

# **Nepal Tax Fact 2025/26 (2082/83)**

*Major Taxation Provisions including  
Changes by Finance Bill, 2082  
(2025)*

# Contents

Disclaimer .....	2
Budget Highlights .....	3
Taxes by Finance Bill, 2082.....	4
Special Proposals from the Act .....	9
Amendments in Income Tax Act, 2058 with effect from Shrawan 1, 2082.....	11
Income Tax provisions for 2082/83 (2025/26) .....	18
Introduction to Income Tax Law of Nepal .....	18
Taxation of Individuals .....	20
Taxation of Business & Entities.....	24
Tax Returns .....	38
Fees and Interest.....	40
Tax Assessment, Appeal & Review and Renewal of Tax Exemption Certificate .....	41
Amendments in Value Added Tax, 2052 with effect from Jestha 15, 2082.....	42
Value Added Tax- Major Provisions & Changes .....	44
Overview .....	44
Registration Requirements.....	44
Value Added Tax Returns .....	44
Payment of Value Added Tax.....	45
VAT Credit .....	45
VAT Refund .....	45
VAT Invoice .....	45
About Baker Tilly.....	46

# Disclaimer

The **Nepal Tax Facts 2025/26** booklet aims at providing a brief overview of the Nepali Taxation system based on Finance Bill 2025 (2082).

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 does not bear any loss incurred due to the decisions taken based on this Tax Fact. Specific professional advice should be obtained before taking any action.

# Budget Highlights

## Budget Objectives

- To alleviate poverty by achieving high, sustainable and wider economic growth
- To create job opportunities through entrepreneurship development and increase in public and private investment.
- To increase economic capability by using modern technology
- To maintain social justice from social protection and development
- To promote quality public service and governance.

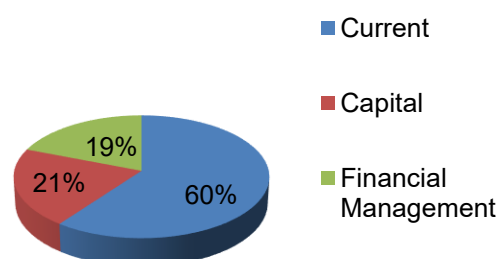
## Budget Priorities

- Increase in entrepreneurship, employment, production and productivity.
- Increase investment in beneficial quality physical infrastructure.
- Quantitative reform in social sector
- Balanced development and ensuring social security.
- Citizen oriented service, corruption control and reform governance.

## Key Figures (In Billion):

Total Expenditure:	Rs. 1,964.11
Current:	Rs. 1,180.98
Capital:	Rs. 407.89
Financial Provision:	Rs. 375.24
Province & Local level: (Included in current)	Rs. 47.83

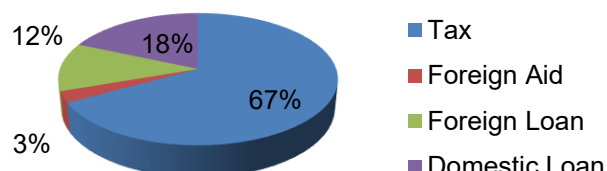
## Expenditure Allocation



## Sources of Fund:

Tax Revenue:	Rs. 1,315
Foreign Aid:	Rs. 53.45
Foreign Loan:	Rs. 233.66
Domestic Loan:	Rs. 362

## Source



# Taxes by Finance Bill, 2082

The following taxes are administered in Nepal without enacting separate law, and through the enactment of Finance Bill every year.

Tax	Applicable Goods or Services	Tax Rate
<b>Foreign Employment Service Tax</b>	<ul style="list-style-type: none"> <li>Levied on person going on foreign employment through licensed person on business of foreign employment.</li> <li>Transaction value: Amount paid to such licensed business person</li> <li>Amount of such fee to be expensed on benefit of person on foreign employment.</li> <li>Fee to be deposited within 25<sup>th</sup> of next month.</li> <li>15% p.a. interest to be charged in case of non-payment.</li> <li>Administration : as prescribed by Foreign Employment Department</li> </ul>	<ul style="list-style-type: none"> <li>1% on total amount received</li> </ul>
<b>Education Service Tax (EST)</b>	<ul style="list-style-type: none"> <li>Applicable on students pursuing education in foreign country</li> <li>Collectible by Banks and Financial Institutions at the time of providing exchange facilities</li> <li>Applicable on Education Fee</li> <li>Monthly Returns to be filed by B/FIs providing such facility, within 25 days of every Nepali Calendar Month</li> <li>Collected EST to be payable monthly by B/FIs, within 25 days of every Nepali Calendar month</li> <li>Fine at the rate of 15% shall be applicable if BFIs do not deposit EST within the stipulated time</li> <li>Refund of EST to those students who have not been able to pursue the foreign education after exchange of foreign currency from the concerned bank as per the prescribed provision from IRD.</li> </ul>	<ul style="list-style-type: none"> <li>3% of Education Fee</li> </ul>
<b>Administration:</b>		
As prescribed by Inland Revenue Department		

<b>Infrastructure Development Tax</b>	<ul style="list-style-type: none"> <li>• On Petrol and Diesel</li> <li>• Levied at Customs Frontier</li> </ul>	<ul style="list-style-type: none"> <li>• Rs. 10 per liter</li> </ul>
<b>Green Tax</b>	<ul style="list-style-type: none"> <li>• On import of goods mentioned in Schedule 1 of this Finance Bill</li> </ul>	<ul style="list-style-type: none"> <li>• As per schedule 1 of this Finance Bill</li> </ul>
<b>Road Construction Fees</b>	<ul style="list-style-type: none"> <li>• On import and domestic production of vehicles</li> <li>• To be collected by Customs office on fresh import</li> <li>• To be collected by Transport Registration office on vehicles imported before the implementation of this provision and yet to be registered and domestic production of vehicles</li> </ul>	As per schedule 2 of this Finance Bill
<b>Road Repair and Improvement Tax (RRIT)</b>	<ul style="list-style-type: none"> <li>• Levied at Customs Frontier <ul style="list-style-type: none"> <li>➤ On petrol</li> <li>➤ On diesel</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Rs. 4/ltr</li> <li>➤ Rs. 2/ltr</li> </ul>
<b>Cinema Development Tax</b>	<ul style="list-style-type: none"> <li>• Levied on entry fee on showing foreign movies at Nepali cinema hall.</li> </ul>	As per schedule 3 of this Finance Bill.
<b>Pollution Control Tax (PCT)</b>	<ul style="list-style-type: none"> <li>• Levied on Petrol and diesel to be distributed in Nepal</li> <li>• Collectible by importer</li> <li>• Payable monthly within 25 days of end of every Nepali calendar month</li> <li>• Non-compliance on deposition: 15% p.a. interest</li> <li>• Administration: as prescribed by IRD</li> </ul>	<ul style="list-style-type: none"> <li>• Rs. 1.50 per liter</li> </ul>
<b>Telephone Ownership Tax (TOT)</b>	<ul style="list-style-type: none"> <li>• Levied to customer installing telephone</li> <li>• In case of prepaid phone, at every sim card and recharge card</li> <li>• TOT to be payable monthly, within 25 days of end of every Nepali Calendar Month</li> <li>• Telecom operator are penalized with interest @ 15% p.a. for any delay on payment of such TOT</li> </ul>	<ul style="list-style-type: none"> <li>• Rs. 500</li> <li>• 2% of value</li> </ul>

	<ul style="list-style-type: none"> <li>Administration: as prescribed by Inland Revenue Department</li> </ul>	
<b>Telephone Service Fee (TSC)</b>	<ul style="list-style-type: none"> <li>Levied to customers of telephone, internet, mobile</li> <li>Collectible by Internet service provider or Telecom service provider</li> <li>Exemption on Interconnection charges payable by telecom service provider and up to 50% of repair and maintenance of fixed bandwidth service charge</li> <li>TSC to be payable monthly, within 25 days of end of every Nepali Calendar Month</li> <li>Telecom operator are penalized with additional @ 5% p.a. for any delay on payment of such TSC</li> <li>Administration: as prescribed by Inland Revenue Department</li> </ul>	<ul style="list-style-type: none"> <li>10% of Telephone fee</li> </ul>
<b>Casino Royalty</b>	<ul style="list-style-type: none"> <li>Operation of casino by person or entity licensed to operate Casino</li> <li>If it is played using modern machine or equipment only</li> </ul>	<ul style="list-style-type: none"> <li>Rs. 50 million per annum</li> <li>Rs. 15 million per annum</li> </ul>
<b>Luxury Fee</b>	<ul style="list-style-type: none"> <li>Levied on:               <ol style="list-style-type: none"> <li>Service provided by five star or higher rated hotels and luxury resorts</li> <li>Imported alcohol</li> <li>Sales of gold or old ornaments.</li> </ol> </li> <li>Shall be collected:               <ol style="list-style-type: none"> <li>At the time of providing service by five star or higher rated hotels and luxury resorts</li> <li>At the time of import of alcohol</li> <li>At the time of sale of ornaments</li> </ol> </li> <li>The fee and return to be deposited within 25<sup>th</sup> of next month</li> </ul>	<ul style="list-style-type: none"> <li>2% of value</li> </ul>

	<ul style="list-style-type: none"> <li>• 15% p.a. interest to be charged in case of non-payment.</li> <li>• 2.5% p.a. fee to be charged in case of non-submission of return.</li> <li>• 25% fee to be charged in case luxury fee is not collected</li> <li>• Administration: as prescribed by Inland Revenue Department</li> </ul>	
<b>Digital Service Tax</b>	<ul style="list-style-type: none"> <li>• Levied on Non-resident person providing digital service to customers of Nepal</li> <li>• Tax shall not be levied if annual transactions is up to Rs. 30 lakhs and service is provided to business customers.</li> <li>• Return and tax to be deposited on income year.</li> <li>• 0.5% p.a. fee on transaction amount to be charged for non-filing of return.</li> <li>• 15% p.a. interest to be charged in case of non-payment.</li> <li>• 50% penalty for less deposit or conceal.</li> <li>• No income tax as per Income Tax Act, 2025 on income amount disclosed under this provision.</li> <li>• Administration: as prescribed by Inland Revenue Department</li> </ul>	<ul style="list-style-type: none"> <li>• 2% of turnover</li> </ul>
<b>Health Risk Tax</b>	<ul style="list-style-type: none"> <li>➤ Levied on imported or manufactured on the following items:</li> <li>➤ Bidi</li> <li>➤ Cigarette and Cigar</li> <li>➤ Heated tobacco used in non-degradable inhaling</li> <li>➤ Non/Rechargeable electronic cigarette or vape containing nicotine/not used for inhaling</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rs. 0.30 per piece</li> <li>➤ Rs. 0.60 per piece</li> <li>➤ 10% on customs value</li> <li>➤ Rs. 30 per piece</li> </ul>



---

➤ On Import or domestic production of chewing tobacco, khaini, Paan Masala, Gutkha, perfumed betel nut, mouth freshener, hukkah flavors	➤ Rs. 60 per kilogram
---	-----------------------

---

# Special Proposals from the Act

---

## Special provision related to waiver of penalty, additional fee and interest of VAT

Registered taxpayer who has submitted/not submitted VAT return upto Chaitra end 2081 shall be waived from penalty, additional fees, and remaining interest if the taxpayer submits the VAT return, VAT amount and 25% of interest on VAT within Poush end 2082.

---

## Special provision related to waiver to International Air Transport Service Provider and Ticket Sales Agent

VAT non-registered international air transport service provider is relieved from interest, penalty and additional fee if such service provider registers in VAT and pays VAT amount collected/required to be collected on transaction from Kartik 01, 2081 within Ashoj end 2082.

Same waiver is also available for ticket sales agent of international air transport service provider.

---

## Special provision related to exemption to tax assessed to non-filer taxpayers

Non filer tax payers who has been assessed under section 101 of the Income Tax Act, 2058 can file and pay the tax within Poush end 2082. Tax office can reassess the tax return within Ashad end 2083 on such return and section 20(4) of VAT Act and 101 (3) of Income tax act will not be attracted in this case. The latest reassessment by tax officer is only valid in such case.

---

## Hydropower project to import through bank guarantee

Hydropower project, its contractor or project promoter which have obtained principal approval for capacity increment and design modification can import construction equipment, machinery or its spare parts, explosives, penstock pipe and steel plate required for production, transmission and distribution through bank guarantee for customs charge and value added tax in recommendation of Electricity Development Department. Such bank guarantee is released after approval of modification and recommendation of EDD. 1% custom charge is deducted while releasing such guarantee by Customs Office.

---

## Special provision of deductible expense of rent of carriage vehicle

Carriage service providing businesses can claim rental expense of carriage vehicle hired from natural person without PAN invoice, if withholding tax had been deducted on such expenses for the year 2078/79, 2079/80 and 2080/81.

---

## Special Provision for Transfer of Retirement Contribution Amount

Any approved retirement fund as per Income Tax Act, 2058 should be linked/obligated to retirement fund operated by Employee Provident Fund, Citizen Investment Trust, Social Security Fund or Pension Fund within Ashad end 2083.

Lumpsum fund transferred from such retirement funds within the mentioned timeframe are not subject to advance tax under Income Tax Act, 2058.

---

## Special Provision related to waiver of penalty, additional charge, fee and interest to social organization

Community hospital, health organization or transportation related organization registered under Firm Registration Act, 2034 will be waived from penalty, additional charge, fee and interest if the tax payers pays assessed tax within

---

---

Poush end 2082 for the assessment conducted up to Jestha 15, 2082 related to VAT Act, Income Tax Act and yearly Finance Act.

---

### **Special Provision to foreign person providing digital service in Nepal**

Foreign person registered in Nepal under section 16 of Finance Act, 2081 and section 10 B1 of VAT Act, 2052 are exempted from provision of digital PE as per Income Tax Act, 2058.

---

### **Special Provision for waiver of interest and fee of Income Tax**

Interest and fees will be waived in payment of assessed tax within Ashad end 2082 by the company whose tax has been levied due to application of section 57 of the Income Tax Act by the effect of change in ownership by holding-subsidary relation of resident company in Nepal.

---

### **Special Provision for tax exemption to private and public transport vehicle**

Tax payable for FY before 2081-82 shall be exempted if more than 20 years old or non-operating private or public transport vehicle pays tax for the year 2081/82 and 2082/83 for the purpose of deregistration within Poush end 2082.

---

# Amendments in Income Tax Act, 2058 with effect from Shrawan 1, 2082

Section	Existing Provision	New Provision
2 (x)	"Entity" means the following organization or body: (1) A partnership, trust or company, (2) Rural Municipality, Municipality or District Coordination Committee, (3) Government of Nepal, Provincial Government or Local Level, (4) Any foreign government or provincial or local government under that government or a public international organization established by any treaty, or (5) A permanent establishment of the organization or body referred to in clauses (1), (2) (3) and (4), 14 which is not situated in a country of which it is a resident.	"Entity" means the following organization or body: (1) A partnership, trust or company, (2) <del>Rural Municipality, Municipality or</del> District Coordination Committee, (3) Government of Nepal, Provincial Government or Local Level, (4) Any foreign government or provincial or local government under that government or a public international organization established by any treaty, or (5) A permanent establishment of the organization or body referred to in clauses (1), (2) (3) and (4), 14 which is not situated in a country of which it is a resident.
2 (ai1)	<del>Contribution based retirement payment means payment of amount deposited after deduction from salary of employee and any additional contribution from employer to approved retirement fund and the amount also includes increment on such contribution.</del>	Contribution based retirement payment means payment of amount deposited to approved retirement fund after deduction from amount included in income from employment of natural person and the amount also includes increment on such contribution.
2 (aab)	"Permanent establishment" means a place where any person carries on a business fully or partly, and the term includes the following place: (1) A place where any person carries on a business fully or partly, through any agent except a general agent who acts independently in the ordinary course of carrying on business, (2) A place where any person's main equipment or main machinery is situated or used or installed, (3) One or more than one place in any country where any person has delivered technical, professional or consultancy service through an employee or in any other manner for more than ninety days at one or several times in a period of any twelve months, or	"Permanent establishment" means a place where any person carries on a business fully or partly, and the term includes the following place: (1) A place where any person carries on a business fully or partly, through any agent except a general agent who acts independently in the ordinary course of carrying on business, (2) A place where any person's main equipment or main machinery is situated or used or installed, (3) One or more than one place in any country where any person has delivered technical, professional or consultancy service through an employee or in any other manner for more than ninety days at one or several times in a period of any twelve months, or (4) A place where any person is involved in a

	<p>(4) A place where any person is involved in a construction, installation or establishment project and has carried out supervisory works of that project for a period of ninety days or more.</p> <p>(5) A place where a person or entity, while residing outside Nepal, demonstrates significant digital presence in Nepal or a place where data or service business is carried for at least ninety days within the past six months using servers located outside Nepal,</p>	<p>construction, installation or establishment project and has carried out supervisory works of that project for a period of ninety days or more.</p> <p><del>(5) A place where a person or entity, while residing outside Nepal, demonstrates significant digital presence in Nepal or a place where data or service business is carried for at least ninety days within the past six months using servers located outside Nepal,</del></p>
4B	<b>No Provision</b>	No withstanding anything written in subsection 4 and 4A, the person must select this provision in the fiscal year.
11 (3)	Tax shall be levied as follows on the income earned by any person from a special industry and information technology industry in any income year:	Tax shall be levied as follows on the income earned by any person from a special industry, <b>hotel, resort and</b> information technology industry in any income year:
11 (3C)	The industry related to software development, data processing, cyber cafe, digital mapping established in the operation of the zoological, geological, biotech related park, technological park specified by the Government of Nepal by a notification in the Nepal Gazette shall have fifty percent exemption from income tax.	The industry related to software development, data processing, cyber cafe, digital mapping established in the operation of the zoological, geological, biotech related park, technological park specified by the Government of Nepal by a notification in the Nepal Gazette shall have <del>fifty percent</del> <b>seventy five percent</b> exemption from income tax.
11 (3I)	<p>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.</p> <p>For the purpose of this sub-section, "information technology industry" refers to technology park, information technology park, biotech park, software development, data processing, digital mapping, business process outsourcing, data mining cloud computing related industries.</p>	<p>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.</p> <p><del>For the purpose of this sub-section, "information technology industry" refers to technology park, information technology park, biotech park, software development, data processing, digital mapping, business process outsourcing, data mining cloud computing related industries.</del></p>
11 (3T)	The start –up business using new changing knowledge, thought, skill having annual transaction of up to one crore , as prescribed	The start –up business using new changing knowledge, thought, skill having annual transaction of up to <del>one crore</del> <b>ten crore</b> , as

	by the Department shall be provided with hundred percent tax exemption for five years of commencement of its transaction.	prescribed by the Department shall be provided with hundred percent tax exemption for five years of commencement of its transaction.
11 (3z), 3(aa) and 3(ab)	No Provision	(3z) Industry producing green hydrogen shall be exempted from income tax for five years from transaction start date.  3(aa) Electronic vehicle charging machine manufacturing and assembling industry shall be exempted from income tax for five years from transaction start date.  3(ab) Person establishing and operating industrial area or industrial gram development shall be exempted from income tax by 100% for 10 years from transaction start date and by 50% for next five years.
11 (6) (e)	No provision	Information Technology Industry means industry related to technology park, information technology park, biotech park, software development, statistics processing, digital mapping, business process outsourcing, data mining, cloud computing.
21 (1) b	<b>Expense not allowed for deduction:</b> b) 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. However, any tax collected in accordance with sub-section 7 of section 95A that could not be fully utilized within that fiscal year, the tax paid to Provincial Government and Local Level shall be deducted as expenses.	<b>Expense not allowed for deduction:</b> b) 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. However, <del>any tax collected in accordance with sub-section 7 of section 95A that could not be fully utilized within that fiscal year</del> , the tax paid to Provincial Government and Local Level shall be deducted as expenses.
21 (1) f	Similar other amounts notwithstanding that they are not so mentioned in clauses (a), (b), (c), (d) and (e) as not to be deductible, except those allowable under this Chapter or Chapter-6, 7, 10, 12 or 13.	Similar other amounts notwithstanding that they are not so mentioned in clauses (a), (b), (c), (d), <del>(d1), (d2), (e) and (e1)</del> as not to be deductible, except those allowable under this Chapter or Chapter-6, 7, 10, 12 or 13.
33	Price transferring and other arrangements between associated persons	<del>Price-transferring</del> Transfer pricing and other arrangements between associated persons
63	Approval of retirement fund: (1) If a resident person who desires to hold a retirement fund makes an application to the	<del>Approval of retirement fund:</del> <del>(1) If a resident person who desires to hold a retirement fund makes an application to the</del>

	<p>Department for having the retirement fund, the Department shall give approval as prescribed. Provided that such fund as the Citizens Investment Trust formed under the Citizens Investment Fund Act, 2047 (1991) or Social Security Fund formed under the Contribution-Based Social Security Fund Act, 2074 (2017), if it wishes to maintain a retirement fund, the Employee Provident Fund formed under the Employee Provident Fund Act, 2019 (1962) or the Retirement Fund formed under the Retirement Fund Act, 2075(2018) operates a retirement fund, it shall not be required to obtain approval for such fund.</p> <p>(2) An individual who is the beneficiary of the retirement fund may make a claim to have the retirement contribution made to the fund in any income year deducted while computing his income.</p>	<p><del>Department for having the retirement fund, the Department shall give approval as prescribed. 183 Provided that such fund as the Citizens Investment Trust formed under the Citizens Investment Fund Act, 2047 (1991) or Social Security Fund formed under the Contribution-Based Social Security Fund Act, 2074 (2017), if it wishes to maintain a retirement fund, the Employee Provident Fund formed under the Employee Provident Fund Act, 2019 (1962) or the Retirement Fund formed under the Retirement Fund Act, 2075(2018) operates a retirement fund, it shall not be required to obtain approval for such fund.</del></p> <p>(2) An individual who is the beneficiary of the retirement fund may make a claim to have the retirement contribution made to the fund in any income year deducted while computing his income.</p> <p>For the purpose of this section, approved retirement fund means retirement operated by Employee Provident Fund formed under the Employee Provident Fund Act, 2019 (1962), Citizens Investment Trust formed under the Citizens Investment Fund Act, 2047 (1991), Social Security Fund formed under the Contribution-Based Social Security Fund Act, 2074 (2017) or the or the Retirement Fund operated under the Retirement Fund Act, 2075(2018).</p>
67	<p><b>Explanation</b></p> <p>(b)"Liability to be borne in Nepal" means the liability of a resident person</p>	<p>"Liability to be borne in Nepal" means the liability created from activities operated in Nepal by the resident person.</p>
92 (1) (k)	<p>Final Withholding Income Payment</p> <p>Payment for rent of a motor vehicle or carrier vehicle or carriage service of an individual except a private firm.</p>	<p>Payment for rent of a motor vehicle or carrier vehicle or carriage service of a natural person paying tax under Subsection 1 (13) of Schedule 1.</p>
95A(7)	<p>In case of goods imported as per customs duty related laws for business purposes shall be subject to advance tax at custom frontier as under:</p> <p>In case goods classified under following chapter of Custom Classification, Tax shall be</p>	<p><del>In case of goods imported as per customs duty related laws for business purposes shall be subject to advance tax at custom frontier as under:</del></p> <p><del>In case goods classified under following chapter of Custom Classification, Tax shall be withheld at the customs point at the rate of 10 percent of customs value:</del></p>

	<p>withheld at the customs point at the rate of 10 percent of customs value:</p> <ul style="list-style-type: none"> <li>- Chapter 1: Live animals</li> <li>- Chapter 2: Meat and inedible meat offal</li> <li>- Chapter 3: Live fish and all types of fish products</li> <li>- Chapter 6: Flowers and other products</li> <li>- Chapter 7: Edible vegetables, some roots, and tubers</li> <li>- Chapter 8: Edible fruits, nuts, and other products.</li> </ul> <p>A customs duty of two and a half percent (2.5%) is applied for the import of following goods:</p> <p>Chapter 4: Dairy products, eggs, honey, and other similar products</p> <ul style="list-style-type: none"> <li>- Chapter 10: All types of cereals except rice</li> <li>- Chapter 11: Flour, grains, and other similar products</li> <li>- Chapter 12: Medicinal plants, sugarcane</li> <li>- Chapter 14: Plant-based products</li> </ul> <p>Provided that goods taxable under value-added tax, are subject to one and a half percent (1.5%) advance tax.</p>	<p><del>Chapter 1: Live animals</del></p> <p><del>Chapter 2: Meat and inedible meat offal</del></p> <p><del>Chapter 3: Live fish and all types of fish products</del></p> <p><del>Chapter 6: Flowers and other products</del></p> <p><del>Chapter 7: Edible vegetables, some roots, and tubers</del></p> <p><del>Chapter 8: Edible fruits, nuts, and other products.</del></p> <p><del>A customs duty of two and a half percent (2.5%) is applied for the import of following goods:</del></p> <p><del>Chapter 4: Dairy products, eggs, honey, and other similar products</del></p> <p><del>Chapter 10: All types of cereals except rice</del></p> <p><del>Chapter 11: Flour, grains, and other similar products</del></p> <p><del>Chapter 12: Medicinal plants, sugarcane</del></p> <p><del>Chapter 14: Plant-based products</del></p> <p><del>Provided that goods taxable under value-added tax, are subject to one and a half percent (1.5%) advance tax.</del></p>
95A (8)	<p>Even though the person or entity responsible for collection of advance tax pursuant to sub-sections (1), (2), (5) and (6) does not collect it, the tax shall be deemed to have been collected at the time required for such collection.</p>	<p>Even though the person or entity responsible for collection of advance tax pursuant to sub-sections (1), (2), (5), (6) (6A), (6B), (6C), (6D) and (6E) does not collect it, the tax shall be deemed to have been collected at the time required for such collection.</p>
96 (2)	<p>The income return referred to in sub-section (1) shall be as follows:</p> <p>(a) It has to be prepared in the manner and format as specified by the Department, setting out the following matters:</p>	<p>The income return referred to in sub-section (1) shall be as follows:</p> <p>(a) It has to be prepared in the manner and format as specified by the Department, setting out the following matters:</p>



	<p>(1) Assessable income earned by that person from each employment, business or investment in that year and source of such income,</p> <p>(2) Taxable income of that person in that year and the tax to be imposed on the person referred to in clause (a) of Section 3 in respect of that income,</p> <p>(3) Income sent abroad in that income year by a non-resident person's foreign permanent establishment situated in Nepal, and the tax imposable in that income,</p> <p>(4)</p> <p>(5)</p> <p>(6) Such other information and details as specified by the Department.</p>	<p>(1) Assessable income earned by that person from each employment, business or investment in that year and source of such income,</p> <p>(2) Taxable income of that person in that year and the tax to be imposed on the person referred to in clause (a) of Section 3 in respect of that income,</p> <p>(3) Income sent abroad in that income year by a non-resident person's foreign permanent establishment situated in Nepal, and the tax imposable in that income,</p> <p>(3A) Information about selection as per subsection 4B of section 4.</p> <p>(4)</p> <p>(5)</p> <p>(6) Such other information and details as specified by the Department.</p>
97 (3)	<p>The individual required to submit the return pursuant to sub-section (2) shall include in it the income gained from business exemption benefit referred to in clause (d) of Section 5, sub-section (3) of Section 7, clause (a) of sub-section (3) of Section 8, clause (a) of sub-section (3) of Section 9 and Section 11, in addition to the income required to be included.</p> <p>Provided that it shall not be mandatory to include a meeting allowance and interest in income.</p>	<p>The individual required to submit the return pursuant to sub-section (2) shall include in it the income gained from business exemption benefit referred to in clause (d) of Section 5, sub-section (3) of Section 7, clause (a) of sub-section (3) of Section 8, clause (a) of sub-section (3) of Section 9 and Section 11, in addition to the income required to be included.</p> <p>Provided that it shall not be mandatory to include retirement payment, meeting allowance and interest in income.</p>
113 (8)	<p>Excess of amount after settlement of advance tax paid during an income year under subsection 7 of section 95A against the tax liability payable for the income year shall not be allowed for credit transfer or refund.</p>	<p><del>Excess of amount after settlement of advance tax paid during an income year under subsection 7 of section 95A against the tax liability payable for the income year shall not be allowed for credit transfer or refund.</del></p>
117 (1) (d)	<p>No Provision</p>	<p>If the income return of any income year is not submitted pursuant to sub-section (2) of Section 97, amount at the rate of 0.1 percent per year of the assessable income deducting final withholding income or twelve hundred rupees per return or amount at the rate of one hundred rupees per month if delay in submission is less than a year, whichever is higher.</p>

Schedule 1 Section 1(17)	In computing tax for transaction turnover pursuant to sub-section (4a) of Section 4A. of this Act, tax referred to in subsection (4) of Section 4 of this Act shall be levied on the amount of up to thirty lakh rupees, and tax shall be levied at the following rate on the transaction turnover exceeding that:	In computing tax for transaction turnover pursuant to sub-section (4a) of <b>Section 4.</b> of this Act, tax referred to in subsection (4) of Section 4 of this Act shall be levied on the amount of up to thirty lakh rupees, and tax shall be levied at the following rate on the transaction turnover exceeding that:
Schedule 2 Section 3(2)	The projects mentioned in sub-section (2) of Section 19 and the entities as referred to in sub-sections (2b), (3f), (3q) of Section 11 and sub-section (3) of Section 2 of Schedule-1 of this Act shall get an addition of one-thirds to the rate of depreciation applicable to the depreciable properties mentioned in categories "A", "B", "C" and "D" mentioned in sub-section (1) of this Schedule.	The projects mentioned in sub-section (2) of Section 19 and the entities as referred to in sub-sections (2b), (3f), (3q) of Section 11 <del>and sub-section (3) of Section 2 of Schedule-1</del> of this Act shall get an addition of one-thirds to the rate of depreciation applicable to the depreciable properties mentioned in categories "A", "B", "C" and "D" mentioned in sub-section (1) of this Schedule.

# Income Tax provisions for 2082/83 (2025/26)

## 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,
- Taxes levied by Province Government and Local Governments

Capital gains form part of normal business income. Natural persons are also charged on gain on non-business chargeable assets (investment assets).

Tax incentives focus mainly on establishments in special zones, industries such as Information Technology, Hydropower etc, and encouraging investments in agriculture, tourism, and 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 world-wide 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 it has effective control and management 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, payment of health insurance premium, 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. The PEs are required to pay 5% tax on repatriation of profit to non-resident parent company.

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 eleven countries: Austria, Bangladesh, 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 38 of this document). The return submitted by the taxpayer may be revised within one month of filing such return, if such returns are filed within due date.

## Taxation of Individuals

### 1. For Resident Taxpayers

Taxable Income Slab	Individual		Taxable Income Slab	Couple*	
	Employment	Proprietorship Firm**		Employment	Proprietorship Firm*
First Rs. 500,000	1%***	-	First Rs. 600,000	1%***	-
Next Rs. 200,000	10%	10%	Next Rs. 200,000	10%	10%
Next Rs. 300,000	20%	20%	Next Rs. 300,000	20%	20%
Next Rs. 10,00,000	30%	30%	Next Rs. 900,000	30%	30%
Next Rs. 30,00,000	36%	36%	Next Rs. 30,00,000	36%	36%
Remaining	39%	39%	Remaining	39%	39%

\* Husband and wife should elect to be treated as couples and the option is not an automatic choice. A declaration from the non-earning spouse is must for election.

\*\* 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.

\*\*\* The 1% tax on employment should be deposited in separate revenue account in IRD as Social Security Tax. The 1% tax is not levied if the employment income is pension income or if such individual makes contribution to contribution based Social Security Fund or pension fund.

### 1.1 Additional tax of 20% for taxable income from Rs. 20,00,000 to Rs. 50,00,000 and additional tax of 30% for income above Rs. 50,00,000.

#### Illustration 1

Mr. Bagale has total income from employment of Rs. 60,00,000 per annum. He has contributed Rs. 5,00,000 to approved retirement fund. Assuming individual, tax will be calculated as follows:

<b>Total Income</b>	<b>6,000,000.00</b>
<i>Less: Contribution to Approved Retirement Fund (CIT/SSF etc.)</i>	<i>-500,000.00</i>
<b>Taxable Income</b>	<b>5,500,000.00</b>
Tax Liability	
1st Rs. 500,000 (1%)*	5,000.00
Next Rs.200,000 (10%)	20,000.00
Next Rs. 300,000 (20%)	60,000.00
Next Rs. 1,000,000 (30%)	300,000.00
Next Rs. 3,000,000 (36%)	1,080,000.00
Remaining Rs. 500,000 (39%)	195,000.00
<b>Total Tax Liability</b>	<b>1,660,000.00</b>

If retirement fund contribution has been made in Contribution based Social Security Fund, then 1% tax not levied\*.

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

A female resident natural person deriving income only from employment in Nepal shall be provided with a rebate of 10% on the tax liability.

### 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. 500,000 for individual and Rs. 600,000 for couples), subject to following:

- In case of land and buildings, where the disposed land & buildings has been owned for more than 5 years, tax rate of 5% shall apply.
- In case the disposed land & buildings has been owned for less than 5 years, tax rate of 7.5% shall apply.
- In case of gain from disposal of shares of listed entities, 5% tax rate shall apply for resident natural person holding such shares for more than 365 days and 7.5% tax rate shall apply for resident natural person holding such shares for less than or equal to 365 days.

Gain from Non Business Chargeable Assets includes:

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

The tax is collected on source, by collection through an agent. 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, hotel, resort and information technology industry	20% where 30% tax rate applies
For incomes earned from export business	15% where 20% or 30% tax rate applies
For incomes earned in foreign exchange from export of service of business process outsourcing, software programming, cloud computing and related service based on information technology.	Exemption of 50% on applicable tax rate

#### 1.5 Deductions and Facilities for Resident Persons

- Contribution to approved Retirement fund**

In any income year, a natural person who is the beneficiary of an approved retirement fund (includes SSF, CIT, PF and other approved retirement fund) may, in making retirement contribution to the retirement fund, subtract from his/her taxable income a sum of Five Hundred Thousand Rupees or One-thirds of his/her assessable income, whichever is lower.

- Life Insurance Premium**

While calculating taxable income, life Insurance premium paid by a resident natural person is deductible up to the limit of Rs 40,000. Where both husband and wife have opted as couple, the insurance paid can be clubbed to claim for deduction, subject to maximum of Rs. 40,000.

- 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. 500,000 for individual and Rs. 600,000 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.

- Health Insurance Premium**

If a resident natural person pays health insurance premium to a resident insurance company, lower of the following amount is deductible for tax purpose:

- Rs. 20,000; or
- Annual Health insurance premium paid to resident insurance company

- **Personal Building Insurance**

If a resident person pays insurance premium for personal building under his/her ownership at the resident insurance company then amount lower of following is deductible for tax purpose

- a. Annual insurance premium or
- b. Five thousand rupees.

- **Pension Income**

If a resident individual has pension income, lower of the following amount is deductible for tax purpose:

- c. Rs. 125,000 in case of individual and Rs. 150,000.00 in case of couple or
- d. Actual pension 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.1, 500 or 15% of Approved medical expense, whichever is lower. Any unutilized expenses can be carried forward to next year. Approved medical expense does not include cost incurred for cosmetic surgery and reimbursement from insurance companies.

- **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 Resident Individual not involved in business but earning in foreign exchange

Any individual resident not involved in the operation of business receiving payment in foreign currency for:

- Providing software or similar kind of other electronic service outside Nepal or,
- Providing consultancy service outside Nepal or,
- Uploading audio- visual material in social network

Will be taxed at the rate of 5% of the amount received at the time of such payment. Concerned bank or financial institution or money transfer institution shall collect such amount and deposit it.

## 3. Tax Rate for Non-Resident Natural Person

Taxable income of a non-resident natural person shall be taxed at 25%. Non-resident natural persons are allowed to claim "Remote Area Benefit".



## Taxation of Business & Entities

### 1 Normal Tax Rates- *Applicable tax rates*

• General companies/firms/industries (not listed below)	25%
• Banks and Financial Institutions	30%
• General Insurance Companies	30%
• Entities engaged in financial transaction	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%
• Telecommunication or Internet Service Provider Companies	30%
• Entities involved in Money Transfer Business	30%
• Entities involved in Security Market Business	30%
• Entities Involved in Merchant Banking Business	30%
• Entities operating Commodity Future Market	30%
• Entities involved in Commodity and Security Broker Business	30%
• Cooperative registered as per Cooperative Act, 2074 and Operating in Municipality Area (not an exempt transaction)	5%
• Cooperative registered as per Cooperative Act, 2074 and Operating in sub-metro Area (not an exempt transaction)	7%
• Cooperative registered as per Cooperative Act, 2074 and Operating in metro Area (not an exempt transaction)	10%
• Saving and Credit Cooperative registered as per Cooperative Act, 2074 and operating in Municipality Area	10%
• Saving and Credit Cooperative registered as per Cooperative Act, 2074 and operating in sub metro Area	15%
• Saving and Credit Cooperative registered as per Cooperative Act, 2074 and operating in Metro Area	20%
• Trust of deceased or incapacitated person	Rates as natural person

### 2 Reduced Rates to Special Industries applicable for 2024/25

The applicable rate for Special Industries operated by an entity is 20%

### 3 Concession on Income from Agricultural Business

Income derived from agricultural business is exempted from income tax. However, the income derived from agricultural business done at land held as per section 12(d) and 12(e) of Land Act, 2021 is not exempted and 50% exemption is given to income derived by a registered private firm, partnership, company or corporate body from agricultural business, vegetable dehydrate business and cold store business.

#### 4 Reduced Rates- Concessions for F.Y. 2081/82

Industries	Rates Percentage as of Applicable rate	Effective Tax Rate
Special Industries, hotel, resort and information technology industry providing direct employment to 100 or more Nepali citizens throughout the year	90%	18%
Special Industries, hotel, resort and information technology industry providing direct employment to 300 or more Nepali citizens throughout the year	80%	16%
Special Industries, hotel, resort and information technology industry providing direct employment to 500 or more Nepali citizens throughout the year	75%	15%
Special Industries, hotel, resort and information technology industry providing direct employment to 1,000 or more Nepali citizens throughout the year	70%	14%
Special Industries, hotel, resort and information technology industry providing direct employment to 100 or more Nepali citizens throughout the year, of which at least one-third are women, dalits (oppressed) or incapacitated	81%	16.2%
Special Industries, hotel, resort and information technology industry providing direct employment to 300 or more Nepali citizens throughout the year, of which at least one-third are women, dalits (oppressed) or incapacitated	72%	14.4%
Special Industries, hotel, resort and information technology industry providing direct employment to 500 or more Nepali citizens throughout the year, of which at least one-third are women, dalits (oppressed) or incapacitated	67.5%	13.5%
Special Industries, hotel, resort and information technology industry providing direct employment to 1000 or more Nepali citizens throughout the year, of which at least one-third are women, dalits (oppressed) or incapacitated	63%	12.6%
Special Industries, hotel, resort starting commercial operation in highly undeveloped (remote area) for first ten years from the date of commencement of business	10%	2%
Special Industries, hotel, resort starting commercial operation in undeveloped area for first ten years from the date of commencement of business	20%	4%
Special Industries, hotel, resort starting commercial operation in underdeveloped area for first ten years from the date of commencement of business	30%	6%

Special Industries, hotel, resort starting commercial operation in Karnali Province or hilly districts of Sudur Paschim Province giving direct employment to more than 100 Nepali citizen for first fifteen years from the date of commencement of business	0%	0%
Special Industry starting commercial operation with capital investment of more than Rs. 1 Billion and employing more than 500 individuals throughout the year	0% (for first five years of operation) & 50% (for next three years)	0% (for first five years of operation) & 10% (for next three years)
Tourism Industry (not a casino) starting commercial operation with capital investment of more than Rs. 1 Billion and employing more than 500 individuals throughout the year	0% (for first five years of operation) & 50% (for next three years)	0% (for first five years of operation) & 10% (for next three years)
Existing Special Industries increasing installed capacity by 25% and increasing the capital to Rs. 2 Billion, with direct employment to more than 300 people throughout the year	0% on incremental profit (for first five years of operation) & 50% on incremental profit (for next three years thereafter)	0% on incremental profit (for first five years of operation) & 10% on incremental profit (for next three years thereafter)
Existing Tourism Industries (not a casino) increasing installed capacity by 25% and increasing the capital to Rs. 2 Billion, with direct employment to more than 300 people throughout the year	0% on incremental profit (for first five years of operation) & 50% on incremental profit (for next three years thereafter)	0% on incremental profit (for first five years of operation) & 10% on incremental profit (for next three years thereafter)
Industries established in Special Economic Zone of hilly district as specified by the government and of mountain district	0% (for 10 years), 50% (thereafter)	To be calculated by applying rates
Industries established in Special Economic Zone of other areas	0% for 5 years & 50% thereafter	
Income from foreign technology, management fee and royalty earned by foreign investor from industries established in special economic zone	50%	7.5% (as WHT mechanism)
Capitalization of profit by Special Industry, information technology industry Agro-based industry and tourism industry for Capacity Expansion	Dividend Tax- Nil	
Person transacting on exploration of petroleum and natural gases and fuel, if business operation starts within 2080 Chaitra end	0% for first 7 yrs & 50% for next 3 yrs	0% for first 7 yrs & 10% for next 3 yrs

Industry operating in geological, zoological, biotech related park and IT park and involved in software development, statistical processing, cyber café, digital Mapping	70%	6.255%
Entity involved in generation, transmission or distribution of hydroelectricity, or energy from solar, bio or wind; if commences commercial activities related to generation, transmission or distribution within Chaitra end of 2084-concession to be given from the date of commercial operation	0% for first 10 yrs and 50% for next 5 yrs of applicable Rate	0% for first 10 yrs and 12.5% for next 5 yrs
Entity involved in generation, transmission or distribution of hydroelectricity (reservoir or semi-reservoir) with capacity of more than 40 MW having completed financial closure within Chaitra end 2085 and lower belt hydropower project operated based on such projects.	0% for first 15 yrs and 50% for next 6 yrs of applicable Rate	0% for first 15 yrs and 12.5% for next 6 yrs
Profit on export income earned up to 2084/85 in foreign exchange by exporting service of business process outsourcing, software programming, cloud computing and related service based on information technology	50%	12.5%
In case of dividend of industries in Special Economic Zones	exempt for first five years of operation and 50% concession in next three years	exempt for first five years of operation and 2.5% in next three years
Operation of Tram or Trolley Bus up to 10 years from commercial operation	60%	15%
Building and operation of road, bridge or subway, tunnel, railway or airport up to 10 years from commercial operation	50%	12.5%
Building and operation of ropeway, cable car or overhead bridge up to 10 years from commercial operation	60%	15%
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, cybercafe, digital Mapping; if listed in Stock Exchange	85%	Calculation by applying applicable rates
Industry producing brandy, cider and wine based on fruits and established in remote area (for first ten years of operation)	60%	18%
Industry producing brandy, cider and wine based on fruits and established in underdeveloped area (for first ten years of operation)	75%	22.5%
Royalty income from export of intellectual property	75%	18.75%
Income from sale of intellectual property through transfer	50%	12.5%

Industry established related to tourism or aviation company for international flights with capital investment of more than Rs. 1 billion	No tax for first five years and 50% of applicable rate for next three years	Calculation by applying applicable tax rates
Industry established related to tourism or aviation company for international flights with capital investment of more than Rs. 3 billion	No tax for first ten years and 50% of applicable rate for next five years	Calculation by applying applicable tax rates
Industry established related to tourism or aviation company for international flights with capital investment of more than Rs. 5 billion	No tax for first fifteen years	0% for first fifteen years
Private company having more than or equal to Rs. 50 Cr. paid up capital (other than that required to be converted into Public as per Sec. 12 of Companies Act), if converts into public company	90% (for three years from the date of conversion)	
Domestic tea production and processing industry, dairy industry and garment industry	50%	10%
Hospitals run by community organization	80%	20%
Micro enterprises owned by female	0% for first ten years	
Micro enterprises owned by other than female	0% for first seven years	
Entities involved in construction of power house, generation and transmission of electricity and	80%	20%
Public Infrastructure projects that are ultimately handed over to Government of Nepal	80%	20%
Special industry is established in industrial region or industrial village	50% for first three years from the date of production and 75% for next five years	10% for first three years from the date of production and 15% for next five years
Any industry's income earned from the sales of raw material or auxiliary raw material produced within the country to special industry	80% on applicable rate	
Start-up business using innovative knowledge, thought, skill, technology, behaviour and process and prescribed by the department having turnover up to 10 crore rupee	No tax for first five years from the date of commencement of commercial transaction	

Special industry in operation inside the Kathmandu Valley which has been shifted outside the Kathmandu Valley	No tax for first three years from date of operation after being shifted 50% tax for two years after that	0% first three years from date of operation after being shifted 10% for two years after that
Industry involved in production of new product by using materials having direct impact on environment as its only raw materials	50% tax for first three years and 75% tax for next two years from the date of commencement of commercial transaction	To be calculated separately.
Entity producing health related vaccine, oxygen gas and sanitary pads	0% tax for first five years and 50% tax for next two years from the date of commencement of commercial transaction	0% for first five years and 105 for next two years
Industry with objective to produce and assemble electric vehicle established within Ashad end 2082	60% tax for first five years from the date of commencement of commercial transaction	12% for first five years
Industry with objective to produce agricultural equipment established within Ashad end 2082	0% tax for first five years from the date of commencement of commercial transaction	0% tax for first 5 years
Industry producing green hydrogen	100% tax exemption for first five years from the date of commencement of commercial transaction	0% tax for first 5 years from the date of commencement of commercial transaction
Electronic vehicle charging machine manufacturing and assembling industry	100% tax exemption for first five years from the date of commencement	0% tax for first 5 years from the date of commencement of

	of commercial transaction	commercial transaction
Person establishing and operating industrial area or industrial gram development	100% tax exemption for first 10 years and 50% exemption for next five years from the date of commencement of commercial transaction	0% tax for first 10 years and 50% of applicable tax for next 5 years from the date of commencement of commercial transaction

## 5 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.  (Unless otherwise agreed by Nepal Government in Article 8 of Double Tax Avoidance Treaty)	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%

## 6 Presumptive Taxation- Income Tax on Owners of public vehicles

Type of Vehicle	Tax (per vehicle per annum)
<b>Car, Jeep, Van, Microbus</b>	
• Up to 1300 CC	5,500.00
• 1301 CC- 2000 CC	6,000.00
• 2001 CC- 2900 CC	6,500.00
• 2901 CC- 4,000 CC	8,000.00
• >4,000 CC	9,000.00
<b>Minibus, Mini-truck, Water tanker</b>	8,000.00
<b>Mini Tripper</b>	9,000.00
<b>Bus, Truck</b>	10,500.00
<b>Machinery equipment including dozer, loader, roller, excavator, crane</b>	15,500.00
<b>Oil Tanker, Gas Bullet, Tripper</b>	15,500.00
<b>Tractor</b>	2,500.00
<b>Power Tiller</b>	2,000.00
<b>Three wheeler, auto rickshaw, tempo</b>	2,500.00
<b>Electric vehicle</b>	
a. Up to 50 KW	3,000.00
b. 50 KW to 125 KW	4,000.00
c. 125 KW to 200 KW	6,000.00
d. All above 200 KW	7,500.00

## 7 Income Tax for Small Tax Payers

Resident Natural Person who derives income only from business having source in Nepal with annual business turnover up to Rs. 30,00,000 and net income below Rs. 3,00,000 shall pay tax as under whether or not registered in VAT. In such case, the person cannot claim medical tax credit or advance tax arising out of tax withheld by withholding agent.

Location of business	Tax (per annum)
For resident natural persons operating business in Metropolitan and Sub-Metropolitan areas	Rs 7,500
For resident natural persons operating business in Municipality areas	Rs 4,000
For resident natural persons operating business in other areas	Rs 2,500



## 8 Income Tax for Person choosing to pay Tax based on Turnover

Resident Natural Person who derives income only from business having source in Nepal with annual taxable income up to Rs. 10,00,000, annual business turnovers exceeding Rs. 30,00,000 and which is up to Rs. 1,00,00,000 and whether or not registered for VAT purpose shall have to pay tax as below.

Nature of Business	Operation Area	Tax if turnover is between Rs. 30 lakhs to 50 lakhs (A)	Tax if turnover is between 50 lakhs to 1 Crore
Person conducting transaction of goods including gas, cigarette by adding up to three percent commission or price	Metro and Sub-metro	Rs. 7,500+ 0.25% of (Turnover-30,00,000)	Rs. 12,000 + 0.3% of (Turnover-50,00,000)
	Municipality	Rs. 4,000+ 0.25% of (Turnover-30,00,000)	Rs. 9,000 + 0.3% of (Turnover-50,00,000)
	Other than above	Rs. 2,500+ 0.25% of (Turnover-30,00,000)	Rs. 7,500 + 0.3% of (Turnover-50,00,000)
Person dealing in goods not specified above	Metro and Sub-metro	Rs. 7,500+ 1% of (Turnover-30,00,000)	Rs. 27,500 + 0.8% of (Turnover-50,00,000)
	Municipality	Rs. 4,000+ 1% of (Turnover-30,00,000)	Rs. 24,000 + 0.8% of (Turnover-50,00,000)
	Other than above	Rs. 2,500+ 1% of (Turnover-30,00,000)	Rs. 22,500 + 0.8% of (Turnover-50,00,000)
Person dealing in Services*	Metro and Sub-metro	Rs. 7,500+ 2% of (Turnover-30,00,000)	
	Municipality	Rs. 4,000+ 2% of (Turnover-30,00,000)	
	Other than above	Rs. 2,500+ 2% of (Turnover-30,00,000)	

\* The person who derives income from consultancy or expert services that are provided by a natural person including doctor, engineer, auditor, lawyer, sportspersons, artist or consultant cannot choose to pay turnover tax.

The tax payers under point 7 and 8 should select to pay such tax.

## 9 Additional Deductions for businesses

- Any entity may deduct 50% of capital amount for power generating assets to be used for production of power to be consumed for own use 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.

## 10 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 investment profits in the next seven assessment years. Foreign sourced loss can be set-off only with foreign sourced income.

In certain business such as projects involved in construction, generation and transmission of electricity; projects involved in construction and operation of public infrastructure projects under BOT and persons dealing in Petroleum under Petroleum Act 2040; the business loss is allowed to be carried forward to be set off for next 12 Income years.

Any business loss that is not set-off in seven years can be carried forward indefinitely 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 indefinitely to set off against gain from disposal of non-business chargeable assets.

## 11 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 asset, 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.

## Withholding Taxes (WHT or TDS)

### 1 Concept

- WHT is deducted only by resident persons.
- The resident natural person cannot withhold Tax except that is in connection 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, rent 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 occasional lecture, payment for setting question paper and checking answer sheets
  - g. Payment for rent of a motor vehicle or carrier vehicle or carriage service of an individual except a private firm.
- Even if the payer fails to withhold tax, 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 25<sup>th</sup> of next month as per Nepali calendar for every deduction in each month.
- The person choosing to pay tax based on turnover shall deposit tax withheld by it while making payment of tax in installments as per Sec. 95 (1Ka), i.e. by Poush end (Mid January) along with installment amount and by Ashad end (Mid July) along with second installment tax amount.

### 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. and the taxable income of such person does not exceed Rs. 4 Million. If the employee has foreign sourced income or the taxable income of such employee exceeds Rs. 4 Million, tax return is mandatory.

### 3 Withholding Tax as per Sec.88

Particulars	Rates
<b>Payment of Interest (not a personal expense of a natural person) having source in Nepal when a resident person makes the payment</b>	
a. Payment of Interest on deposit, bonds, or debentures by Banks and Financial Institutions and Cooperatives to natural person and not related to business of such recipient	6%
b. Payment of interest on fixed deposit by banks or financial institutions to life insurance company	5%
c. Payment of interest to resident banks and financial institutions and mutual fund	No TDS
d. Payment of interest on inter cooperative loan provided by cooperative bank or cooperatives.	No TDS
e. Payment of interest on loans in foreign currency obtained for the purpose of investment in sectors prescribed by Nepal Rastra bank, where the interest is by resident bank and financial institutions to foreign banks or other financial institution	5%
f. Payment of interest on foreign exchange loan to foreign bank or other foreign financial institution by hydropower projects of more than 200 MW capacity with reservoir or semi reservoir concluding financial closure till the month of Chaitra of 2082.	5%
g. In all other circumstances	15%
Payment in relation to Natural Resource (not a personal expense of a natural person)	15%
<b>Payment of Rent (not a personal expense of a natural person) having source in Nepal when a resident person makes the payment</b>	
a. House Rent Payment to a Natural Person <i>House Rent payment to a natural person may require withholding tax as per the tax related laws of concerned Local Level. The user of this document is advised to check Tax related laws of the local level where such property is located in order to ensure whether this payment attract TDS</i>	No TDS
b. Rent Payment to Entity <i>Rent payment to an Entity may also require withholding tax as per the tax related laws of concerned Local Level. The user of this document is advised to check Tax related laws of the local level where such property is located in order to ensure whether this payment attract TDS. In this case, there is dual payment of withholding tax, one at IRD and the other at Local Level</i>	10%
c. Lease of Aircraft	10%
d. Payment of rental for the use of satellite, radio, optical fiber, telecommunication equipment, electricity transmission line	10%

e. Payment of carriage service or rent of vehicle for carriage service to VAT registered person	1.5%
f. Payment for carriage service or rental payment of carriage vehicle	2.5%
g. Other rental payments	10%
Royalty (not a personal expense of a natural person)	15%
Royalty payment to resident person for literature writing	1.5%
<b>Payment of Service Fee (not a personal expense of a natural person) having source in Nepal by a resident person</b>	
a. Service Fee paid by a Publishing house for articles in newspapers	No TDS
b. Interregional Interchange Fee paid to a bank issuing credit card	No TDS
c. Service Fee to a VAT Registered Service Provider	1.5%
d. Service Fee to a Resident Entity exempt from Value Added Tax	1.5%
e. Service fee other than described above	15%
<b>Payment of Commission (not a personal expense of a natural person) having source in Nepal by a resident person</b>	
a. Commission by a Resident Manpower Agency to Non-Resident	5%
b. Other Commissions	15%
Payment of registration fee, tuition fee and exam fee to foreign school or university	5%
Payment of Sales Bonus	15%
Retirement Payments made by Government of Nepal or from Contributory Funds by Approved Retirement Fund	5% of Gain
Retirement Payments from Contributory Funds made by Unapproved Retirement Fund	5% of Gain
Retirement Payments from Non-contributory Funds	15%
Investment Return paid by Mutual Funds to Natural Person	5%
Investment Return paid by Mutual Funds to Entities	15%
Dividend by Resident Company or Partnership (first distribution)	5%
Dividend by other resident entities	No TDS

Dividend by Resident Partnership or Company (Redistribution of amounts on which dividend tax is already levied)	No TDS
Gain from Investment Insurance	5%

#### 4 TDS as per Sec.88 Ka

On windfall gains- except national and international level prizes as prescribed by Nepal Government. <i>No windfall gain tax on national and international prizes/awards up to Rs. 500,000 in case of awards achieved in recognition of contribution towards literature, art, culture, sports, journalism, science, technology and public administration.</i>	25%
--	-----

#### 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. <i>The limit of Rs. 50,000 is calculated by adding contract payments of last 10 days to the same person on same contract.</i>	1.5%
On contract payments made by resident person to non-resident persons: - On payment under contract and agreement to non-resident persons - 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
On contract work carried out through consumer committee, the payment of which exceeds Rs. 5,000,000	1.5%

#### 6 Advance Tax Collection as per Sec.95 Ka

On gain from disposal of interest/shares held in a resident entity listed in recognized stock exchange - received by a resident natural person having ownership over the interest for more than 365 days - received by a resident natural person having ownership over the interest for less than 365 days - received by resident entity - Others (Non residents)	5% 7.5% 10% 25%
On gain from disposal of interest held in a resident entity not listed in stock exchange - received by a resident natural person - received by Resident entity - Others (Non residents)	10% 15% 25%

Capital Gain tax on disposal of land and building classified as Non Business Chargeable Assets, Advance tax to be collected by concerned government office	
- if the land and building is owned for period less than 5 years	7.5%
- if the if the land and building is owned for period 5 years or more (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%
Advance Tax on disposal of Land and building owned by entity or business asset of natural person	1.5% of Sales Value
On gain from transaction on commodity future market	10%
Resident BFIs on providing foreign exchange facility for language test or standardized test fee to students going abroad	15% while providing exchange facility
Sales income in foreign currency by a person not involved in business providing software or electronic services of similar nature outside Nepal. (to be deducted by the banks, financial institutions or money transfer)	5% while receiving the amount
Sales income in foreign currency by a resident natural person not involved in business providing consultancy service outside Nepal in personal capacity. (to be deducted by the banks, financial institutions or money transfer)	5% while receiving the amount
Sales income in foreign currency by a resident natural person not involved in business by uploading audio-visual material in social network. (to be deducted by the banks, financial institutions or money transfer)	5% while receiving the amount
Income from sale of goods, service or both earned by the person involved in sales of good, service or both through the resident e-commerce operator's platform.	1%

## 7 Exceptions- WHT not required

- Payments made by natural persons other than conducting business.
- Payment of remuneration to the writer of the articles published in Newspaper & magazines.
- Interregional interchange charges paid to a bank issuing Credit Cards.
- Payment of interest to a resident bank or other resident financial institution
- Payments that are exempt from tax

## Tax Returns

### 1 Payment of Advance Tax & Estimated Tax Return

Every person liable to pay installment tax for FY 2082/83 is required to file an estimated tax return within Poush end 2082.

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. 7,500 advance tax in installments need not be paid.

#### • Advance Tax

Due Dates

Amount to be deposited (Notes)

Poush end 2082 (14 <sup>th</sup> January 2026)	40% of estimated tax liability
Chaitra end 2082 (13 <sup>th</sup> April 2026)	70% of estimated tax liability
Ashad end 2083 (16 <sup>th</sup> July 2026)	100% of estimated tax liability

## 2 Payment of Advance Tax by Person opting payment of Turnover Tax u/s 4 (4ka)

The person opting to pay turnover tax u/s 4 (4ka) shall file an estimated tax return within Poush end 2082 (14<sup>th</sup> January 2025).

- Advance Tax

Due Dates	Amount to be deposited (Notes)
Poush end 2082 (13 <sup>th</sup> January 2025)	Applicable Tax based on Actual Turnover till Poush 20, 2082
Ashad end 2083 (16 <sup>th</sup> July 2025)	Applicable tax on estimated figure of turnover, The turnover shall be estimated based on actual turnover till Ashad 20, 2082

## 3 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 2081/82 (2024/25) is Asoj end 2082 (Mid October, 2025). However, a taxpayer may have this due date extended for a maximum period of 3 months i.e. up to Poush end 2082 (Mid January, 2026) in case he files an application in the IRD with bona fide reasons for such extension. This extension only applies to tax return submission and not for payment of tax.

The annual return may be revised within one month of filing return, if returns are filed within due date.



## Fees and Interest

Particulars	Fees and Interest
For failure to submit estimated income statement	Higher of following: a. Rs. 5,000 b. 0.01% of Assessable income disclosed in income return
For delay in filing annual tax return	<u>For Small Tax Payers</u>  Rs 100 per month if delay is less than a year or Rs 1200 per return.  <u>For Others</u>  Fee at the rate of 0.1% on <i>gross assessable income</i> * or Rs 100 per month if delay is less than a year or Rs 1200 per return, whichever is higher.
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.
For non-submission of TDS return as per Sec. 90	2.5% p.a. of TDS to be deposited
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 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 been correct and the actual amount deposited; only if the deposited amount is lower than 90% of actual tax liability
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. In case of individual having income above 40 lakhs, assessable income without including final withholding income for this purpose.*

## Tax Assessment, Appeal & Review and Renewal of Tax Exemption Certificate

### 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 2082 (Mid October, 2025) for the income year 2081/82 (2024/25). However, a taxpayer may have due date extended for a maximum period of 3 months i.e. up to Poush end 2082 (mid-January, 2026) on request to IRD with bona fide 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 issued under 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 one-fourth of disputed tax is required for application.

In case Inland Revenue Department (IRD) does not decide in the review application 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.

### 4 Renewal of Tax Exemption Certificate

Tax Exempt Organizations are required to renew their tax exemption certificate within six months of the end of fiscal year, i.e. with Mid January every year, for which an application shall be filed along with the following documents:

- a. Proof of filing Annual Income Return of immediately preceding Income year
- b. Withholding Tax Return and proof of deposit of Withholding Taxes

After renewal of tax exemption certificate, a new certificate is issued by Tax Officer.

A Tax Exempt Organization cannot enjoy tax exemption benefits unless the certificates are renewed.

# Amendments in Value Added Tax, 2052 with effect from Jestha 15, 2082

Section	Existing Provision	Revised Provision
2 (12)	<p>Digital service includes following services provided to the consumers through internet which requires the use of information technology and minimum human intervention:</p> <ol style="list-style-type: none"> <li>Advertisement services.</li> <li>Cinema, Television, Music, Over the Top(OTT), &amp; other similar Membership based services.</li> <li>Data collection related services.</li> <li>Cloud services.</li> <li>Gaming services.</li> <li>Mobile Application related services.</li> <li>Online market place services &amp; those services availed through such platform.</li> <li>Software supply &amp; updates</li> <li>Sale of Data Collected by Nepalese Resident Person</li> <li>Data &amp; image download related services.</li> <li>Consultancy, Skill development &amp; Training services.</li> <li>E-Book, E-Library &amp; E-Paper Service</li> <li>Other services of similar nature covered in above clause (a) to (l).</li> </ol>	<p>Digital service includes following services provided to the consumers through internet which requires the use of information technology and minimum human intervention:</p> <ol style="list-style-type: none"> <li>Paid Individual promotion service</li> <li>Targeted Online Advertisement service Explanation: For the purpose of this section, targeted online advertisement means commercial digital communication that is directed — through digital interfaces (electronic platforms, websites, applications, and similar means) — toward users (either directly or indirectly in any possible way) based on the data or insights collected or generated through interaction with them (in any possible form), including preferences toward products, services, or brands.</li> <li>Cinema, Television, Music, Over the Top(OTT), &amp; other similar Membership based services.</li> <li>Data collection related services.</li> <li>Cloud services.</li> <li>Gaming services.</li> <li>Mobile Application related services.</li> <li>Online market place services &amp; those services availed through such platform.</li> <li>Software supply &amp; updates</li> <li>Data &amp; image download related services.</li> <li>Consultancy, Skill development &amp; Training services.</li> <li>Other services of similar nature covered in above clause (a) to (j).</li> </ol>
17 (8)	<p>Notwithstanding anything contained elsewhere in this Section, the name of the taxpayer who fails to submit the tax returns for consecutive six months shall be published, and such taxpayer's remaining amount of tax to be deducted, if any, shall be withheld and his or her registration may also be suspended.</p>	<p><del>Notwithstanding anything contained elsewhere in this Section, the name of the taxpayer who fails to submit the tax returns for consecutive six months shall be published, and such taxpayer's remaining amount of tax to be deducted, if any, shall be withheld and his or her registration may also be suspended.</del></p>

21 (1) (e)	By causing to deduct the amount payable to the taxpayer by the Government of Nepal or a body corporate owned by the Government of Nepal or Local Levels,	By causing to deduct the amount payable to the taxpayer by the Government of Nepal or a body corporate owned by the Government of Nepal, <b>provincial government</b> or Local Levels,
25(1B)	If the price of any consumable goods or service purchased is paid through electronic mode of payment pursuant to the prevailing laws, ten percent of such payment shall be refunded to his or her bank account under the procedure prescribed by the Department as a cash incentive.	If the price of any consumable goods or service purchased is paid through electronic mode of payment pursuant to the prevailing laws, ten percent of such payment shall be refunded to his or her bank account <b>immediately</b> under the procedure prescribed by the Department as a cash incentive.
25(1C)	No Provision	<b>If amount deposited as per subsection 6 of section 31A is more than the assessment done by the tax officer while implementing the verdict of court , such excess amount should be refunded if applied for.</b>
29(1)(j1)	No provision	<b>NRs. 10,000 if transaction has been done from branch or warehouse without approval.</b>
30	If a registered person commits any of the offences mentioned in Section 29 for two or more times, the Director General may order the tax officer to suspend such person's place of transaction for up to seven days so that transaction is not carried out during that period	<b>(1) If a person repeatedly commits any offense mentioned under Section 29 more than twice, the Director General may, by issuing a directive, suspend such person from conducting transactions for a period of up to seven days from the date of the last offense, if it is deemed necessary. (2) If a person, despite being required to do so under any provision of this Section, fails to submit the tax return within the prescribed time, the tax officer may, in a prescribed manner, suspend such person's transaction and instruct to withhold or not release the amount to be paid to that taxpayer.</b>
33(2)	Upon calculation of the amount or bank guarantee to be furnished, twenty- five percent of tax amount furnished in the Inland Revenue Department for administrative review shall be included.	Upon calculation of the amount or bank guarantee to be furnished, <del>twenty-five percent</del> <b>one fourth</b> of tax amount furnished in the Inland Revenue Department for administrative review shall be included.

# Value Added Tax- Major Provisions & Changes

## Overview

Value Added Tax is applicable on all goods and services supplied in Nepal, imported into or exported from Nepal, except those listed in Schedule 1 of Value Added Tax Act of Nepal. It is advised to go through the Schedule 1 list of the act.

General rate of VAT is 13%, whereas export and some specific supplies listed in Schedule 2 of Value Added Tax Act are subject to 0% VAT rate.

## Registration Requirements

### 1. Businesses specified in Schedule 1 of VAT Act

Person doing only the transactions of items listed in Schedule 1 of Value Added Tax Act, 2052 cannot register itself for Value Added Tax.

### 2. Conditions for Registration

If a person wishes to conduct transactions not listed in Schedule 1, the registration obligation is created in any of the following conditions:

- If the person obtains business loan exceeding Rs. 10 Lakhs
- If the turnover of the person exceeds Rs. 50 lakhs in last 12 months where it is business of goods or carriage service or rental of carriage vehicle
- If the turnover of the person exceeds Rs. 30 lakhs in last 12 months where it is service business or mixed business of goods and services
- If the person imports goods worth more than Rs. 10,000 at one time.

The person shall register for VAT within thirty days of happening of the events as above.

If the turnover of a non-resident person in digital service exceeds Rs. 30 lakhs in last 12 months then such person shall also get registered in VAT.

## Value Added Tax Returns

Every person registered in Value Added Tax must submit VAT return. Usually, VAT return is filed every month, within 25 days of end of every Nepali Calendar month.

Tourism service provider or hotelier, Publication or broadcasting media either through electronic or other medium and producer of brick may submit VAT return every four months, if they applied for a tri-annual tax period.

Non-submission of VAT returns triggers penalties, and also triggers VAT assessment by tax authority.

## Payment of Value Added Tax

Payable VAT during any month should be paid within 25 days of the end of month. Any amount less than Rs. 10 lakhs may be paid in cash, however, payment exceeding Rs. 10 Lakhs should be made through cheque, draft or other electronic medium.

## VAT Credit

Value Added Taxes paid in purchase may be claimed as VAT credit. For this, the output from the purchases should be sold by collecting VAT. Normally, VAT paid on purchases can be claimed as credit in full value where the output is VAT-attractive, however, there is certain limitations of credit claim on following purchases:

- 40% of VAT paid can be claimed on purchase of automobiles.
- There shall be no VAT credit (otherwise than where the main business is supply of the items listed below) on following:
  - Beverages
  - Alcohol, or beverages containing alcohol, e.g. alcohol, beer
  - Petrol for means of transportation
  - Entertainment Expenses
- The VAT paid on purchases used for both taxable and non-taxable output is allowed credit to the extent it is used for taxable output. If such extent is not easily determinable, the credit is allowed in the ratio of taxable sales to total sales.

## VAT Refund

If there is excess purchase VAT than the sales VAT during any month and the export sales of the month is more than 40% of total sales, the registered person can apply for the VAT refund along with the filing of VAT return of same month. The amount is determined by the tax officer and refunded within 30 days of application, failure of which provides opportunity to taxpayer to obtain interest at the rate 15% p.a. on days delay after such 30 days.

In all other cases, excess Purchase VAT may be claimed for refund after utilizing such excess to set off any payable VAT for next four months.

## VAT Invoice

Every registered person must issue VAT invoice. The format of VAT invoice is prescribed by VAT Regulation. Alteration to the format of VAT invoice without written permission from tax officer is not allowed. Retailer may issue Abbreviated VAT invoice with approval from Tax Officer.

# About Baker Tilly

Dev Associates, Chartered Accountants trading as Baker Tilly is an independent member firm of Baker Tilly International for Nepal. Established in 2007, Dev Associates, Chartered Accountants is a full member (and trademark user) of global top ten accounting networks in Nepal.

Baker Tilly International is the world's 10th largest network of independent firms in the world and 8<sup>th</sup> largest (by revenue) in Asia Pacific region that provide accounting, assurance, tax and specialist business advice to privately held businesses and public interest entities. The Baker Tilly International talent pool includes 34,713 people in 147 independent member firms across 125 countries.

Baker Tilly International member firms demonstrate a high professional standard, as well as a strong commitment to the network's core values of integrity, leadership, transparency and ethics. Each member firm offers outstanding personal service combined with the expertise, strength and resources of a truly global network to support you as you grow regionally and globally.

For more information, visit [www.bakertilly.global.com](http://www.bakertilly.global.com) or <http://www.bakertilly.com.np/aboutus.php>

You can reach us at:

Dev Associates, Chartered Accountants  
Patandhoka, Lalitpur-3  
Post Box No. 158, Lalitpur DPO- 44700  
Nepal

T: +977 (1) 5521195

Email: [contact@bakertilly.com.np](mailto:contact@bakertilly.com.np)

### **About Baker Tilly**

Dev Associates, Chartered Accountants trading as Baker Tilly is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

Established in 2006, Dev Associates, Chartered Accountants is a full member (and trademark user) of global top ten accounting networks in Nepal.

The Baker Tilly International talent pool includes 34,713 people in 147 independent member firms across 125 countries.

Dev Associates, Chartered Accountants trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © Baker Tilly, 2022



### **Contact us**

[contact@bakertilly.com.np](mailto:contact@bakertilly.com.np)

T: +977 1 5521605

[www.bakertilly.com.np](http://www.bakertilly.com.np)