



# Nepal Budget Highlights- 2019/20

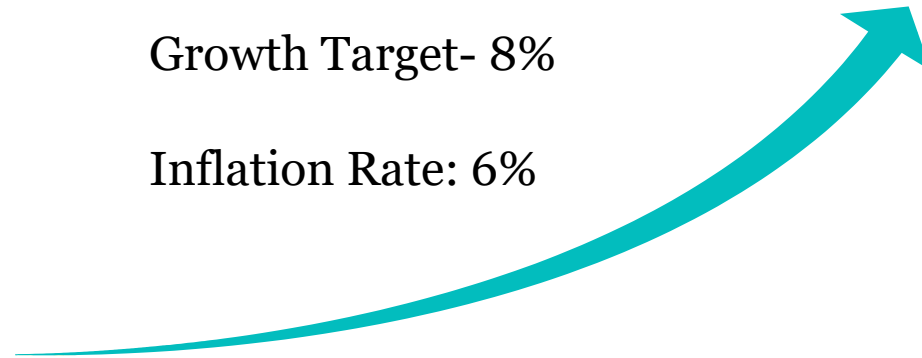
❑ Budget Objectives	3
❑ Budget Highlights	7
➤ <i>Priority Areas</i>	
➤ <i>Indirect Tax</i>	
➤ <i>Direct Tax</i>	
❑ General Amendments	18
❑ Amendments in VAT Act, 1996	21
❑ Amendments in Income Tax Act, 2002	32
❑ Amendments in Excise Act, 2002	50
❑ Amendments in Customs Act, 2007	53

# Objectives

- 1. Qualitative improvement in living standard of the citizens by immediate fulfillment of their fundamental rights and basic needs*
- 2. Rapid Economic Development along with Social Justice through optimum utilization and judicious distribution of available resources, opportunities and capacities.*
- 3. Develop the foundations for fair and prosperous socialism-oriented economy by upgrading to middle income country within 2030 AD through the economic, physical and social infrastructure developments*

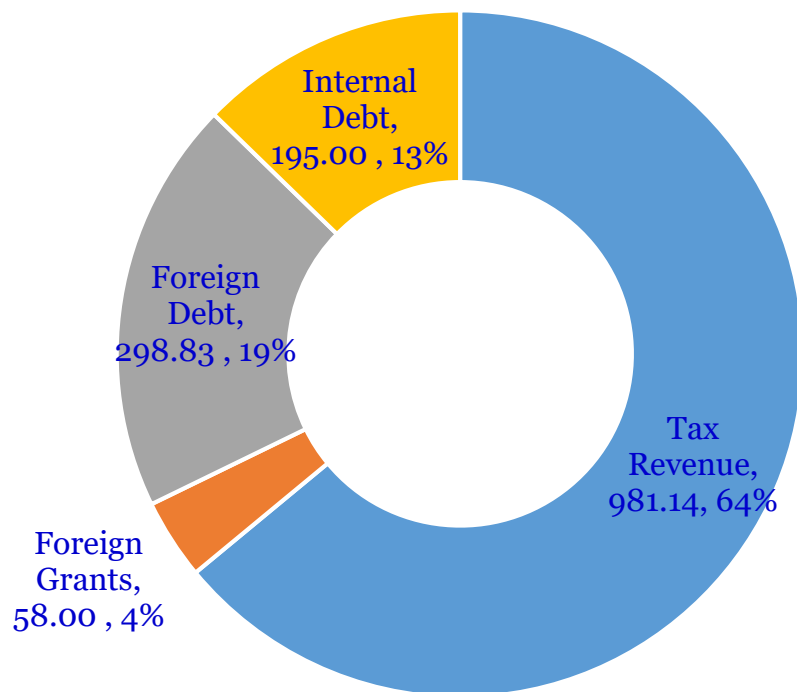
Growth Target- 8%

Inflation Rate: 6%

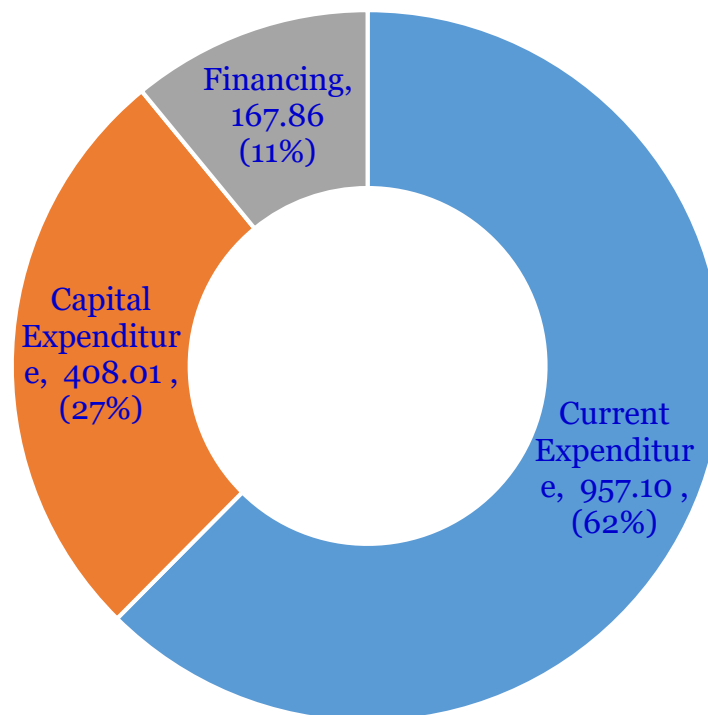


## Source of Finance *(NPR in billion)*

NPR 1,532.97

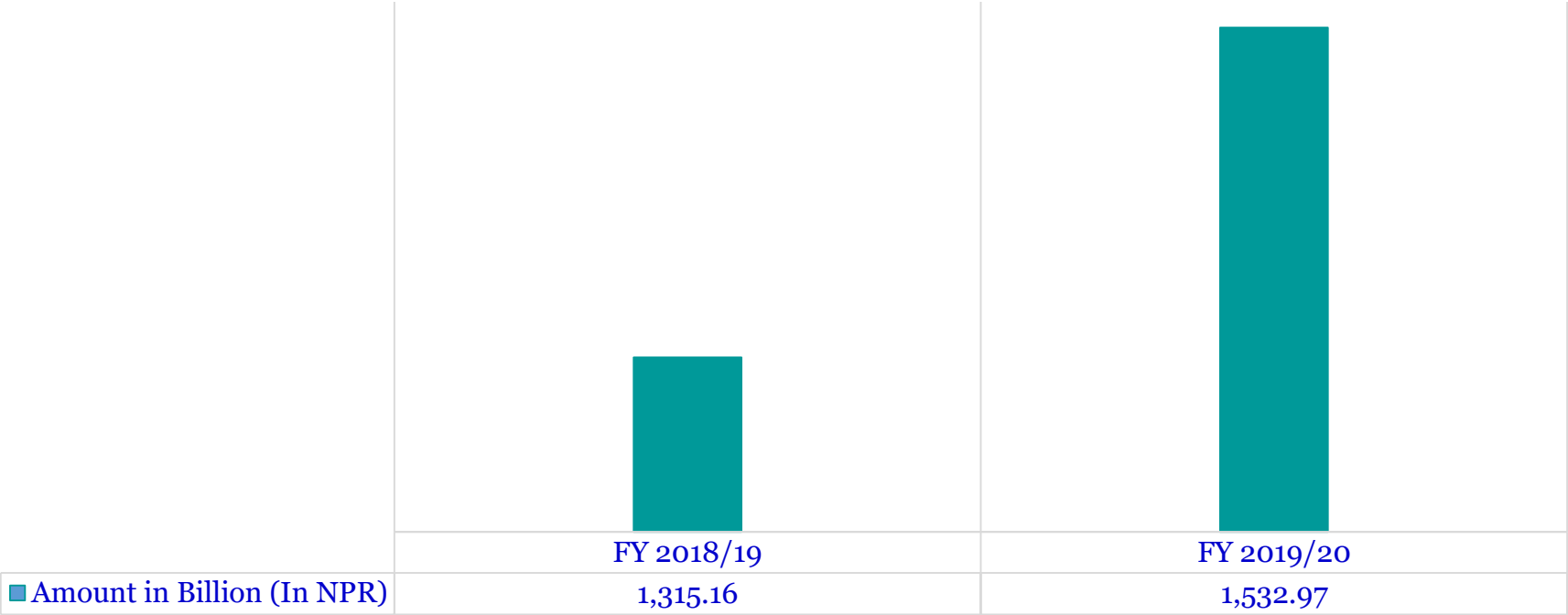


## Allocation of Budget *(NPR in billion)*



# Budget Amount Compared to Previous Year *(NPR in billion)*

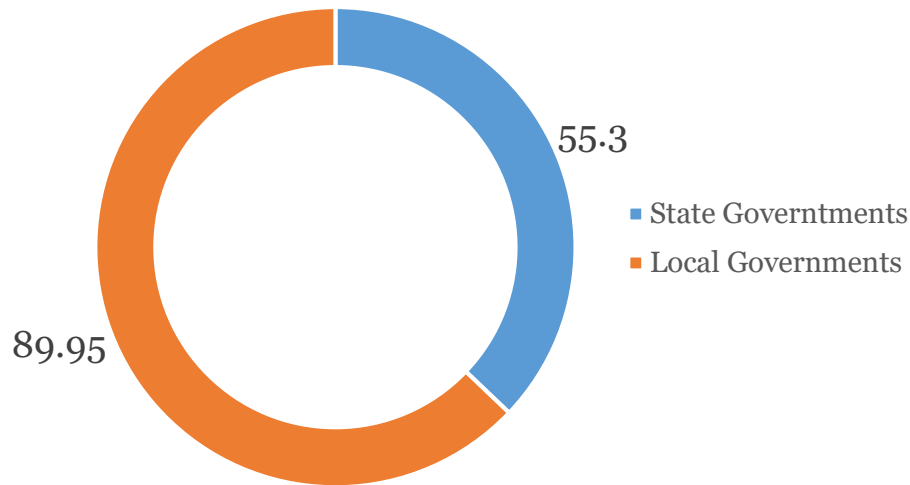
AMOUNT IN BILLION (IN NPR)



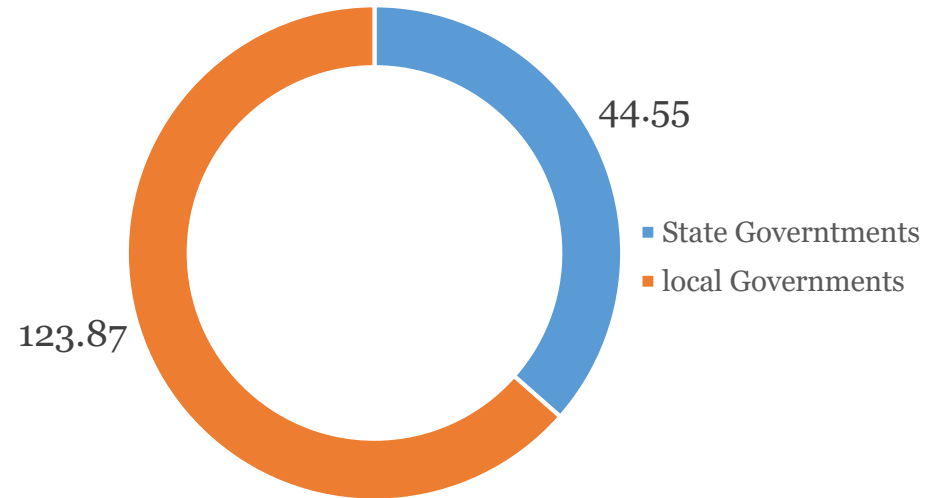
Increment of 16.56% in Budget Amount as compared to Previous Year.

# Fiscal Transfer *(NPR in billion)*

## Direct Grant *(NPR in billion)*



## Conditional Grant *(NPR in billion)*



*NPR in billion*

Heading	State Governments	Local Governments
Direct Grant	55.3	89.95
Conditional Grant	44.55	123.87
Special Grant	10.00	
Complementary Grant	10.00	
Distribution of Revenue	130.89	
<b>Total</b>	<b>454.56</b>	



# Highlights of Budget

# Budget Highlights

## Priority Areas

- ❑ Construction of Public welfare state administration with the eradication of extreme poverty, rapid upliftment of backward area, category and community along with the extension of social security
- ❑ Construction of national capital, creation of employment and increase in income through enhancement of productive capacity, transformation relating to production and cooperation of public, private and cooperative sector
- ❑ Development and construction of physical structure of national strategic importance, implementation of incomplete projects and development of financial infrastructure like qualitative education, health, drinking water, social and agriculture industry, tourism
- ❑ Promotion of governance realized to citizen through rule of law, effectiveness of public service, accountability and public participation in development
- ❑ Cooperation between province and local level, Cooperative and private sector for maximum utilization of resources, opportunity and responsibility



# Budget Highlights

## ***Tourism Sector***

1. The Government has set a target to develop tourism-friendly infrastructures programmes with an objective of attracting two million tourist within 2020.
2. Aim to promote domestic tourism adopting the policy, *'visit country first, then abroad'*
3. The budget has made necessary arrangement to run tourism business round the year, attracting the tourists from the neighboring countries India and China. Nepal Academy of Tourists And Hotel Management will be developed as Tourism University.
4. Has targeted to make mountaineering safer and systematic and allocated Rs. 5.20 billion for the development and promotion of tourism sector.
5. Allocated Rs. 19.35 billion for the development of aviation sector which include initiating construction of Nijgadh Airport, concluding the construction works of Gautam Buddha Regional Airport and Pokhara Regional Airport and up grading Tribhuvan International airport and other Domestic Airports.

# Budget Highlights

## *National ID*

National identity card distribution program would be extended in additional 15 districts in coming fiscal year 2019/20 as per the policy to distribute national ID cards to all people within five years.

# Budget Highlights

## *Transport Infrastructure*

1. The budget has laid emphasis on completing the construction of fast track, mid -hill highway and postal highway. Rs 500 million has been appropriated for the construction of roads through Chure and inner Madesh. Likewise, Kimathanka-Rani road section and Rasuwagaghi-Galchhi-Thori road section are to be completed.
2. The under construction Kaligandaki corridor is to be expanded to southern border at Triveni from northern border Korala. Similarly, budget has been allocated for the construction and up-gradation of seti highway, Gamgadi Nagma, Simikot Hilsa and Dunai Marimlapas road section, expansion of Karnali Highway linking northern border via Dolpa, Mugu and Humla.
3. The government has earmarked a budget of Rs 3.53 billion for Terai-Madhes Infrastructure Special Program in the southern area laggard from the infrastructure development perspective.
4. The construction of tunnel expressway will begin this year on the Thankot-Naubise road section along Prithvi Highway. The government has also announced the construction of Tokha – Khahare-Ghurjubhanjyang tunnel way. Budget has been allocated for importing necessary technology for the tunnel construction.

# Budget Highlights

## *ICT Sector*

The budget has also massively allocated the funds in the information and communication sector this year too. The most remarkable point in the budget 2075/76 is information tech-friendly education and to provide free broadband internet in all schools.

## *Tax Relief to Start-ups*

Tax, fines, penalties, additional fees and interest applicable shall be waived for unregistered startup businesses operating with innovative ideas, skills, entrepreneurship and technology before fiscal year 2075/76 if they register in VAT and Income tax within Poush 2076

# Budget Highlights

## *Promotion of Domestic Industries*

1. Changes in custom rate for promotion of domestic production as below:
  - In order to protect and promote the domestic production of goods on which Nation is self dependent such as tea, coffee, dairy products, ghee, chicken, biscuits, noodles, banana, peas, peanuts, potato chips, ice cream, juice, mineral water, sugar, sakhar, chocolate, chewing gum, pasta, zinc sheet, shoes, sandals, thread, tent and industrial goods, custom rate is increased for import of such goods.
  - Custom and excise on products that are detrimental to health such as alcohol, cigarettes, and other tobacco based and other products detrimental to health is slightly increased.
2. For promotion of export, exemption on custom duty on export of goods excepts alcohol and tobacco based products, raw material to be consumed domestically, and basic agricultural products.
3. For promotion of export, facility of bonded warehouse is provided for import of all types of raw materials for producers who export more than 20% of their products.

# Budget Highlights

## *Promotion of Domestic Industries*

4. Custom rate for import of some industrial raw materials reduced in comparison to custom rate for import of finished goods
5. 1 % custom rate made applicable for import of Mill machinery, spare parts and chemicals for self utilization by textile industries.
6. Custom rate is reduced for import of machinery and equipments by industries with high prospects in domestic market such as textile industry, thread industry, tea industry, basic medicine industry, sanitary pad industry , feed supplement industry for their protection and promotion
7. For promotion of water transport in nation, import of all types of transport medium for water transport is subject to 5% custom rate instead of 15 %.

# Budget Highlights

## *Expanding Tax Brackets*

1. Provision requiring payment of VAT Liability for more than NPR 10 Lakhs should only through cheque or draft or electronic means
2. Provision of refund of 10% of VAT amount paid on purchase of Vatable goods or service if the consumers pay the amount through electronic means. Refund shall be as prescribed in bank account of same consumer.
3. To implement policy of “One man one PAN”, facility of obtaining PAN registration will be made available from every Inland Revenue office.
4. Remuneration and Wages paid to the employees and workers not having Permanent Account Number (PAN) shall be disallowed at the time of calculating taxable income. In addition to it, expense of Invoice more than NPR 1,000 not containing PAN shall also be disallowed.
5. Nepalese Nationals are allowed to import up to 100 gram gold ornaments while returning from foreign countries by paying applicable custom.
6. Withdrawal of VAT levied on Beauty Parlour

# Budget Highlights

## Tax Administration

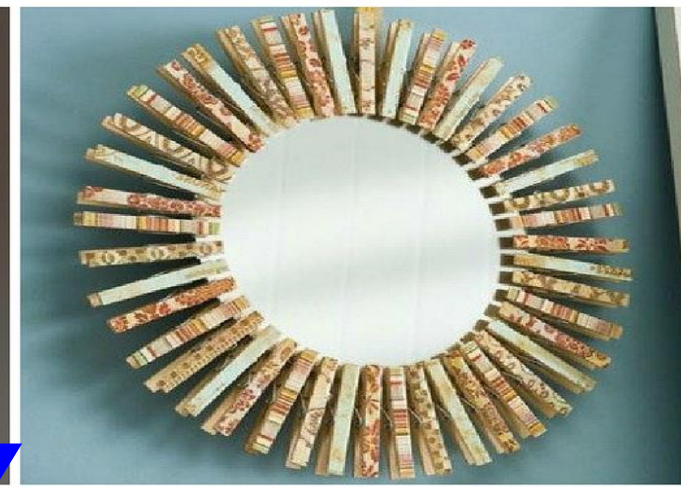
1. Facility to revise Income Tax Return (ITR) filed at IRD within the due date has been provided to the tax payer. Same may be revised within 30 days from the date of submission as per prescribed procedure .
2. Amount of deposit to be made while applying for administrative review has been decreased to  $\frac{1}{4}^{\text{th}}$  of Disputed Amount from existing limit of  $\frac{1}{3}^{\text{rd}}$  of Disputed Amount.



# Budget Highlights

## Changes in Capital Gain Tax

1. In order to encourage investment in share, applicable tax rate for natural person is reduced to 5 % from 7.5 % and calculation of tax on share transaction will be based on weighted average cost method.
2. 1.5% Advance Tax shall be collected on Gain on Disposal of Land and Building (Other than Non-Business Chargeable Assets of Natural Person)



# General Amendments



# General Amendments

## Section 13 –Pollution Control Fee

Existing Provision	Revised Provision
Fee : NPR 0.50 Paisa Per Litre  Levied on : Sale and Distribution of Petrol and Diesel within Nepal	Fee : NPR 1.50 Paisa Per Litre  Levied on : Sale and Distribution of Petrol and Diesel within Nepal

## Section 14 –Telephone Ownership Fee

Existing Provision	Revised Provision
Telephone Ownership Fee : NPR 1,000	Telephone Ownership Fee : NPR 500

# General Amendments

## Section 20 – Special Provision on Waiver of Tax for Unregistered startup businesses operating with innovative ideas, skills, entrepreneurship and technology

- Condition : Obtain PAN and Register under VAT within Poush End 2076
- Waive: Any Returns, Tax, Penalty, Additional Fee, Interest before FY 2075/76
- Available To: Unregistered startup businesses operating with innovative ideas, skills, entrepreneurship and technology



# Amendments in VAT Act, 1996

# Amendments in VAT Act, 1996

## Section 10(2) – Registration

Following provisions are added in Registration Section of VAT Act:

### A. Mandatory Registration of following Business irrespective of Threshold Limit:

- i. Health Club (*Previously covered in B*)
- ii. Discotheque (*Previously covered in B*)
- iii. Massage Therapy (*Previously covered in B*)
- iv. Motor Parts (*Previously covered in B*)
- v. Electronic Software
- vi. Customs Agent
- vii. Playtoys Business
- viii. Scrap Business

Contd..

# Amendments in VAT Act, 1996

## Budget Overview

### Section 10(2) – Registration

- B. Mandatory Registration of following Transactions irrespective of Threshold Limit within Metropolitan City, Sub Metropolitan City, Municipality, or any area prescribed by Inland Revenue Department:
- i. Education and Legal Consultancy (Previously Education Consultancy was only mandatory)
  - ii. Accounts and Audit Related Services

*\*Beauty Parlor – Deleted by Finance Ordinance 2076*

### Section 10C – Special Provision of Record of Register – New Provision

Every Registered Person shall register in Biometric System within specified time period.  
(*Within 2077 Asadh End*)

# Amendments in VAT Act, 1996

## Section 19(7) – Payment of VAT – New Provision

Section 19(7) – Payment of VAT through Cheque/Draft/Electronic Means

Payment of VAT Liability for more than NPR 10 Lakhs should be made only through either cheque or draft or electronic means

## Section 24(3) – VAT Refund

Section	Existing Provision	Revised Provision
24 (3)	A registered person may file an application to a tax officer for a lump sum refund, as prescribed, for an excess remaining amount that remains after taking tax credit for a consecutive period of <b>6 months</b> .	A registered person may file an application to a tax officer for a lump sum refund, as prescribed, for an excess remaining amount that remains after taking tax credit for a consecutive period of <b>4 months</b> .



# Amendments in VAT Act, 1996

### Section 25(1)(a1) – VAT Refund – New Provision

VAT Paid on purchase of vatable goods and services by Foreign Diplomatic mission in Nepal shall be refunded on recommendation of Ministry of Foreign Affairs, Nepal

### Section 25 (1A) – Proviso of VAT Refund

Section	Existing Provision	Revised Provision
25 (1A)	Tax Paid by Diplomatic Mission or Diplomats on purchase of goods or service that is less than <b>NPR 5,000</b> at one time shall not be refunded.	Tax Paid by Diplomatic Mission or Diplomats on purchase of goods or service that is less than <b>NPR 10,000</b> at one time shall not be refunded.

# Amendments in VAT Act, 1996

## Section 25(1B) – VAT Refund – New Provision

On purchase of vatable goods or service, if the consumers pay the amount through electronic means, they shall be refunded 10% of VAT amount paid by them on same. The refund shall be as prescribed in bank account of same consumer.

## Section 29 – Fines and Penalties

Section	Existing Provision	Revised Provision
29 (1)(b)/ 29(1)(b2)	Penalty: <b>NPR 1,000</b> (each time)  <b>Offence:</b> If registered person shall not inform the tax officer about the changes in the information mentioned in their application at the time of registration within 15 days.	Penalty: <b>NPR 10,000</b> (each time)  <b>Offence:</b> If registered person shall not inform the tax officer about the changes in the information mentioned in their application at the time of registration within 15 days.

# Amendments in VAT Act, 1996

## Section 29 – Fines and Penalties

Section	Existing Provision	Revised Provision
29 (1)(c)	<p><b>Penalty Amount : NPR 5,000</b></p> <p><b>Offence:</b> If the seller does not provide tax invoice</p>	<p><b>Penalty Amount : NPR 10,000</b></p> <p><b>Offence:</b> If the seller does not provide tax invoice</p> <p><b>Penalty Amount : NPR 1,000</b></p> <p><b>Offence:</b> If the purchaser does not obtain tax invoice</p>
29 (1)(c1)	<p><b>Penalty Amount : NPR 5,000</b></p> <p><b>Offence:</b> If tax invoice is not carried along with the goods in case of transportation of goods for more than NPR 10,000 outside the areas specified by IRD.</p>	<p><b>Penalty Amount : NPR 10,000</b></p> <p><b>Offence:</b> If tax invoice is not carried along with the goods in case of transportation of goods for more than NPR 10,000 outside the areas specified by IRD.</p>

# Amendments in VAT Act, 1996

## Section 29 – Fines and Penalties

Section	Existing Provision	Revised Provision
29 (1C)	<p data-bbox="312 461 1094 504">Penalty Amount : 50% of Invoice Value</p> <p data-bbox="312 729 1094 875"><b>Offence:</b> If the seller issues only invoices without transferring goods or services</p>	<p data-bbox="1135 461 1955 661">Penalty Amount : 50% of Invoice Value or imprisonment for up to 6 Months or penalize with both the fine and imprisonment</p> <p data-bbox="1135 729 1955 875"><b>Offence:</b> If the seller issues only invoices without transferring goods or services</p>

# Amendments in VAT Act, 1996

## Section 31A(6) – Application for Administrative Review

Section	Existing Provision	Revised Provision
31A(6)	<p>Deposit : 100% of Undisputed Tax Amount and <b>1/3<sup>rd</sup> of Disputed Amount</b></p> <p>Purpose: Filing an application for Administrative Review</p> <p>Time: Before Filing an application for Administrative Review</p>	<p>Deposit : 100% of Undisputed Tax Amount and <b>1/4<sup>th</sup> of Disputed Amount</b></p> <p>Purpose: Filing an application for Administrative Review</p> <p>Time: Before Filing an application for Administrative Review</p>

# Amendments in VAT Act, 1996

## Significant Additions: Exempted from VAT

1. Group 11 (i) : Machineries for garbage processing to reuse, garbage compactor and medicine production machines
2. Group 11 (ii) : On recommendation of Alternative Energy Promotion Centre import of Bio Gas, mentioned Equipment and Machineries producing Solar and Wind Energy
3. Group 11 (ii) : Accidental Insurance and Medical Insurance

# Amendments in VAT Rules, 1997

## Significant Amendments in VAT Rules

1. Rule 6A(2) : Government Entity, Public Institution, or Association or Registered Person while awarding contract or receiving consultancy services in excess of NPR 5 lacs per annum should receive only from a VAT registered person. *(Previously the limit was NPR 1 lacs)*
2. Rule 6(c): 50% of VAT amount should be withheld on payment to contractors against contract for supply of goods/services by Government entity or entities held fully or partly by the Government. Same amount shall be deposited in IRD in the name of such contractors. *(New Provision)*
3. Rule 41(1): VAT paid on purchase of petrol, diesel and LPG are not eligible input credit
4. Rule 39(5) : If a registered person exports more than 40% *(Previously – 50%)* of his/her total monthly sale carried out in any month, he has to make an application, accompanied also by necessary documents related with the export, to the Tax Officer in the prescribed format as to get refund of the deductible tax which has become excess for that month.

# Amendments in Income Tax Act, 2002



# Amendments in Income Tax Act, 2002

## Section 11 – Tax Exemption

Section	Existing Provision	Revised Provision
11(2)	Rural community-based <b>Saving &amp; Credit Cooperatives</b> are exempt from tax.	Rural community-based <b>Co-Operative involved in Financial Transactions</b> are exempt from tax.

***Section 11(2b) – New Provision – Following tax rebate shall be available to following person earning income from fully operating special industries.***

Person	Tax Rebate
Resident Natural Person (If he/she falls under Tax Slab of 30%)	1/3 <sup>rd</sup> on Applicable Tax
Entity	20% of Applicable Tax
<i>Note 1: Above person can also avail any other tax concession under Section 11</i>	

***Note: In FY 2018-19, the normal rate applicable for income for mentioned above was 20% as per Schedule 1, however, in FY 2019-20, the normal rate is 25% with 20% concession, that will result in applicable tax rate of 20%.***

# Amendments in Income Tax Act, 2002

## Section 11 – Tax Exemption

Section	Existing Provision	Revised Provision															
11(3e)	<p>Tax Rebate: 25% on Applicable Tax Rate</p> <p>Applicable to : Manufacturing Industries for Income generated from Export of Goods</p>	<p>Following Tax Rebate available for income generated from export:</p> <table border="1"> <thead> <tr> <th>SN</th> <th>Person</th> <th>Tax Rebate</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Resident Natural Person (If he/she falls under Tax Slab of 20%)</td> <td>25% of Applicable Tax</td> </tr> <tr> <td>b</td> <td>Resident Natural Person (If he/she falls under Tax Slab of 30%)</td> <td>50% of Applicable Tax</td> </tr> <tr> <td>c</td> <td>Entity</td> <td>20% of Applicable Tax</td> </tr> <tr> <td>d</td> <td>Manufacturing Industries for Income generated from Export of Goods</td> <td>Additional 25% rebate on Tax amount after availing rebate as per clause (a) or (b)</td> </tr> </tbody> </table>	SN	Person	Tax Rebate	a	Resident Natural Person (If he/she falls under Tax Slab of 20%)	25% of Applicable Tax	b	Resident Natural Person (If he/she falls under Tax Slab of 30%)	50% of Applicable Tax	c	Entity	20% of Applicable Tax	d	Manufacturing Industries for Income generated from Export of Goods	Additional 25% rebate on Tax amount after availing rebate as per clause (a) or (b)
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a	Resident Natural Person (If he/she falls under Tax Slab of 20%)	25% of Applicable Tax															
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d	Manufacturing Industries for Income generated from Export of Goods	Additional 25% rebate on Tax amount after availing rebate as per clause (a) or (b)															

*Note: In FY 2018-19, the normal rate applicable for income from export for an entity was 20% as per Schedule 1, however, in FY 2019-20, the normal rate is 25% with 20% concession, that will result in applicable tax rate of 20%.*

# Amendments in Income Tax Act, 2002

## Section 11 – Tax Exemption

Section	Existing Provision	Revised Provision																		
11(3f)	<p>Tax Rebate: 40% on Applicable Tax Rate</p> <p><b>Applicable To :</b> Income generated from construction and operation of road, bridge, airport, and tunnel or Income from operating through investment in tram &amp; trolley bus</p>	<p>Following Tax Rebate available:</p> <table border="1"> <thead> <tr> <th>SN</th> <th>Person</th> <th>Tax Rebate</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>Operation of Tram or Trolley Bus</td> <td>20% of *ATR</td> </tr> <tr> <td>b</td> <td>Construction and Operation of Ropeway, Cablecar, Railway, Tunnel, Overhead Bridge</td> <td>20% of ATR</td> </tr> <tr> <td>c</td> <td>Construction and Operation of Airports</td> <td>40% of ATR</td> </tr> <tr> <td>d</td> <td>Construction and Operation of Road, Bridge and Tunnel</td> <td>52% of ATR</td> </tr> <tr> <td>e</td> <td>Investment and Operation of Tram or Trolley Bus</td> <td>52% of ATR</td> </tr> </tbody> </table> <p><i>*ATR: Applicable Tax Rate</i></p>	SN	Person	Tax Rebate	a	Operation of Tram or Trolley Bus	20% of *ATR	b	Construction and Operation of Ropeway, Cablecar, Railway, Tunnel, Overhead Bridge	20% of ATR	c	Construction and Operation of Airports	40% of ATR	d	Construction and Operation of Road, Bridge and Tunnel	52% of ATR	e	Investment and Operation of Tram or Trolley Bus	52% of ATR
SN	Person	Tax Rebate																		
a	Operation of Tram or Trolley Bus	20% of *ATR																		
b	Construction and Operation of Ropeway, Cablecar, Railway, Tunnel, Overhead Bridge	20% of ATR																		
c	Construction and Operation of Airports	40% of ATR																		
d	Construction and Operation of Road, Bridge and Tunnel	52% of ATR																		
e	Investment and Operation of Tram or Trolley Bus	52% of ATR																		

# Amendments in Income Tax Act, 2002

## Section 11 – Tax Rebate

Section 11 (3Q) – New Provision - Following Tax Rebate available:

**Tax Rebate** : 20% of Applicable Tax

**Applicable To** : Income generated by any entity who is engaged in the project to build and operate Public Physical Infrastructure and Handover to Nepal Government and Construction of Power House, Production and Transmission of Electricity.

*Note: In FY 2018-19, the normal rate applicable for income from mentioned project was 20% as per Schedule 1, however, in FY 2019-20, the normal rate is 25% with 20% concession, that will result in applicable tax rate of 20%.*

# Amendments in Income Tax Act, 2002

## Section 21 – Disallowed Expense

Section 21 (d1)/ 21 (d2) – New Provision

Following expenses shall be disallowed at the time of calculating Taxable Income

### **Section 21(d1)**

Remuneration and Wages paid to the employees and workers not having Permanent Account Number (PAN)

### **Section 21(d2)**

Expense of Invoice more than NPR 1,000 not containing PAN

# Amendments in Income Tax Act, 2002

## Section 47A– Provisions relating to Merger of Bank and Financial Institutions

Section 47A (6) : Time for submission of the Intent of Merger as per Section 47A(1) to Inland Revenue Department is extended till Ashad end 2077.

Section 47A(7) : The merger process of entities submitting letter of intent as per Section 47A(6) shall be completed by 2078 Ashad End.

## Section 63 – Addition in Proviso of Approval of Retirement Fund

No approval shall be required for operating Retirement Fund established by following:

1. Social Security Fund established under Contribution Based Social Security Fund Act 2074
2. Pension Fund established under Pension Fund Act, 2075

# Amendments in Income Tax Act, 2002

## Section 78 (4A) – Permanent Account Number

Inland Revenue Department (IRD) may prescribe situations in which a person is required to show or quote their Permanent Account Number (PAN). Thus, such person shall update the information regarding their registration in biometric system within prescribed time frame as specified by IRD.

## Section 79 – Service of Documents

Section	Existing Provision	Revised Provision
79 (1) (a)	A document to be served on a person under this Act shall be considered as sufficiently served if it is sent to the <b>e-mail address or transmitted on a fax of a person</b>	A document to be served on a person under this Act shall be considered as sufficiently served if it is sent to <b>tele fax, telex, e-mail address or other electronic medium.</b>
79(3)	<b>NA</b>	If any documents not served as mentioned in 79(1) and (2), information related to such order can be telecast or published at radio, television or any national newspaper in the name of related person. In this case related person shall be deemed to have received such information.

# Amendments in Income Tax Act, 2002

## Section 88 (1) (5) (c)– Withholding Tax (WHT) – New Provision

10% of VAT of the related invoice will be deposited to bank account of buyer on purchase of goods or services through card or online mechanism. Withholding tax shall not be deducted in such refund.

## Section 94 (2) – Proviso of Installment Tax

Existing Provision	Revised Provision
If the amount of total installments calculated is less than <b>NPR 5,000</b> , the amount of the installment tax shall not be required to pay.	If the amount of total installments calculated is less than <b>NPR 7,500</b> , the amount of the installment tax shall not be required to pay.



# Amendments in Income Tax Act, 2002

## Section 95A (2) (a) – Tax Rate for Gain on Sale of Securities

S.No	Particulars	Rates – FY 2075/76	Rates – FY 2076/77
1	Gain on Disposal of Interest in any Resident Entity (Listed)		
	- To Resident Natural Person	7.5%	5%
	- To Resident Entity	10%	10%
	- Others	25%	25%

## Section 95A (2A) – Tax Rate for Gain on Sale of Securities

Existing Provision	Revised Provision
NA	At the time of computation of gain on disposal of interest in an entity as per Section 95A(2)(a) , weighted average cost of interest held at that time of such entity shall be taken.

# Amendments in Income Tax Act, 2002

## Section 95A (6) – Advance Tax Collection

Section	Particulars	Rates – FY 2075/76	Rates – FY 2076/77
95A (6)	Gain on Disposal of Land and Building (Other than Non-Business Chargeable Assets of Natural Person)	10%	1.5%
95A (7)	Advance Tax shall be collected by Customs Office at the time of import of <b>following additional items</b> for Business Purpose on Customs Value determined by Department of Customs		
	Dry Vegetables, Garlic, Baby Corn - Part 7 of HS System	NA	5%
	i. Meat - Part 2	NA	2.5%
	ii. Milk Products, Egg, Honey - Part 4		
	iii. Finger Millet (Kodo), Buckwheat (Fapar), Proso Millet (Junelo), Rice, Small Rice Grains (Kanika) - Part 10		
	iv. Flour, ground cereal gains (Aata and Pitho) - Part 11		
	v. Herbs, Sugarcane - Part 12		
	vi. Plant related production – Part 14		

# Amendments in Income Tax Act, 2002

## Section 96 (6) – Revised Income Tax Return – New Provision

Any person desiring to revise Income Tax Return (ITR) filed at IRD within the due date may revise as per prescribed procedure within 30 days from the date of submission of ITR

## Section 110 C – Actual Tax Liability – New Provision

If it has been proved that beneficial owner is other than person registered as business owner, the liability of payment of tax of such business shall be of beneficial owner.

# Amendments in Income Tax Act, 2002

## Section 115 – Application for Administrative Review

Section	Existing Provision	Revised Provision
115 (6)	<p>Deposit : 100% of Undisputed Tax Amount and <b>1/3<sup>rd</sup> of Disputed Amount</b></p> <p>Purpose: Filing an application for Administrative Review</p> <p>Time: Before Filing an application for Administrative Review</p>	<p>Deposit : 100% of Undisputed Tax Amount and <b>1/4<sup>th</sup> of Disputed Amount</b></p> <p>Purpose: Filing an application for Administrative Review</p> <p>Time: Before Filing an application for Administrative Review</p>

# Amendments in Income Tax Act, 2002

## Section 117 – Penalty for not filing Estimated Tax Return

Section	Existing Provision	Revised Provision
117 (1) (a)	<p><b>Offence</b> : Not Filed Estimated Tax Return</p> <p><b>Penalty</b> : NPR 2,000 per Return</p>	<p><b>Offence</b> : Not Filed Estimated Tax Return</p> <p><b>Penalty</b> : NPR 5,000 per Return or 0.01% of Assessable Income declared in ITR whichever is higher</p>

# Amendments in Income Tax Act, 2002

## Employment Tax - Income Tax Rates- Schedule 1

### Clause 1: Taxable Income of a Natural Person If Assessed as Single

Fiscal Year 2075/76	
Income Slab	Rate of Tax
First Rs. <b>350,000</b>	1%
Next Rs. 100,000	10%
Next 200,000	20%
Above 650,000	30%
If the taxable income is above Rs 2,000,000	20% additional tax on the tax amount calculated under 30% slab above (applicable only in the income above 2,000,000)
Provision of 10% exemption is made to female employees.	

Fiscal Year 2075/76	
Income Slab	Rate of Tax
First Rs. <b>400,000</b>	1%
Next Rs. 100,000	10%
Next 200,000	20%
Above 700,000	30%
If the taxable income is above Rs 2,000,000	20% additional tax on the tax amount calculated under 30% slab above (applicable only in the income above 2,000,000)
Provision of 10% exemption is made to female employees.	

*Note: 1% shall not be levied to the person contributing to SSF.*

# Amendments in Income Tax Act, 2002

## Employment Tax - Income Tax Rates- Schedule 1

### Clause 1: Taxable Income of a Natural Person *If Assessed as Couple*

Fiscal Year 2075/76	
Income Slab	Rate of Tax
First Rs. 400,000	1%
Next Rs. 100,000	10%
Next 200,000	20%
Above 700,000	30%
If the taxable income is above Rs 2,000,000	20% additional tax on the tax amount calculated under 30% slab above (applicable only in the income above 2,000,000)
Provision of 10% exemption is not made to female employees.	

Fiscal Year 2075/76	
Income Slab	Rate of Tax
First Rs. 450,000	1%
Next Rs. 100,000	10%
Next 200,000	20%
Above 750,000	30%
If the taxable income is above Rs 2,000,000	20% additional tax on the tax amount calculated under 30% slab above (applicable only in the income above 2,000,000)
Provision of 10% exemption is not made to female employees.	

*Note: 1% shall not be levied to the person contributing to SSF*

# Amendments in Income Tax Act, 2002

## Schedule 1 (1) (7) – Presumptive Tax Rate

Particulars	Rates – FY 2075/76	Rates – FY 2076/77
Natural Person doing business in		
1. Metropolitan City & Sub Metropolitan City	NPR 5,000	NPR 7,500
2. Municipality	NPR 2,000	NPR 4,000
3. Areas other than mentioned than above	NPR 1,000	NPR 2,500

This includes the resident natural person meeting the following criteria:

- Annual transaction not more than Rs 2 million and annual profit up to Rs 200,000.
- Not registered in VAT.
- Only Nepal source income from business in that fiscal year.
- Medical credit not claimed under section 51.
- Advance tax not claimed under Section 93.



# Amendments in Income Tax Act, 2002

## Schedule 2 (3) – Tax Rate for Entities

Existing Provision	Revised Provision
<p>Applicable Tax Rate: 20%</p> <p>Applicable To: Co-Operatives registered and carrying out transaction under Cooperative Act, 2048 except those carrying out transaction with tax exemption</p>	<p>Applicable Tax Rate: 20%</p> <p>Applicable To: Co-Operatives registered and carrying out transaction under Cooperative Act, 2048 except those carrying out transaction with tax exemption</p> <p>However, following rebate shall be provided to Cooperative as mentioned below doing financial transaction:</p> <ul style="list-style-type: none"><li>i. 75% of applicable tax rate if operated in Municipality area</li><li>ii. 50% of applicable tax rate if operated in Metropolitan or sub metropolitan area</li></ul>

# Amendments in Excise Act, 2002



# Amendments in Excise Act, 2002

## Section 9 (6A) – Provision of License Renewal

If the License holders engaged in production and import do not renew their license within the time prescribed in Laws, fine shall be as follows:

- For First 3 Months - 50% of Renewal Fees
- Afterwards, For the Next 3 Months – 100% of Renewal Fees

However, license holders engaged in production and import who do not renew their license within the time prescribed in laws but wants to renew their license can do so by paying the renewal fees for each year along with fine of 100% of renewal fees by the end of Poush 2076.

# Amendments in Excise Act, 2002

## Section 19(5) – Application for Administrative Review

Section	Existing Provision	Revised Provision
19(5)	<p>Deposit : 100% of Undisputed Excise Duty+Penalty Amount and <b>1/3<sup>rd</sup> of Disputed Excise Duty+Penalty</b></p> <p>Purpose: Filing an application for Administrative Review</p>	<p>Deposit : 100% of Undisputed Excise Duty+Penalty Amount and <b>1/4<sup>th</sup> of Disputed Excise Duty+Penalty</b></p> <p>Purpose: Filing an application for Administrative Review</p>

# Amendments in Customs Act, 2007



# Amendments in Customs Act, 2007

## Section 11(2) – Facility to make import under Bank Guarantee

Section	Existing Provision	Revised Provision
19(5)	<p>Facility : Can be Imported under Bank Guarantee</p> <p>Facility Available to: Industry which may import Raw Material/Subsidiary Raw Materials for the purpose of manufacturing goods and export them or such goods as are imported for the operation of a duty-free shop.</p> <p><b>Restriction : Such Facility is restricted to Industry which exports Liquor, Cigarette or other Tobacco Substance</b></p>	<p><b>Restriction for Industry which exports Liquor, Cigarette or other Tobacco Substance is removed.</b></p> <p>Thus, facility of import through Bank Guarantee can be availed by Industry which exports Liquor, Cigarette or other Tobacco Substance for the import of Raw Materials/Subsidiary Raw Materials required.</p>

# Amendments in Customs Act, 2007

## Section 12(1) – Facility to make import under Bank Guarantee

### Existing Provision

The Government of Nepal shall accord customs duty exemption and other facility against bank guarantee to the following goods to be exported and imported by any industry situated in the Special Economic Zone:

- i. Such raw materials, subsidiary raw materials as required to manufacture finished goods to be exported, packing materials and other materials to be used in manufacturing,
- ii. Plants, machineries, machines, equipment, tools and spare parts as required for the industry, and up to three motor vehicles based on the size and nature of industry


### Revised Provision

Special Economic Zone Authority on its recommendation can provide following benefits on goods imported by the industry established in Special Economic Zone :

- i. Provide custom duty exemption by levying 1% custom duty for one time on 1 bus imported by the industry for pickup and drop of its employees , labour and 2 transport vehicle for the purpose of transportation of goods. But, if such bus or transport vehicle imported on custom duty exemption is transferred or sold or through any other way transfer of ownership then full duty shall be payable as per the prevailing laws. Contd..

# Amendments in Customs Act, 2007

## Section 12(1) – Facility to make import under Bank Guarantee

Existing Provision	Revised Provision
	<p>ii. Equivalent bank guarantee instead of custom duty or other duty to be paid on import of required raw materials, subsidiary raw materials (including packing material) as required to manufacture goods to be exported or to be sold at exchangeable foreign currency within country.</p> <p>iii. Equivalent bank guarantee instead of custom duty or other duty to be paid on import of plants, machineries, machines, equipment, tools and spare parts</p> <p>Custom office shall release Bank Guarantee on the written recommendation of Special Economic Zone Authority after completion of purpose for which bank guarantee has been taken as Above (Sec 12 (1a))</p>



# Amendments in Customs Act, 2007

## Section 12(2)/(3)/(4) – Facility to SEZ

### Existing Provision

12 (2)  
If any importer sells, as prescribed, any goods which that importer has imported to any industry **situated** in the special economic zone and that importer has paid the customs duty for importing such goods, the Customs Office shall refund, as prescribed, such customs duty to that importer.

12(3)  
If any industry **situated** outside the special economic zone sells any finished goods manufactured by that industry to any industry situated within the special economic zone, such customs duty and other facility as is accorded in the event of export shall be accorded as if that sale were an export.

### Revised Provision

12 (2)  
If any importer sells, as prescribed, any goods which that importer has imported to any industry **established** in the special economic zone and that importer has paid the customs duty for importing such goods, the Customs Office shall refund, as prescribed, such customs duty to that importer.

12(3)  
If any industry **established** outside the special economic zone sells any finished goods manufactured by that industry to any industry situated within the special economic zone, such customs duty and other facility as is accorded in the event of export shall be accorded as if that sale were an export.

Contd..

# Amendments in Customs Act, 2007

## Section 12(2)/(3)/(4) – Facility to SEZ

Existing Provision	Revised Provision
<p>12 (4)</p> <p>If an industry <b>situated</b> within the special economic zone so sells any goods manufactured from the raw materials imported under the customs duty exemption that such goods are consumed in Nepal, such goods shall be allowed to be taken out of the special economic zone only after payment of duty chargeable on the raw materials used in such goods.</p>	<p>12 (4)</p> <p>If an industry <b>established</b> within the special economic zone so sells any goods manufactured from the raw materials imported under the customs duty exemption that such goods are consumed in Nepal, such goods shall be allowed to be taken out of the special economic zone only after payment of duty chargeable on the raw materials used in such goods.</p>

# Amendments in Customs Act, 2007

## Section 12(5) – Provision for Relocation from SEZ – New Provision

Industry if wants to shift from special economic zone to other than such zone then respective authority shall provide approval of shifting only if industry pays an amount of exemption other than Value Added Tax availed as per this section to the respective Custom Office

## Section 57 – Punishment Provision

Penalty and Fine shall be levied if difference is found during re-checking by any authorized officer in Name, Nature, Physical Specialty, Qualitative Characteristics, Measurement, Quality and \*Quantity of the goods as mentioned in Declaration Form. (\*Quantity is added by Finance Bill 2076)

## Section 89 – Power to prescribe headings or sub-headings of goods

Administration of export or import identification number under this section shall be done by prescribed entity published in Nepal Gazette by Nepal Government and until the publication of such notice custom department shall perform administrative work related to such identification number.

## For Further Consultation, Please Contact:

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