduced:

Custom Duty Rate as on Poush 17, 2062	New Custom Duty Rate Applicable	Earlier Custom Duty Rate
5%	5%	5%
10%	6%	6.50%
15%	7.25%	8.25%
25%	9.50%	11.75%
35%	11.25%	14.50%
40%	11.25%	14.50%
80%	11.25%	14.50%

(Note: In case the Custom Duty Rate above is higher than the rate prescribed under Annex 1 of the Finance Ordinance, 2071; the lower rate shall be applicable.)

- **Old SAFTA concession has been abolished. New 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 Ordinance, 2071 through Letter of Credit has further been reduced:

Custom Duty Rate as on Kartik, 2062	New Custom Duty Rate Applicable	Earlier Custom Duty Rate
5%	5%	5%
10%	9%	9.50%
15%	14%	14.50%
20%	18.50%	19%
35%	22%	22.50%
30%	27.50%	28.50%
80%	30%	71%

(Note: In case the Custom Duty Rate above is higher than the rate prescribed under Annex 1 of the Finance Ordinance, 2071; 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.

Export Duty:

- Export Duty has been **introduced** in following items:

Sub Heading	Item	Export Duty Rate	
		F/Y 2071/72	Earlier Year
2106.90.70	Tobacco Free Incensed Supari	Rs.25/kg	-

- Export Duty has been **exempted** in following items:

Sub Heading	Item	Export Duty Rate	
		F/Y 2071/72	Earlier Year
10.02	Rye	-	Rs.1/kg
1404.90.18	Amriso	-	Rs.1/kg

2303.20.00	Beet Pulp, Bagasse and other wastage of Sugar Manufacture	-	Rs.0.50/kg
2303.20.00	Brewing or Distilling Dregs & Waste	-	Rs.0.50/kg
3203.00.10	Khayar Kuchh	-	Rs.3/kg
3203.00.10	Others	-	Rs.3/kg

➤ Export Duty has been **increased** in following items:

Sub Heading	Item	Export Duty Rate	
		F/Y 2071/72	Earlier Year
2505.10.00	Silica Sand and Quartz Sand	Rs. 1200/m3	Rs. 800/m3
2505.90.00	Other Sand	Rs. 1200/m3	Rs. 800/m3
2514.00.00	Slate	Rs. 1200/m3	Rs. 800/m3
2516.20.10 2517.10.10 2517.20.10	Gravel, Broken or Crushed Stone, Concrete, Pebbles up to 2.5 inch	Rs. 600/m3	Rs. 400/m3
2516.20.20 2517.10.20 2517.20.20	Gravel, Broken or Crushed Stone, Concrete, Pebbles above 2.5 inch	Rs. 800/m3	Rs. 600/m3
2516.20.30 2517.10.30	Broken or Crushed Stone and Mixture of Sand and Crushed Stone	Rs. 1200/m3	Rs. 800/m3
2517.49.10	Dust of Stone produced in Crusher Industry	Rs. 600/m3	Rs. 400/m3
2517.49.90	Other produced in Crusher Industry	Rs. 600/m3	Rs. 400/m3
2519.10.00	Natural Magnesium Carbonate (Magnesite)	Rs. 600/m3	Rs. 400/m3
2519.90.00	Other	Rs. 600/m3	Rs. 400/m3
2526.10.00	Natural Stealite (Not Crushed, Not Powdered)	Rs. 1.50/kg	Rs. 1/kg

➤ Export Duty has been **decreased** in following items:

Sub Heading	Item	Export Duty Rate	
		F/Y 2071/72	Earlier Year
1404.90.10	Semi Finished Khayar Kattha (Kattha Juice)	Rs.7/kg	Rs.10/kg
1404.90.30	Rudraksha Seed	Rs. 1/kg	Rs. 2/kg
4408.10.00 / 4408.31.00 / 4408.39.00 / 4408.90.00	Wood	Rs. 6/kg	Rs. 7/kg

Remarks:

- For Exhaustive List of Import Custom Duty, please refer to **Schedule 1** given in **Finance Ordinance, 2071**.
- For Exhaustive List of Export Custom Duty, please refer to **Schedule 2** given in **Finance Ordinance, 2071**.

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