

Nepal Tax Fact 2021/22 (2077/78)

*Major Taxation Provisions including
Changes by Finance Ordinance,
2078 (2021)*

Contents

Disclaimer	2
Budget Highlights	3
Taxes by Finance Ordinance, 2078	4
Special Proposals from the Ordinance.....	7
Provisions amending Income Tax Act, 2058 (2002) for Income Year 2077/78	11
Major Changes in Income Tax Act, 2058 (2002) with effect from 1 Shrawan 2078.....	13
Changes in Income Tax Rules, 2059 (2002) with effect from 1 Shrawan 2078.....	20
Income Tax provisions for 2078/79 (2021/22).....	21
Introduction to Income Tax Law of Nepal.....	21
Taxation of Individuals.....	23
Taxation of Business & Entities.....	27
Withholding Taxes (WHT or TDS).....	36
Tax Returns	41
Fees and Interest	42
Tax Assessment, Appeal & Review and Renewal of Tax Exemption Certificate.....	43
Value Added Tax- Major Provisions & Changes	44
Overview.....	44
Registration Requirements.....	44
Value Added Tax Returns	44
Payment of Value Added Tax.....	44
VAT Credit	45
VAT Refund	45
VAT Invoice	45
Major Changes by Finance Ordinance, 2078 with effect from 15th Jestha 2078	46
Major Changes in Value Added Tax Rules, 2053 (1997).....	48
Addition to List of Exemption in Schedule 1 (Services only).....	50
Major Changes in Excise Duty Act, 2058 (2002)	51
Major Changes in Customs Duty Act, 2064	53
About Baker Tilly	59

Disclaimer

The **Nepal Tax Facts 2021/22** booklet aims at providing a brief overview of the Nepali Taxation system based on Finance Ordinance 2021 (2078).

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 on the basis of this Tax Fact. Specific professional advice should be obtained before taking any action.

Budget Highlights

Budget Objectives

- To protect the life of citizens from COVID-19 pandemic
- Speedy economic recovery through increased pace of economic and development activities.
- Strengthen the public welfare role of state, provide the social security or guardianship and achieve prosperity with social justice
- Develop the progressive economy by steering the available public, private and government resources and tools towards productive sector.

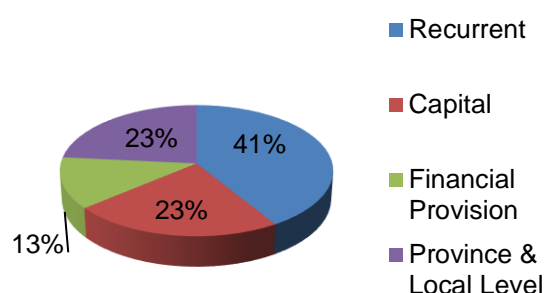
Budget Priorities

- Widening the scope of testing, availability of treatment, supply of health equipment and tools, ensuring free vaccination, development of health infrastructure and effective mobilization of doctors and health workers to control, prevention and treatment of COVID-19.
- Expansion of economic activities by providing relief to COVID 19 infected families by uplifting the private sector through concession and reviving packages.
- Ensuring job and employment to the entrants in labour markets and the one who lost their job.
- Social security and protection to all Nepalese based on their Lifecycle.
- Enhancement of agricultural production and productivity and assuring food security.
- Investment in infrastructures for life-skill and skillful education.
- Construction of infrastructure of strategic importance for achieving rapid industrialization and instant return.
- Balanced development through coordination and cooperation between federal, province and local level.
- Ending discrimination and inequality of all kind, equitable development and justified access to return of development.
- Accountable governance system, assurance of peace and security, control of corruption, effectiveness in governance and service delivery.

Key Figures (In Billion):

Total Expenditure:	Rs. 1,647.57
Recurrent:	Rs. 678.61
Capital:	Rs. 374.26
Financial Provision:	Rs. 207.97
Province & Local level:	Rs. 386.71

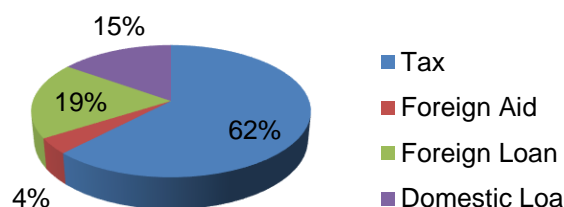
Expenditure Allocation



Sources of Fund:

Tax Revenue:	Rs. 1,024.90
Foreign Aid:	Rs. 63.37
Foreign Loan:	Rs. 309.29
Domestic Loan:	Rs. 250.00

Source



Taxes by Finance Ordinance, 2078

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

Tax	Applicable Goods or Services	Tax Rate
Health Risk Tax (HRT)	<ul style="list-style-type: none"> On Import and domestic production of bidi On Import and domestic production of Cigarette, and Cigar On Import or domestic production of chewing tobacco, khaini, Paan Masala, Gutkha 	<ul style="list-style-type: none"> 25 paisa per piece 50 paisa per piece Rs. 40 per kg
<p>Administration: As prescribed by Inland Revenue Department</p>		
<p>Time of Payment of Tax:</p> <ul style="list-style-type: none"> At customs frontier at the time of import During the issuance of production unit, for domestic production 		
Education Service Tax (EST)	<ul style="list-style-type: none"> Applicable on students pursuing education in foreign country Collectible by Banks and Financial Institutions at the time of providing exchange facilities Applicable on Education Fee Monthly Returns to be filed by B/FIs providing such facility, within 25 days of every Nepali Calendar Month Collected EST to be payable monthly by B/FIs, within 25 days of every Nepali Calendar month Fine at the rate of 15% shall be applicable if B/FIs do not deposit EST within the stipulated time 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. 	<ul style="list-style-type: none"> 2% of Education Fee
<p>Administration:</p>		

As prescribed by Inland Revenue Department		
Infrastructure Development Tax	<ul style="list-style-type: none"> • On Petrol and Diesel • Levied at Customs Frontier 	<ul style="list-style-type: none"> • Rs. 10 per liter
Road Construction Fees	<ul style="list-style-type: none"> • On import and domestic production of vehicles • To be collected by Customs office on fresh import • 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 	As per annex 3 of this Finance Ordinance
Road Repair and Improvement Tax (RRIT)	<ul style="list-style-type: none"> • Levied at Customs Frontier ✓ On petrol ✓ On diesel 	<ul style="list-style-type: none"> ✓ Rs. 4/ltr ✓ Rs. 2/ltr
Pollution Control Tax (PCT)	<ul style="list-style-type: none"> • Levied on Petrol and diesel to be distributed in Nepal • Collectible by importer • Payable monthly within 25 days of end of every Nepali calendar month • Non-compliance on deposition: 15% p.a. interest • Administration: as prescribed by IRD 	<ul style="list-style-type: none"> • Rs. 1.50 per liter
Telephone Ownership Tax (TOT)	<ul style="list-style-type: none"> • Levied to customer installing telephone • In case of prepaid phone, at every sim card and recharge card • TOT to be payable monthly, within 25 days of end of every Nepali Calendar Month • Telecom operator are penalize with interest @ 15% p.a. for any delay on payment of such TOT • Administration: as prescribed by Inland Revenue Department 	<ul style="list-style-type: none"> • Rs. 500 • 2% of value
Telephone Service Fee (TSC)	<ul style="list-style-type: none"> • Levied to customers of telephone, internet, mobile • Collectible by Internet service provider or Telecom service provider 	<ul style="list-style-type: none"> • 13% of Telephone fee

-
- Exemption on Interconnection charges payable by telecom service provider and up to 50% of repair and maintenance of fixed bandwidth service charge
 - TSC to be payable monthly, within 25 days of end of every Nepali Calendar Month
 - Telecom operator are penalize with additional @ 5% p.a. for any delay on payment of such TSC
 - Administration: as prescribed by Inland Revenue Department

Casino Royalty

- | | |
|--|--|
| <ul style="list-style-type: none"> • Operation of casino by person or entity licensed to operate Casino | <ul style="list-style-type: none"> • Rs. 40 Million per annum |
| <ul style="list-style-type: none"> • If it is played using modern machine or equipments only | <ul style="list-style-type: none"> • Rs. 10 Million per annum |
-

Special Proposals from the Ordinance

Waiver of additional fees and annual additional fees of Casino

There shall be waiver of additional fees and annual additional fees in case of persons or entities licensed to operate casinos pays

- Casino royalty, additional fees and 50% of annual additional fees up to FY 2076/77 within 2078 Chaitra end

Waiver of Unpaid Taxes

A. Waiver of penalty, fees, interest and remaining excise duty or tax if a tax payer pays:

- 75% of unpaid excise duty or tax calculated under:
 - Excise Duty Act, 2015
 - Income Tax Act, 2030 and
 - Hotel tax, Entertainment tax and sales tax after being repelled by Value Added Tax Act, 2052

Within Poush end 2078

B. Waiver of fees, additional charges and penalty if a tax payer:

- Pays tax or excise duty and interest up to the date of application for waiver which has been calculated as per the assessment by tax authority (except for assessment related to fraudulent VAT invoice) done up to Ashad end 2076 under
 - Value Added Tax, 2052
 - Excise Duty Act, 2058
 - Income Tax Act, 2058
- Applies for the waiver

Within Poush end 2078

C. Waiver of unpaid taxes under assessment (VAT Act, 2052 and Income Tax Act, 2058) by tax authority done before 15th Jestha 2078

- Tax payer must be not-for profit community school or health institution and transportation service run by electricity
- Must apply for waiver within Poush end 2078

Waiver of tax on issue of Certificate of Origin

Those entity or institution issuing Certificate of Origin for the purpose of export shall enjoy the waiver on unpaid:

- VAT on issue of such certificate up to Jestha 14, 2078
- VAT, interest, fees and penalty calculated as per tax assessment by IRO done up to Jestha 14, 2078.

Waiver of fees, interest and penalty to Trekking and Tour Package Agency

Waiver of additional fees, interest and penalty in following cases:

- a. In case of a person conducting travel and tours agency business pays VAT amount within Poush 15, 2078 after self-declaration of such sales up to Jestha 14, 2078 which was previously shown as tax exempt sales in tax return.
-

-
- b. In case of tax payers whose tax assessment has been done by the tax office for tax exempt sales as above, pays assessed tax amount within Poush end 2078.
- c. In case of tax payer not satisfied by tax assessment by tax authority who has applied for administrative review or revenue tribunal, withdraws review/application and pays the tax amount within Poush end 2078.
-

Waiver of additional fees and interest to Health Service Providing Institution

Health service providing institution which has adjusted the VAT payable after waiver of health service tax shall be waived from additional fees and interest if the institution pays such adjusted VAT amount within Ashad end 2078.

Special provision related to deductible expense of rent of carriage vehicle

Any person in the business of providing carriage service can claim the rent expense for the year 2076.77 as deductible expense if:

- Such rent is payment of rent of carriage vehicle to a natural person not having PAN and
 - Has deducted withholding tax as per the section 88 (1) of the Income Tax Act, 2058 on payment
-

Special provision on renewal of Excise Duty License

Any person who has obtained excise duty under Excise Duty Act, 2058 but has not renewed the license within the stipulated time can continue the business by renewing the licence within Shrawan end 2078 by paying licence fee of each year only. The tax payer shall be waived from penalty. The license of license holder not renewing the license within the mentioned time limit shall automatically be terminated.

Special provision related to deductible expense of Nepal Telecom Authority related to second renewal fee of GSM mobile service license and income recognition of same amount by Nepal Electricity Authority

The fee of second renewal of GSM mobile service license of Nepal Telecommunication Company Limited related to 2070/71 to 2075/76 payable on yearly instalment from 2076/77 (as per the decision of the Council of Minister of the Government of Nepal on 2076/02/10) is deductible on concerned instalment payment year for calculating taxable income. Such instalment shall be included as taxable income of Nepal Electricity Authority on the year of receipt of the instalment.

Special Provision on Tax Exemption and Concession to COVID-19 affected transaction

- Tax payer taxable under Section 4 (4) of Income tax Act, 2058 having turnover up to Rs. 20 lakhs or income up to Rs. 2 Lakhs shall enjoy 90% concession on tax payable for the year 2077.78
 - Tax payer taxable under Section 4 (4A) of Income Tax Act, 2058 paying turnover tax having turnover from Rs. 20 lakhs to Rs. 50 lakhs shall enjoy 75% concession on tax payable for the year 2077.78.
 - Person having business income up to Rs. 1 Cr. Shall be given concession of 50% on tax payable for the year 2077.78
 - Only 1% income tax shall be applicable to person conducting the business of hotel, travel, trekking, cinema business (production, distribution and display), party palace, media house, transportation and air transportation having more than 1 Cr. of turnover for the year 2077.78. Such person having taxable loss during the year 2076.77 and 2077.78 can carry forward such loss as per section 20(1) of the Income Tax Act, 2058 for the additional period of three years.
-

Special provision related to contribution made to corona infection prevention, control and treatment fund

Contribution made by any person during the year 2077.78 to the corona infection prevention, control and treatment fund established by the Government of Nepal, the Province Government or the local level are allowed for deduction while calculating taxable income.

Special Provision on tax exemption on health equipment required for management of treatment of COVID-19 infected patient

The customs duty, excise duty and value added tax on import, production and supply distribution up to Poush end 2078 on following health equipment required for the management of treatment of COVID-19 infected patient has been exempted.

HS Code (Sub Heading)	Product Description
2804.40.10	Medical grade oxygen (liquid and gaseous oxygen)
9019.20.90	Helmets for non-invasive ventilator
7311.00.10	Oxygen cylinder, Liquid oxygen container, Liquid oxygen tank, oxygen canister, ISO container for shipping oxygen and cryogenic road transport tank for oxygen
8421.39.10	Vacuum Pressure Swing Absorption (VPSA), Pressure Swing Adsorption (PSA), oxygen plants and cryogenic oxygen air separation unit
8481.80.20	Oxygen cylinder valve
9018.31.00	Syringe pump, Infusion pump
9018.39.00	High flow nasal cannula
9018.19.20	ICU monitor
9019.20.10	Oxygen Concentrator
9019.20.20	Venturi Mask, reservoir mask, ventilator mask and non-invasive ventilator mask
9019.20.90	Ventilator circuit, oxygen connectors and tubing, humidifiers and viral filters for ventilators, oronasal mask and nasal mask for non-invasive ventilators
8422.30.00	Oxygen filling system
8405.10.00	Oxygen generator compressor, tubing
9026.80.10	Oxygen flowmeters and oxygen regulators
9402.90.10	ICU Bed
9027.80.10	Blood gas analyzer
3004.90.90	Remdesivir

Special provision related to expense under Corporate Social Responsibility made in health sector

Expenses made from the Corporate Social Responsibility fund by any person during the year 2077.78 to the construction of specialized hospital or equipment and tools related to the treatment of COVID-19 as prescribed by the government, Ministry of Health and Population are allowed for deduction for the purpose of taxation.

Special provision related to renewal fee of private firm and company

Private firms registered under Private Firm Registration Act, 2014 and companies registered under the Companies Act, 2063 which have not submitted the annual return and have not been renewed are exempted from penalty and fees after submission of such return and payment of 10% of the penalty and fee within Ashoj end 2078.

Waiver of TDS as per Sec. 88 when amount in approved retirement fund is transferred to Contribution based Social Security Fund

Where a beneficiary of an approved retirement fund transfers the amount deposited in Approved Retirement Fund at Social Security Fund within 2078 Chaitra end, tax applicable u/s 88 of Income Tax Act, 2058 is waived.

Encouragement to settle pending tax cases

Fees, penalties, additional fees and additional interest in following condition shall be waived:

- Applicable when a taxpayer withdraws the law suit filed against tax assessment conducted until 2077 Ashad end as per Income Tax Act, 2058, Value Added Tax Act, 2053, and Excise Act, 2058 (assessed otherwise than as a result of fraudulent invoices) that are under review in administrative review process or are finalized by Inland Revenue Department and are under judicial proceeding in Revenue Tribunal or at other courts due to the dissatisfaction of taxpayers within 2078 Mangsir end
 - In addition to withdrawal of cases, the taxpayer shall also make payment of tax principal assessed through the assessment and 50% of applicable interest up to the date of application for enjoying this waiver within 2078 Mangsir end
-

Provisions amending Income Tax Act, 2058 (2002) for Income Year 2077/78

Reduction in Taxes payable by a presumptive taxpayer under Sec. 4 (4) of Income Tax Act, 2058

Location of business	Tax for 2077.78
For resident natural persons operating business in Metropolitan and Sub-Metropolitan areas	750
For resident natural persons operating business in Municipality areas	400
For resident natural persons operating business in other areas	250

Reduction in Taxes payable by a taxpayer for whom Sec. 4 (4Ka) of Income Tax Act, 2058 is applicable

Nature of Business	Operation Area	Tax
Person conducting transaction of goods including gas, cigarette by adding up to three percent commission or price	Metro and Sub-metro	Rs. 1,875+ 0.0625% of (Turnover – 20 lakhs)
	Municipality	Rs. 1,000+ 0.0625% of (Turnover – 20 lakhs)
	Other than above	Rs. 625+ 0.0625% of (Turnover – 20 lakhs)
Person dealing in goods not specified above	Metro and Sub-metro	Rs. 1,825+ 0.1875% of (Turnover – 20 lakhs)
	Municipality	Rs. 1,000+ 0.1875% of (Turnover – 20 lakhs)
	Other than above	Rs. 625+ 0.1875% of (Turnover – 20 lakhs)
Person dealing in Services*	Metro and Sub-metro	Rs. 1,825+ 0.5% of (Turnover – 20 lakhs)
	Municipality	Rs. 1,000+ 0.5% of (Turnover – 20 lakhs)
	Other than above	Rs. 625+ 0.5% of (Turnover – 20 lakhs)

*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.

Reduction in Taxes payable by a person having business turnover up to Rs. 1 Crore

There shall reduction of 50% of applicable taxes

Reduction in Taxes payable by Hotel, Travel, Trekking, Cinema business (production, distribution or display), party palace, media house, transport or Air Transport service having more than Rs. 1 Crore of transaction

Tax at the rate of 1% shall be applicable

Transfer of Tax Loss from loss of 2076.77 and 2077.78

Any person in business of Hotel, Travel, Trekking, Cinema business (production, distribution or display), party palace, media house, transport or Air Transport service can transfer the tax loss from income year 2076/77 and 2077/78 for further 3 more years than as prescribed by subsection 1 of section 20 of the Income Tax Act, 2058.

Contribution to Corona Infection Prevention, Control and Treatment Fund established by Nepal Government, Province Government or Local Government

Amount contributed by taxpayers in Corona Infection Prevention, Control and Treatment Fund established by Nepal Government, Province Government or Local Government during 2077.78 shall be deductible in computing taxable income of the person.

Expenses made from amount/fund separated for Corporate Social Responsibility to health sector

Expenses made from the fund separated for Corporate Social Responsibility by any person during the year 2077.78 for the construction of COVID 19 specialized hospital or equipment and tools related to the treatment of COVID-19 as prescribed by Ministry of Health and Population are allowed for deduction for the purpose of taxation.

Waiver of TDS as per Sec. 88 when amount in approved retirement fund is transferred to Contribution based Social Security Fund

Where a beneficiary of an approved retirement fund transfers the amount deposited in Approved Retirement Fund at Social Security Fund within 2078 Chaitra end, tax applicable u/s 88 of Income Tax Act, 2058 is waived.

Major Changes in Income Tax Act, 2058 (2002) with effect from 1 Shrawan 2078

Section	Existing Provision 2076/77	Revised Provision 2077/78
Section 2 (Dh)(2) Explanation	<p>"Non-business taxable assets" means any land, building and interest or security in any entity except the following properties:</p> <p>(1) Business assets, depreciable assets or stocks-in-trade,</p> <p>(2) A private building owned by an individual in the following situation:</p> <p>(a) Being under ownership for a continuous period of ten years or more, and</p> <p>(b) Where that person has resided for a total period of ten years or more continuously or at several times,</p> <p><i>Explanation: For the purpose of this clause, "private building" means building and the land occupied by the building or one Ropani of land whichever is lesser.</i></p> <p>(3) Any interest of any beneficiary in retirement fund,</p> <p>(4) A land, land with building and private building belonging to and disposed of by any individual for a value less than ten million rupees, or</p> <p>(5) An asset disposed of by way of transfer in any manner other than the purchase and sale within three generations.</p>	<p>"Non-business taxable assets" means any land, building and interest or security in any entity except the following properties:</p> <p>(1) Business assets, depreciable assets or stocks-in-trade,</p> <p>(2) A private building owned by an individual in the following situation:</p> <p>(a) Being under ownership for a continuous period of ten years or more, and</p> <p>(b) Where that person has resided for a total period of ten years or more continuously or at several times,</p> <p><i>Explanation: For the purpose of this clause, "private building" means building, land occupied by the building and an additional land equal to the area occupied by the building or one Ropani of land whichever is lesser.</i></p> <p>(3) Any interest of any beneficiary in retirement fund,</p> <p>(4) A land, land with building and private building belonging to and disposed of by any individual for a value less than ten million rupees, or</p> <p>(5) An asset disposed of by way of transfer in any manner other than the purchase and sale within three generations.</p>
Section 2 (KaMa)	<p>"Service charge" means any charge paid to any person, according to the market value, for the service rendered by such a person, and the term also includes any commission, meeting allowance, management fee or technical service charge.</p>	<p>"Service charge" means any charge paid to any person, according to the market value, for the service rendered by such a person, and the term also includes any commission, meeting allowance, management fee or technical service charge.</p>
Section 4 (4)	Notwithstanding anything contained in sub-Section (2), the tax payable in any	Notwithstanding anything contained in sub-Section (2), the tax payable in any

	<p>income year by a resident individual referred to in clause (a) of Section 3, who has fulfilled all of the following requirements, shall be equal to the amount mentioned in sub-section (7) of Section (1) of Schedule -1:</p> <p>(a) That person has only income earned from his business having source in Nepal in that income year,</p> <p>(a1)Not claimed for tax adjustment for medical expenses under Section 51 and for advance tax deduction under Section 93,</p> <p>(b)The income earned from the business that does not exceed two hundred thousand rupees and turnover of the business that does not exceed two million rupees,</p> <p>(c) That person has so opted that this provision is applicable in that income year,</p> <p>(d) Not registered in value-added tax.</p>	<p>income year by a resident individual referred to in clause (a) of Section 3, who has fulfilled all of the following requirements, shall be equal to the amount mentioned in sub-section (7) of Section (1) of Schedule -1:</p> <p>(a) That person has only income earned from his business having source in Nepal in that income year,</p> <p>(a1)Not claimed for tax adjustment for medical expenses under Section 51 and for advance tax deduction under Section 93,</p> <p>(b) The income earned from the business that does not exceed three lakh rupees and turnover of the business that does not exceed thirty lakh rupees</p> <p>(c) That person has so opted that this provision is applicable in that income year,</p> <p>(d) Not registered in value-added tax.</p>
Section 4 (4A)	<p>Notwithstanding anything contained in sub-section (2), the tax to be paid by an individual referred to in clause (a) of Section 3 who has meet the following conditions on the basis of transaction in any income year shall be equal to the amount calculated according to the rate prescribed in sub-section (17) of Section 1 of Schedule- 1:</p> <p>(a) that person has income only from the source of occupation in Nepal in that income year,</p> <p>(b) the annual turnover of the occupation is more than twenty lakh rupees and less than fifty lakh rupees,</p> <p>(c) not registered in value added tax, and</p> <p>(d) income not for consultancy and expertise service to be provided by doctor, engineer, chartered accountant, legal professional, sportsperson, actor, consultant like individuals.</p>	<p>Notwithstanding anything contained in sub-section (2), the tax to be paid by an individual referred to in clause (a) of Section 3 who has meet the following conditions on the basis of transaction in any income year shall be equal to the amount calculated according to the rate prescribed in sub-section (17) of Section 1 of Schedule- 1:</p> <p>(a) that person has income only from the source of occupation in Nepal in that income year,</p> <p>(b) taxable income earned from the business is less than ten lakh rupees and turnover from the business is more than thirty lakhs but less than one crore rupees.</p> <p>(c) not registered in value added tax, and</p> <p>(d) income not for consultancy and expertise service to be provided by doctor, engineer, chartered accountant, legal professional, sportsperson, actor, consultant like individuals.</p>
Section 10 (Tha)	No provision	Amount earned as per its objective by the Mutual Fund approved by the Securities Board of Nepal
Section 10 (Da)	No provision	Amount earned as per its objective on the basis of the Memorandum of Understanding signed with Government of Nepal or any associated entity of Government of Nepal by an educational institution in operation the established with as

		objective of not for profit or not for profit distribution.
Section 11 (1)	Addition of phrase	However, 50% concession on income tax rate shall be provided on income earned from agricultural business by any registered firm, company, partnership or corporate institution.
Section 11 (3Ng) (ga)	Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows: (a) if tax is chargeable at the rate of twenty percent on an income of an individual resident, twenty-five percent of that tax and if thirty percent is taxable, fifty percent of that tax, (b) twenty percent of tax leviable on the income of an entity, (c) additional twenty-five percent of the tax on income earned from export of goods produced by a production-based industry, after deduction of the exemption under clause (a) or (b).	Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows: (a) if tax is chargeable at the rate of twenty percent on an income of an individual resident, twenty-five percent of that tax and if thirty percent is taxable, fifty percent of that tax, (b) twenty percent of tax leviable on the income of an entity, (c) additional thirty five percent of the tax on income earned from export of goods produced by a production-based industry, after deduction of the exemption under clause (a) or (b).
Section 11 (3 Da)	In respect of special industries operating in industrial region or industrial village, 25% exemption shall be provided on applicable tax for 5 years from the date of operation.	In respect of special industries operating in industrial region or industrial village, 50% exemption shall be provided on applicable tax for 3 years from the date of operation and 25% exemption for 5 years after the 3 years.
Section 11 (3Dha)	No Provision	Income earned from sales of raw material or auxiliary raw material produced within the country to special industry shall be provided exemption of 20% on applicable tax rate.
Section 11 (3Na)	No Provision	Start-up business using neo-innovative knowledge, thought, skill, technology, behaviour and process and prescribed by the department having turnover up to 1 crore rupee shall be given 100% exemption for 5 years from commercial transaction on applicable tax rate.
Section 11 (3Pa)	No Provision	Exemption on tax rate on as following shall be provided to those special industry in operation in Kathmandu Valley which has been shifted outside the Kathmandu Valley: -First Three years from the date of operation after being shifted: 100% -Two years after that: 50%

Section 11 (3Fa)	No Provision	Exemption on following rate shall be provided to the industry using already used matters having direct effect on environment as their only raw material to produce new product: - Three years from operation: 50% - Two years after that: 25%
Section 12Ga	No Provision	Any person providing an amount not exceeding Rs. 1 lakh to each start-up as seed capital up to five start-up businesses except for related party can deduct the amount while calculating the taxable income.
Section 47Ka (6)	The entity desirous of disposal through merger pursuant to section 47(1) shall register the memorandum of intent to IRD within 2078 Ashad end.	The entity of same class desirous of disposal through merger pursuant to section 47(1) shall register the memorandum of intent to IRD within 2079 Ashad end.
Section 47Ka (7)	The entity desirous of disposal through merger pursuant to section 47(1) shall complete the merger and acquisition process within 2079 Ashad end.	The entity desirous of disposal through merger pursuant to section 47(1) shall complete the merger and acquisition process within 2080 Ashad end.
Section 75 (2)	The Department shall make available the circular issued pursuant to subsection (1) in the Department or in any other places as per necessity or through any other means.	The Department shall make available the circular issued pursuant to subsection (1) in the Department's website or national level newspaper or publish or broadcast in any electronic medium.
Section 79 (1) (Ka)	(a) Where it is sent to the telex, telex , email or such other electronic medium of that person,	(a) Where it is sent to the fax to address , email or such other electronic medium of that person,
Section 88 (1) (8)	Payment for carriage service and vehicle provide in rent for carriage service at the rate of two and half percent. Provided that at the rate of one and half percent will be charged in case of carriage service provider and vehicle rent for carriage service provider who are registered in value added tax.	8. Payment for carriage service and vehicle provide in rent for carriage service at the rate of two and half percent. Provided that at the rate of one and half percent will be charged in case of carriage service provider and vehicle rent for carriage service provider who are registered in value added tax.
Section 88 (1) (9)	In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta bank, at the rate of ten percent.	In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks or other Financial Institution to invest in the areas as specified by Nepal Rasta bank, at the rate of ten percent.

Section 88 (1) (11)	No Provision	In payment of registration fee, tuition fee and exam fee to foreign school or university, at the rate of five percent of payment.
Section 88 (1) (11)	No Provision	In payment of interest on fixed deposit by resident bank or financial institution to life insurance company at the rate of five percent.
Section 88 (4) (kha1)	No provision	TDS shall not be deducted on payment of interest on inter cooperative loan or loan provided by cooperative bank to cooperatives.
Section 88 (4) (Nga)	Tax not to be withheld on payment of dividend and interest paid to a mutual fund.	Tax not to be withheld on payment of dividend and interest paid to a mutual fund.
Section 92 (1) (Ta)	Payment for rent of a motor vehicle or carriage service of a natural person except a private firm.	Payment for rent of a motor vehicle or rent of carriage vehicle or carriage service of a natural person except a private firm.
Section 95Ka (2) (Ka)	If any person other than a resident entity doing transaction on sale and purchase of securities being registered under the prevailing law derives benefits from the disposal of interest in any resident entity, advance tax shall be collected on such benefit computed pursuant to Section 37, as follows: (a) In the case of benefit acquired from the disposal of interest of an entity enlisted in the Securities Board of Nepal, at the rate of five percent of the profit for a resident individual , ten percent of the profit for a resident entity and twenty-five percent of the profit for others, by the entity working for securities exchange market, (b) In the case of benefit acquired from the disposal of interest of an entity not listed in the Securities Board of Nepal, at the rate of ten percent of the profit for a resident individual, fifteen percent of the profit for a resident entity and twenty-five percent of the profit for others, by the entity whose interest has been disposed.	If any person other than a resident entity doing transaction on sale and purchase of securities being registered under the prevailing law derives benefits from the disposal of interest in any resident entity, advance tax shall be collected on such benefit computed pursuant to Section 37, as follows: (a) In the case of benefit acquired from the disposal of interest of an entity enlisted in the Securities Board of Nepal, at the rate of five percent on the profit from disposal of interest if the ownership on the interest is more than 365 days and at the rate of seven and half percent on the profit from disposal of interest if the ownership on the interest is less than 365 days for a resident individual , ten percent of the profit for a resident entity and twenty-five percent of the profit for others, by the entity working for securities exchange market, (b) In the case of benefit acquired from the disposal of interest of an entity not listed in the Securities Board of Nepal, at the rate of ten percent of the profit for a resident individual, fifteen percent of the profit for a resident entity and twenty-five percent of the profit for others, by the entity whose interest has been disposed.

Section 95 Ka (4)	Notwithstanding anything contained in sub-section (2), no advance tax shall be collected in the case of disposal of interest invested through a mutual fund.	Notwithstanding anything contained in sub-section (2), no advance tax shall be collected in the case of disposal of interest invested through a mutual fund.
Section 95 Ka (6Kha)	No provision	The bank or financial institution or money transfer shall deduct tax at the rate of one percent at the time of receipt of sales income in foreign currency by a person providing software or electronic services of similar nature outside Nepal.
Section 96 (2) (Ga) (3)	Evidence of choice, if any, made pursuant to sub-section (4) of Section 4, and	Evidence of choice, if any, made pursuant to sub-section (4) of Section 4, and
Section 116 (5)	No Provision	While applying for review in revenue tribunal pursuant to subsection (1), the total amount of undisputed tax and fifty percent of the disputed tax out of the assessed tax amount and fee and interest must be paid as deposit or bank guarantee shall be produced for the amount.
Section 116 (6)	No Provision	While calculating the amount of deposit or bank guarantee pursuant to subsection (5), the twenty five percent of tax amount deposited at IRD for administrative review shall also be included.
Schedule 1 (1) (4) (Kha) (3)	Tax shall be levied at the rate of five percent on the profit earned from the disposal of interest in entity enlisted in the Securities Board of Nepal.	Tax shall be levied at the rate of five percent on the profit earned from disposal of interest in an entity listed in the Securities Board of Nepal if the ownership on the interest is more than 365 days and at the rate of seven and half percent if the ownership on the interest is less than 365 days Tax shall be levied at the rate of five percent on the profit earned from the disposal of interest in entity enlisted in the Securities Board of Nepal.
Schedule 1 (1) (9Ka)	No Provision	Notwithstanding anything contained elsewhere in this Section, where any resident individual has pension income, tax shall be computed pursuant to this Section only on the amount remaining balance after subtracting from the taxable income the twenty five percent of the amount mentioned in clause (a) of sub-section (1) for the individual or in clause (a) of sub-section (2) for the couple.

		However, the amount to be subtracted shall not be more than prescribed.
Schedule 1 (1) (9 Kha)	No provision	Notwithstanding anything contained elsewhere in this Section, where any resident individual has insured personal building under his/her ownership at the resident insurance company then amount lower of annual insurance premium or five thousand rupees shall be deducted while calculating the taxable income.
Schedule 1 (1) (17)	In computing tax for transaction turnover pursuant to sub-section (4Ka) of Section 4 of this Act, tax referred to in sub-section (4) of Section 4 of this Act shall be levied on the amount of up to twenty lakhs rupees , and tax shall be levied at the following rate on the transaction turnover exceeding that: (a) for a person conducting transaction of goods including gas, cigarette by adding up to three percent commission or price, 0.25 percent of the transaction turnover , (b) for a person conducting a business other than that mentioned in clause (a), 0.75 percent of the transaction turnover , (c) for a person conducting a service business, two percent of the transaction amount.	In computing tax for transaction turnover pursuant to sub-section (4Ka) of Section 4 of this Act, tax referred to in sub-section (4) of Section 4 of this Act shall be levied on the amount of up to thirty lakhs rupees , and tax shall be levied at the following rate on the transaction turnover exceeding that: (a) for a person conducting transaction of goods including gas, cigarette by adding up to three percent commission or price, 0.25 percent of the turnover transaction if the turnover amount is more than thirty lakh rupees but less than fifty lakh rupees and 0.3 percent of the turnover transaction if the turnover amount is more than fifty lakh rupees but less than one crore rupees , (b) for a person conducting a business other than that mentioned in clause (a), 1 percent of the turnover transaction if the turnover amount is more than thirty lakh rupees but less than fifty lakh rupees and 0.8 percent of the turnover transaction if the turnover amount is more than fifty lakh rupees but less than one crore rupees , (c) for a person conducting a service business, two percent of the transaction amount.

Changes in Income Tax Rules, 2059 (2002) with effect from 1 Shrawan 2078

In order to align the provision of Income Tax Rules, 2059 to the changes made in Income Tax Act, 2058 by the Finance Ordinance, following changes in Income Tax Rules, 2059 by publishing the amendment in Nepal Gazette:

Rule	Existing Rule	Revised Rule
Rule 5 Ka 1	Any entity to be registered pursuant to Rule 3 and has received tax exemption certificate pursuant to Rule 4 should renew such certificate within six months from the date of expiration of the fiscal year.	Any entity to be registered pursuant to Rule 3 and has received tax exemption certificate pursuant to Rule 4 should renew such certificate within one year from the date of expiration of the fiscal year.

The tax exempt entity should renew the tax exemption certificate within one year from expiration of fiscal year.

Income Tax provisions for 2078/79 (2021/22)

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.

DTAT with Bangladesh is yet to be approved by Parliament of Nepal.

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 41 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. 400,000	1%***	-	First Rs.450,000	1%***	-
Next Rs. 100,000	10%	10%	Next Rs. 100,000	10%	10%
Next Rs. 200,000	20%	20%	Next Rs. 200,000	20%	20%
Next Rs. 13,00,000	30%	30%	Next Rs. 12,50,000	30%	30%
Balance	Para 1.1	Para 1.1	Balance	Para 1.1	Para 1.1

* Husband and wife should elect to be treated as couples and the option is not an automatic choice. 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. (Refer Page 28)

*** 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 exceeding Rs.2.0 million

If the natural person has taxable income of Rs. 2.0 million & above, additional tax need to be paid, calculated as 20% of tax liability for income above Rs. 2,000,000.

Illustration 1

Mr. Bagale has total income from employment of Rs. 5 million per annum. He has contributed Rs. 0.5 million to approved retirement fund. Assuming individual, tax will be calculated as follows:

Total Income	5,000,000.00
<i>Less: Contribution to Approved Retirement Fund</i>	<i>(300,000.00)</i>
Taxable Income	4,700,000.00
Tax Liability	
1st Rs. 400,000	4,000.00
Next Rs.100,000	10,000.00
Next Rs. 200,000	40,000.00
Balance Rs. 40,00,000	12,00,000.00
Tax Liability before Additional Tax	12,54,000.00
Additional Tax @ 20% on 30% of 27,00,000 (Rs. 2,700,000 is the difference of Rs. 47,00,000 less Rs. 20,00,000)	162,000.00
Total Tax Liability	14,16,000.00

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. 400,000 for individual and Rs. 450,000 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 2.5% shall apply.
- In case the disposed land & buildings has been owned for less than 5 years, tax rate of 5% shall apply.
- In case of gain from disposal of shares of listed entities, 5% tax rate shall apply for resident natural person.

Gain from Non Business Chargeable Assets includes:

- Gain from sale of shares of companies,
- Gain from sale of 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	20% where 30% tax rate applies
For incomes earned from export business	15% where 20% or 30% tax rate applies

1.5 Deductions and Facilities for Resident Persons

- **Life Insurance Premium**

While calculating taxable income, life Insurance premium paid by a resident natural person is deductible up to the limit of Rs 25,000. Where both husband and wife have opted as couple, the insurance paid can be clubbed to claim for deduction, subject to maximum of Rs. 25,000.

- **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. 400,000 for individual and Rs. 450,000 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. 100,000 in case of individual and Rs. 112,500 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.750 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 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 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%
• Trust of deceased or incapacitated person	Rates as natural person

2 Reduced Rates to Special Industries applicable for 2020/21

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 from agricultural business by a registered private firm, partnership, company or corporate body.

4 Reduced Rates- Concessions for F.Y. 2078/79

Industries	Rates as Percentage of Applicable rate	Effective Tax Rate
Special Industries providing direct employment to 100 or more Nepali citizens throughout the year	90%	18%

Special Industries providing direct employment to 300 or more Nepali citizens throughout the year	80%	16%
Special Industries providing direct employment to 500 or more Nepali citizens throughout the year	75%	15%
Special Industries providing direct employment to 1,000 or more Nepali citizens throughout the year	70%	14%
Special Industries 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 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 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 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%
Information Technologies Industries providing direct employment to 100 or more Nepali citizens throughout the year	90%	22.5%
Information Technologies Industries providing direct employment to 300 or more Nepali citizens throughout the year	80%	20%
Information Technologies Industries providing direct employment to 500 or more Nepali citizens throughout the year	75%	18.75%
Information Technologies Industries providing direct employment to 1,000 or more Nepali citizens throughout the year	70%	17.5%
Information Technologies Industries 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%	20.25%
Information Technologies Industries 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%	18%

Information Technologies Industries 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%	16.875%
Information Technologies Industries 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%	15.75%
Special Industries starting commercial operation in highly undeveloped (remote area) for first ten years from the date of commencement of business	10%	2%
Special Industries starting commercial operation in undeveloped area for first ten years from the date of commencement of business	20%	4%
Special Industries starting commercial operation in underdeveloped area for first ten years from the date of commencement of business	30%	6%
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, 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	50%	12.5%
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 2080-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
Profit on export income of a Productive sector industry	65%	13%
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, cyber café, 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	50%	12.5%
Industry related to aviation company for international flights with capital investment of more than Rs. 2 Billion	No tax for first five years and 50% of applicable rate for next three years	Calculation by applying applicable tax rates
Private company (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%
Community Hospitals	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	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 commercial operation and 75% for next five years	10% for first three years from the date of commercial operation 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 neo-innovative knowledge, thought, skill, technology, behaviour and process and prescribed by the department having turnover up to 1 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
---	---	---

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)
Car, Jeep, Van, Microbus <ul style="list-style-type: none"> • Up to 1300 CC • 1301 CC- 2000 CC • 2001 CC- 2900 CC • 2901 CC- 4,000 CC • >4,000 CC 	<ul style="list-style-type: none"> • 4,000 • 4,500 • 5,000 • 6,000 • 7,000
Minibus, Mini-truck, Water tanker	6,000
Mini Tripper	7,000
Bus, Truck	8,000
Machinery equipment including dozer, loader, roller, excavator, crane	12,000
Oil Tanker, Gas Bullet, Tripper	12,000
Tractor	2,000
Power Tiller	1,500
Three wheeler, auto rickshaw, tempo	2,000

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 below Rs. 10,00,000 annual business turnovers exceeding Rs. 30,00,000 and which is below 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)	Tax as per A + 0.3% of (Turnover-50,00,000)
	Municipality	Rs. 4,000+ 0.25% of (Turnover-30,00,000)	Tax as per A + 0.3% of (Turnover-50,00,000)
	Other than above	Rs. 2,500+ 0.25% of (Turnover-30,00,000)	Tax as per A + 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)	Tax as per A + 0.8% of (Turnover-50,00,000)
	Municipality	Rs. 4,000+ 1% of (Turnover-30,00,000)	Tax as per A + 0.8% of (Turnover-50,00,000)
	Other than above	Rs. 2,500+ 1% of (Turnover-30,00,000)	Tax as per A + 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.

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 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
- 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 25th 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
Payment of Interest (not a personal expense of a natural person) having source in Nepal when a resident person makes the payment	
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	5%
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	10%
f. In all other circumstances	15%
Payment in relation to Natural Resource (not a personal expense of a natural person)	15%
Payment of Rent (not a personal expense of a natural person) having source in Nepal when a resident person makes the payment	
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 equipments, electricity transmission line	10%
e. Transport Rent or rental of transport equipments	2.5%
f. Transport Rent or rental of transport equipments, where there is Value Added Tax Invoice	1.5%

g. Other rental payments	10%
Royalty (not a personal expense of a natural person)	15%
Payment of Service Fee (not a personal expense of a natural person) having source in Nepal by a resident person	
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%
Payment of Commission (not a personal expense of a natural person) having source in Nepal by a resident person	
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 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	5%

- if the if the land and building is owned for period 5 years or more <i>(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.)</i>	2.5%
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

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 is required to file an estimated tax return within 30th Poush 2076 (14th January, 2020).

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**

<i>Due Dates</i>	<i>Amount to be deposited (Notes)</i>
Poush end 2076 (14 th January 2020)	40% of estimated tax liability
Chaitra end 2076 (13 th April 2020)	70% of estimated tax liability
Ashad end 2077 (Mid July 2020)	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 2076 (14th January 2020).

- Advance Tax**

<i>Due Dates</i>	<i>Amount to be deposited (Notes)</i>
Poush end 2076 (Mid January 2019)	Applicable Tax based on Actual Turnover till Poush 20, 2076
Ashad end 2077 (Mid July 2020)	Applicable tax on estimated figure of turnover, The turnover shall be estimated based on actual turnover till Ashad 20, 2077

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 2076/77 (2020/21) is Asoj end 2077 (Mid October, 2020). However, a taxpayer may have this due date extended for a maximum period of 3 months i.e. up to Poush end 2077 (Mid January, 2021) in case he files an application in the IRD with bonafide reasons for such extension. This extension only applies to tax return submission and not for payment of tax.

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 <u>For Others</u> Fee at the rate of 0.1% on <i>gross assessable income</i> * or Rs 100 per month, whichever is higher.
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.

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 2078 (Mid October, 2021) for the income year 2077/78 (2020/21). However, a taxpayer may have due date extended for a maximum period of 3 months i.e. up to Poush end 2078 (mid January, 2022) on request to IRD with bonafide reasons for such extension.

2 Amended Assessment

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

3 Appeal & review

When tax authority makes amended assessment, the taxpayer has the right to go for administrative review. The review petition can be filed within 30 days of obtaining notification 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.

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.

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 twelve months where it is goods business, or Rs. 20 lakhs in last 12 months where it is service business or mixed business of goods and services

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

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 for administrative purpose
- 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, diesel and Light Petroleum Gases
 - 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 the tax officer and refunded within 30 days of application, failure of which provide 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.

Major Changes by Finance Ordinance, 2078 with effect from 15th Jestha 2078

Sections	Existing Provision	New Provision
Section 10(2)	<p>If any goods or services transacted by a person is taxable, such person shall file an application for Registration, in the prescribed format to the Tax Officer, within thirty days from the date of commencement of such transaction.</p> <p><i>[(a) Production of brick, business from operation of industry relating to liquor, wine, health club, discotheque, massage therapy, motor parts, electronic software, custom agent, toy business trekking, rafting, ultra-light flight, paragliding, tourist transportation, crusher, sand mine, slate and stone,</i></p> <p><i>(b) If any person operates hardware, sanitary, furniture, fixture, furnishing, automobiles, electronics, marble, educational consultancy, account and audit related services, catering services, party palace business, parking services, dry cleaning using machinery equipment, restaurant with bar, ice cream industry, color lab, boutique, delivery of uniform for educational Institutes or health institutes or other entity metropolitan, sub-metropolitan or within an area specified by the Department.]</i></p>	<p>If any goods or services transacted by a person is taxable, such person shall file an application for Registration, in the prescribed format to the Tax Officer, within thirty days from the date of commencement of such transaction.</p> <p><i>[(a) Production of brick, business from operation of industry relating to liquor, wine, health club, discotheque, massage therapy, motor parts, electronic software, custom agent, toy business trekking, rafting, ultra-light flight, paragliding, tourist transportation, crusher, sand mine, slate and stone,</i></p> <p><i>(b) If any person operates hardware, sanitary, furniture, fixture, furnishing, automobiles, electronics, marble, educational consultancy, account and audit related services, catering services, party palace business, parking services, dry cleaning using machinery equipment, restaurant with bar, ice cream industry, color lab, boutique, delivery of uniform for educational Institutes or health institutes or other entity metropolitan, sub-metropolitan or within an area specified by the Department.]</i></p>
Section 10Ga	<p>Person registered under this Act shall update such information and records regarding registration as prescribed by the Department in the biometric registration system of the Department <i>within the prescribed time.</i></p>	<p>Person registered under this Act shall update such information and records regarding registration as prescribed by the Department in the biometric registration system of the Department within the prescribed time.</p>
Section 16 (3)	<p><i>A registered person shall use, for the purpose of keeping accounts, the purchase book and sales book certified by the concerned Tax Officer.</i></p>	<p>A person, whether registered or not registered, who is transacting taxable goods or services shall use, for the purpose of keeping accounts for each year, a self-certified purchase book and sales book. Such accounts can be inspected by the Tax Officer at any point of time.</p> <p>A registered person shall use, for the purpose of keeping accounts, the purchase book and sales book certified by the concerned Tax Officer.</p>

Sections	Existing Provision	New Provision
Section 16(3Ka)	<i>An unregistered person who is transacting taxable goods or services shall keep purchase book and sales book for every financial year verified by himself/herself. Tax Officer may inspect such book at any time.</i>	An unregistered person who is transacting taxable goods or services shall keep purchase book and sales book for every financial year verified by himself/herself. Tax Officer may inspect such book at any time.
Section 16Kha	In the event of loss and damage of goods due to arson, theft, accident, wear and tear or disruptive activity, value added tax paid on such goods may be deducted as prescribed.	In the event of loss and damage of goods due to arson, theft, accident, wear and tear or disruptive activity <i>or due to time-expiry for usage</i> , value added tax paid on such goods may be deducted as prescribed.
Section 20 (4Kha)	No Provision	<i>Notwithstanding anything contained in Sub-section (4), where the tax assessment has been amended or any assessed tax has been reduced by the Revenue Tribunal or any Court of Law, the Tax Officer shall not amend such decided tax to that extent unless re-scrutiny order is provided by such entities.</i>
Section 21 (1) (Jha)	No Provision	<i>By publishing or broadcasting or publicizing in the department's website, the name of the tax payer, who does not deposit the tax in time.</i>
Section 29 (1) (Cha1)	In the event of breach of Section 16 (3a), a fine of One Thousand Rupees for each breach.	In the event of breach of Section 16 (3a), a fine of One Thousand Rupees for each breach.
Section 32Kha (2)	The circulars issued pursuant to Sub-section (1) may be published on the website of the Department or in the national newspapers for the information to the public.	The circulars issued pursuant to Sub-section (1) may be published on the website of the Department or in the national newspapers or any other electronic medium for the information to the public.
Section 33	While making an appeal to the Revenue Tribunal pursuant to this Act, entire of the undisputed amount of tax has to be paid out of the amount of tax assessed, and a deposit equivalent to fifty percent of the disputed amount of tax and fine or a bank guarantee for such amount has to be furnished.	(1) While making an appeal to the Revenue Tribunal pursuant to this Act, entire of the undisputed amount of tax has to be paid out of the amount of tax assessed, and a deposit equivalent to fifty percent of the disputed amount of tax and fine or a bank guarantee for such amount has to be furnished. (2) <i>For the purpose of computation of amount to be deposited under Sub-Section (1), the 25% amount that has already been deposited for departmental review shall also be considered.</i>

Major Changes in Value Added Tax Rules, 2053 (1997)

Following changes in Value Added Tax Rules, 2053 by publishing the amendment in Nepal Gazette with immediate implementation:

Rule	Existing Rule	Revised Rule
Rule 6 (Ga)	Government entity or the public institution wholly or partially owned by Government of Nepal, while making the payment to the contractor or supplier for goods, services or both received as per an agreement or the contract, shall deposit fifty percent of the tax amount payable to such contractor or supplier in the concerned revenue heading on behalf of such contractor or supplier and only pay the remaining tax amount.	Government entity or the public institution wholly or partially owned by Government of Nepal, while making the payment to the contractor or supplier for goods, services or both received as per an agreement or the contract, shall deposit thirty percent of the tax amount payable to such contractor or supplier in the concerned revenue heading on behalf of such contractor or supplier and only pay the remaining tax amount.
Rule 7Kha	Registered person shall update their record in the biometric system as per Section 10Ga of the Act within the end of Asar 2078 .	Registered person shall update their record in the biometric system as per Section 10Ga of the Act within the end of Asar 2078 .
Rule 23 (1) Cha	Books of purchases and sales as set forth in Schedule-8 and Schedule-9.	Purchase book as set forth in Schedule-8
Rule 23 (1) Ja	No Provision	Purchase book as set forth in Schedule-9
Rule 25	While certifying the purchase and sales books pursuant to Sub-section (3) of Section 16 of the Act, Tax Officer shall certify as follows: (a) If the taxpayer files an application to the Office for certification of the purchase and sales books, (b) During the period of tax inspection or audit, (c) At the time of inspection. However, taxpayer who has obtained approval to issue invoice from electronic medium shall not be required to certify their sales book if the sales book is prepared automatically by the electronic medium of the taxpayer.	(1) While keeping the record of sales and purchase for each tax period in pursuant to subsection 3 of section 16 of the Act, the tax payer should maintain the self-certified sales and purchase book. (2) Taxpayer who has obtained approval to issue invoice from electronic medium or other tax payer as prescribed by the Department shall provide the detail of sale and purchase transactions in prescribed format while filing tax return pursuant to Rule 26 each tax period.
Rule 26 (3Kha)	If so intended by the brick industries, printing, printing and electronic publications or broadcasting houses, hotel, tourism, cinema	If so intended by the brick industries, printing, printing and electronic publications or broadcasting houses, hotel, tourism and cinema

	<p>hall, and transporter the Department may fix a tax period of four months for filing the return for such taxpayers.</p>	<p>hall, the Department may fix a tax period of four months for filing the return for such taxpayers.</p>
Rule 31	<p>(1) Notwithstanding anything contained in the prevailing laws, while issuing a tax assessment order by the Tax Officer to a taxpayer pursuant to Rule 29, if the order is sent by telefax, telex or other similar electronic equipment installed at the address of such taxpayer or if such order is served to himself/herself or at his/her office or sent through registered post to his/her address, it shall be deemed to have been duly served.</p> <p>(2) In case the tax assessment order could not be served as per Sub-rule (1), the Tax Officer may inform the concerned taxpayer thereof by broadcasting or publishing a notice of such order through radio, television or in any national level newspaper. In such instance, the concerned taxpayer shall be deemed to have received such information.</p>	<p>(1) Any document required to be given or delivered to any person pursuant to this Act shall be deemed to have been given or delivered to that person in the following circumstances:</p> <p>(a) Where it is sent to fax, telex, email or such other electronic medium of that person,</p> <p>(b) Where it is delivered in-person to whom it has to be delivered or deliver to his representative or his office staff; to the manager of an entity or his assigned representative or staffs in the case of the entity.</p> <p>(c) Where it is sent by a registered post to his resident, office, business or other address to the extent known.</p> <p>(2) Any document so signed, encrypted or encoded through computer technology or written in it as indicating the name and designation of the competent authority of the Department and issued, served or given pursuant to this Act shall be deemed to have met requirements</p> <p>(3) If a document cannot be served pursuant to sub-rules (1) and (2), information thereof may be given by broadcasting or publishing a notice of the related order by radio, television or in any newspaper of national circulation, in the name of the concerned person. Information so give shall be deemed to have been received by the concerned person.</p>
Rule 39A	<p>(1) In case the goods are required to be written off the stock or sold at lesser value because of loss or damage of goods due to fire, theft, accident, breakage, or disastrous activities, an application shall be filed to the Inland Revenue Department along with evidence within thirty days of such event for deduction of tax paid on such goods.</p> <p>(2) While examining the application received pursuant to Sub-rule (1), if the Tax Officer finds occurrence of such loss or damage, they may allow deduction of tax paid for such goods.</p>	<p>(1) In case the goods are required to be written off the stock or sold at lesser value because of loss or damage of goods or expiry of date of use due to fire, theft, accident, breakage, or disastrous activities, an application shall be filed to the Inland Revenue Department along with evidence within thirty days of such event for deduction of tax paid on such goods.</p> <p>(2) While examining the application received pursuant to Sub-rule (1), if the Tax Officer finds occurrence of such loss or damage or expiry of date of use, they may allow deduction of tax paid for such goods.</p>

Rule 41 (1) (Ga)	(1) For the purpose of Section 17 of the Act, tax deduction shall not be allowed for the following goods or services: (a) Beverages, (b) Alcohol or alcoholic beverages such as liquor, beer, (c) Petroleum products (Petrol, diesel and LP Gas), (d) Entertainment expenses.	(1) For the purpose of Section 17 of the Act, tax deduction shall not be allowed for the following goods or services: (a) Beverages, (b) Alcohol or alcoholic beverages such as liquor, beer, (c) Petrol for vehicles (d) Entertainment expenses.
---------------------	---	---

Addition to List of Exemption in Schedule 1 (Services only)

Following services have been added in Schedule 1 (VAT Exemption List) by Finance Ordinance, 2078 (effective from Jestha 15th 2078):

- Service fee of e-library (Group 7)
- Rent of carriage vehicle, transportation service (without supply) and cargo services (Group 9)
- Silo and storage service of agro-based product in silo (Group 11)
- Money exchange, Swift service, Hire purchase service, deposit and credit security service (Group 11)
- Service of issuing certificate of origin (Group 11)
- Service of trekking and tour package (Group 11)

Please follow the updated list of Schedule 1 of VAT Act for total list (including goods and services).

Major Changes in Excise Duty Act, 2058 (2002)

Effective from Jestha 15th 2078

Sections	Existing Provision	New Provision
4D(2)	A businessperson, other than hotel and restaurants, carrying out transaction of liquor shall only transact liquors and tobacco.	A businessperson, other than hotel and restaurants <i>and party palace</i> , carrying out transaction of liquor shall only transact liquors and tobacco.
9 (6A)	<p>The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5), shall, for renewal of license, deposit the fine equivalent of fifty percent of the renewal fees in the first three months after the expiry of</p> <p>time limit and a fine of hundred percent of renewal fees in the next three months.</p> <p><i>However, the producers and importers obtaining license pursuant to Sub-section (3) if fails to renew the license within the time limit as set forth in Sub-section (5), may renew their license within 14 Jan 2020 (end of Poush 2076), if intended, by depositing the renewal fees payable for each year and fine equivalent to hundred per cent of such fees.</i></p>	The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5), shall, for renewal of license, deposit the fine equivalent of fifty percent of the renewal fees in the first three months after the expiry of time limit and a fine of hundred percent of renewal fees in the next three months.
9 (6B)	<u>New Provision</u>	<u>New Provision</u> The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5) and Sub-section (6) shall be automatically cancelled.
16 (2) (c1)	New Provision	Produce, remove, store or sell/ distribute goods without brand or using other's brand name.

Sections	Existing Provision	New Provision
16(3)	The claimed amount pursuant to Clause (e) of Sub-section (1) and Sub-section (2) shall be fixed by adding the value of the excisable goods determined based on the strength, quantity and shape of goods wherein the excise duty sticker has been used or may be used, and the excise duty charged on such excisable goods. If the goods and services whose claimed amount is to be fixed has already been sold, their claimed amount shall be fixed based on the selling price of such goods and services.	The claimed amount pursuant to Clause (e) of Sub-section (1) and Sub-section (2) shall be fixed by adding the value of the excisable goods determined based on the strength, quantity and shape of goods wherein the excise duty sticker has been used or may be used, and the excise duty charged on such excisable goods <u>or where a brand is not available, then determined as liquor of strength 70 U.P.</u> If the goods and services whose claimed amount is to be fixed has already been sold, their claimed amount shall be fixed based on the selling price of such goods and services.
16(6)	Notwithstanding anything contained in Sub-section (4) , in cases where a motor vehicle is registered as on hire and used by its owner himself/herself, such vehicle shall be seized.	Notwithstanding anything contained in <u>Sub-section (5)</u> , in cases where a motor vehicle is registered as on hire and used by its owner himself/herself, such vehicle shall be seized.
19 (6A) & 19 (6B)	New provision	<p>19 (6A) While making an appeal to the Revenue Tribunal pursuant to sub-section (6), entire of the undisputed amount of tax has to be paid out of the amount of tax assessed, and a deposit equivalent to fifty percent of the disputed amount of tax and fine or a bank guarantee for such amount has to be furnished.</p> <p>19 (6B) For the purpose of computation of amount to be deposited under Section 19(6A), the 25% amount that has already been deposited for departmental review should also be considered.</p>

Major Changes in Customs Duty Act, 2064

Effective from Jestha 15th 2078

Sections	Existing Provision	New Provision
18 (7)	<u>No Provision</u>	While submitting the Custom Declaration Form for the goods imported in accordance with this section, the brand, model, shape, measurement, weight producing company and any other detail for identification of goods shall be declared.
34	<p><u>Post Clearance Audit</u></p> <p>1. In order to ascertain whether the goods cleared by the Customs Office are the same as declared by an importer or confirm to the declaration made by the importer or not, the Director General or customs examiner may audit, inter alia, the importer's books relating to the purchase, import or sale of goods, records, books of accounts or similar other documents, bank records, computer system and all records related to his or her business. Upon audit the custom duty may also be determined if necessary.</p> <p>2. If, upon audit made pursuant to sub-section (1), it is found that the goods imported by the importer are different than those declared by the importer or are inconsistent with the declaration made by the importer or the transaction value or the quantity of the goods has been declared less and by virtue thereof lesser duty has been recovered, the Customs Examiner shall immediately recover from the importer the duty chargeable on such less value or quantity at the time of import and take action against such importer for the</p>	<p><u>Post Clearance Audit</u></p> <p>1. In order to ascertain the following matters with respect to the imported/exported goods, the Director General or the Customs Examiner may audit, inter alia, the exporter/importer's books relating to the purchase, import or sale of goods, records, books of accounts or similar other documents, bank records, computer system and all records related to his or her business: Whether the,</p> <ol style="list-style-type: none"> Declaration has been made in accordance with section 18(7) or not Goods are as per the declaration or not Custom value of goods are factual or not Classification and sub-classification are correct or not Duty to be paid for export or import as per the legislation have paid or not Imported goods are imported by the concerned person and have been used for the purpose it is imported with respect to the goods where full or partial exemption/facility on custom duty are availed as per this Act or other prevailing law . Imported Goods as declared in Custom declaration form is uniform with purchase invoice and other import

Sections	Existing Provision	New Provision
	<p>declaration of less transaction value or quantity, pursuant to this Act.</p> <p>However, when less transaction are declared hundred percent of the duty charge will be collected as fine.</p> <p>3. If, upon audit made pursuant to sub-section (1), it appears that less duty has been recovered by the reason of difference in sub-heading of commodity classification, the concerned Post Clearance Audit Officer shall recover such shortfall amount of duty and fine equivalent to that of shortfall amount from the importer.</p> <p>4. The Director General or the Customs Examiner while taking action pursuant to this section, shall use and follow the power and procedure with respect to it, to collect additional amount pursuant to existing laws, summon the concerned person, take his or her deposition, examine the evidence, require the submission of documents, issue notice.</p> <p>5. If, upon audit made pursuant to this section, the importer does not appear within the given time or does not submit the document and evidence, the Director General or the Customs Examiner shall audit on the basis of available documents and evidence, by imposing a fine pursuant to Sub-section (15a.) of Section 57 and withholding the import export transactions.</p> <p>However, if additional document evidence found with respect to the importer after made pursuant to this section, this section not be deemed to prohibit conducting based on such additional documents.</p> <p>6. While determining duty pursuant to this section, concerned person shall be</p>	<p>related document with respect to measurement, shape, weight, sales/purchase register of importer and the measurement, shape and weights indicated in the sales invoice.</p> <p>2. If, upon audit made pursuant to sub-section (1), any difference is found in custom value goods or on classification/ sub-classification of item or due to omission of duty payable as per the applicable law, lesser duty has been recovered, the Director General or the Custom Examiner shall recover such less duty along with the fine equivalent to such duty amount.</p> <p>3. If, upon audit made pursuant to sub-section (1), it is found that the goods imported by the importer are different than those declared by the importer or are inconsistent with the declaration made by the importer or the transaction value or the quantity of the goods has been declared less and by virtue thereof lesser duty has been recovered, the Director General or the Customs Examiner shall recover such less duty along with fine as per Section 57 of the Act.</p> <p>4. If, upon audit made pursuant to the sub-section 1, declaration has not been made as per part (a) of sub-section 1, Director General or Custom Examiner shall impose 5% fine on Custom value of the goods.</p> <p>However, if such declaration is not possible due to the nature of the goods, fine as per this sub-section shall not be imposed.</p> <p>5. If, upon audit made pursuant to the sub-section 1, if the imported goods which have availed exemption facility as per part (f) of sub-section 1, are found to have been used for a different purpose or is not imported by the concerned person, Director General or</p>

Sections	Existing Provision	New Provision
	<p>provided fifteen days time to submit the clarification.</p> <p>7. The duty and fine amount determined under this section shall be deposited within thirty five days from receiving the order to deposit the amount by the person so ordered. Duty and fine amount not paid within mentioned time shall bear interest at the rate of fifteen percent annually for the period beginning with the date of order and ending with the date on which the payment is made.</p> <p>8. If, any importer does not deposit the amount that should be deposited pursuant to sub-section (7), Customs Examiner shall freeze moveable or immoveable property of such importer and collect such amount from the said property.</p> <p>9. If any amount cannot be collected Pursuant to subsection (8), the due amount shall be collected as government debt.</p> <p>10. Pursuant to this section, The Director General or the Customs Examiner shall, if necessary, require submission of documents relating to the importer, businesses owned by the importer, payment of goods, bank accounts, profit and loss statement, tax details, invoices or other such required documents from concerned bank or Financial institution, and any other organization or individual related to importers' business. When asked upon, the organization or individual should compulsory furnish the documents as required.</p> <p>11. The audit referred to in this Section may be made until four years after the date of clearance of goods.</p>	<p>the Customer Examiner shall impose fine in accordance with Section 57 (20).</p> <p>6. If, upon audit made pursuant to the sub-section 1, if uniformity in goods is not found with respect to measurement, shape and weight as per part (g) of sub-section 1, Director General or Custom Examiner shall impose 5% fine on Custom value of the goods.</p> <p>7. If, upon audit made pursuant to this Section, if any duty or fine is to be collected, the Director General or the Custom Examiner shall determine the duty and fine and notify the concerned importer/ exporter with fifteen days time to submit the clarification.</p> <p>8. Upon receipt of notification as per Sub-section 7, the concerned person has to be submit their clarification within 15 days.</p> <p>9. Subsequent to receipt of clarification as per sub-section 8 or upon expiry of time-limit for submission of clarification, the Director General or the Custom Examiner shall determine the final duty and fine and order the concerned importer/exporter to deposit such amount. In case, no duty or fine is to be determined, the information about the same should be provided to the concerned importer/ exporter.</p> <p>10. The duty and fine amount determined under the sub-section (9) shall be deposited within thirty-five days from receiving the order to deposit the amount by the person so ordered. Duty and fine amount not paid within mentioned time shall bear interest at the rate of fifteen percent annually for the period beginning with the date of order and ending with the date on which the payment is made.</p>

Sections	Existing Provision	New Provision
		<p>11. If, any importer does not deposit the amount that should be deposited pursuant to sub-section 10, the Director General or the Customs Examiner shall freeze moveable or immovable property of such importer and collect such amount from the said property.</p> <p>12. If any amount cannot be collected Pursuant to subsection (11), the due amount shall be collected as government debt.</p> <p>13. Pursuant to this section, The Director General or the Customs Examiner shall, if necessary, require submission of documents relating to the importer, businesses owned by the importer, payment of goods, bank accounts, profit and loss statement, tax details, invoices or other such required documents from concerned bank or financial institution, and any other organization or individual related to importers' business. When asked upon, the organization or individual should compulsory furnish the documents as required.</p> <p>14. If, upon audit made pursuant to the Sub-Section 1, the Director General or the Customs Examiner may summon the concerned person, take his or her deposition, examine the evidence, and require the submission of documents, issue notice.</p> <p>15. For the purpose of sub-section (14), the Director General or Custom Officer may issue individual or public notice.</p> <p>16. If, upon audit made pursuant to this section, the importer does not appear within the given time or does not submit the document and evidence, the Director General or the Customs Examiner shall audit on the basis of available documents and evidence, by imposing a fine pursuant to Sub-section</p>

Sections	Existing Provision	New Provision
		<p>(15a) of Section 57 and withholding the import export transactions.</p> <p>17. If additional document evidence is found with respect to the importer after audit is made pursuant to sub- section 16, re-audit may be conducted based on such additional documents/ evidences.</p> <p>18. The audit referred to in this Section may be made until four years after the date of clearance of goods.</p> <p>However, where it is proved that importer/ exporter has deposited less duty by preparing false accounts or invoices or other documents, the Custom Examiner with permission of Director General may conduct audit even after four years.</p> <p>The information or notice for time-limit, clarification or order for depositing fine/ duty to be provided under this Section by Custom Examiner or Director General to the importer or exporter may be sent in e-mail address of concerned person. Such information/ notice sent through e-mail shall be deemed to have been received by the concerned person.</p>
62(1)	<p>Except for any decision or order referred to in Section 13, a person who is not satisfied with the customs duty determined by the Customs Officer or other employee under this Act or with any order or punishment or decision issued or made by customs officer, or with any decision made by the valuation review committee formed pursuant to Section 61 may make an appeal to the Revenue Tribunal within thirty five days after the date of the determination of such</p>	<p>Except for any decision or order referred to in Section 13, a person who is not satisfied with the customs duty determined by the Customs Officer or other employee under this Act or with any order or punishment or decision issued or made by customs officer, <u>or any order issued by Director General or Custom Examiner for depositing duty or fine pursuant to Section 34</u> or with any decision made by the valuation review committee formed pursuant to Section 61 may make an appeal to the Revenue Tribunal within thirty five days after the date of the</p>

Sections	Existing Provision	New Provision
	customs duty or the imposition of punishment or the making of decision.	determination of such customs duty or the imposition of punishment or the making of decision.
89B (1)	Person who wishes to export or import shall obtain the Export Import Code for doing such business from the date as specified by the Department.	<p>No person can import or export without obtaining Export Import Code from the Department.</p> <p>However, prescribed persons can import or export without obtaining import or export code.</p>
89B(7)	<u>New Provision</u>	<p><u>New Provision</u></p> <p>Other provision related to Export Import Code shall be as prescribed</p>
89E		<p><u>New Provision</u></p> <p>(1) For the purpose of management of International Transaction, Nepal Government may establish a National Single Window and prescribe an entity for its implementation.</p> <p>(2) Until an entity is prescribed as per sub-section 1, National Single Window shall be implemented by the Department.</p> <p>(3) All import and export related entities shall be affiliated with the National Single Window established as per sub-section 1.</p> <p>Notwithstanding anything contained in this Act or any other prevailing law, entities affiliated with National Single Window shall conduct its activities in accordance with the Window established as per sub-section 1.</p>
93 (g1)	<u>Addition of part/sub-section</u>	<p><u>Addition of part/sub-section</u></p> <p><u>Right to make directives/Procedure</u></p> <p>(g) Relating to National Single Window</p>

About Baker Tilly

Baker Tilly Nepal Pvt. Ltd. trading as Baker Tilly is an independent member firm of Baker Tilly International for Nepal. Established in 2007, Baker Tilly Nepal 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 8th 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 or <http://www.bakertilly.com.np/aboutus.php>

You can reach us at:

Baker Tilly Nepal Pvt. Ltd.
Patandhoka, Lalitpur-3
Post Box No. 158, Lalitpur DPO- 44700
Nepal

T: +977 (1) 5521195

Email: contact@bakertilly.com.np

About Baker Tilly

Baker Tilly Nepal Pvt. Ltd. trading as Baker Tilly is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

Established in 2007, Baker Tilly Nepal 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.

Baker Tilly Nepal Pvt. Ltd. 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, 2021



Contact us

contact@bakertilly.com.np

T: +977 1 5521605

www.bakertilly.com.np