



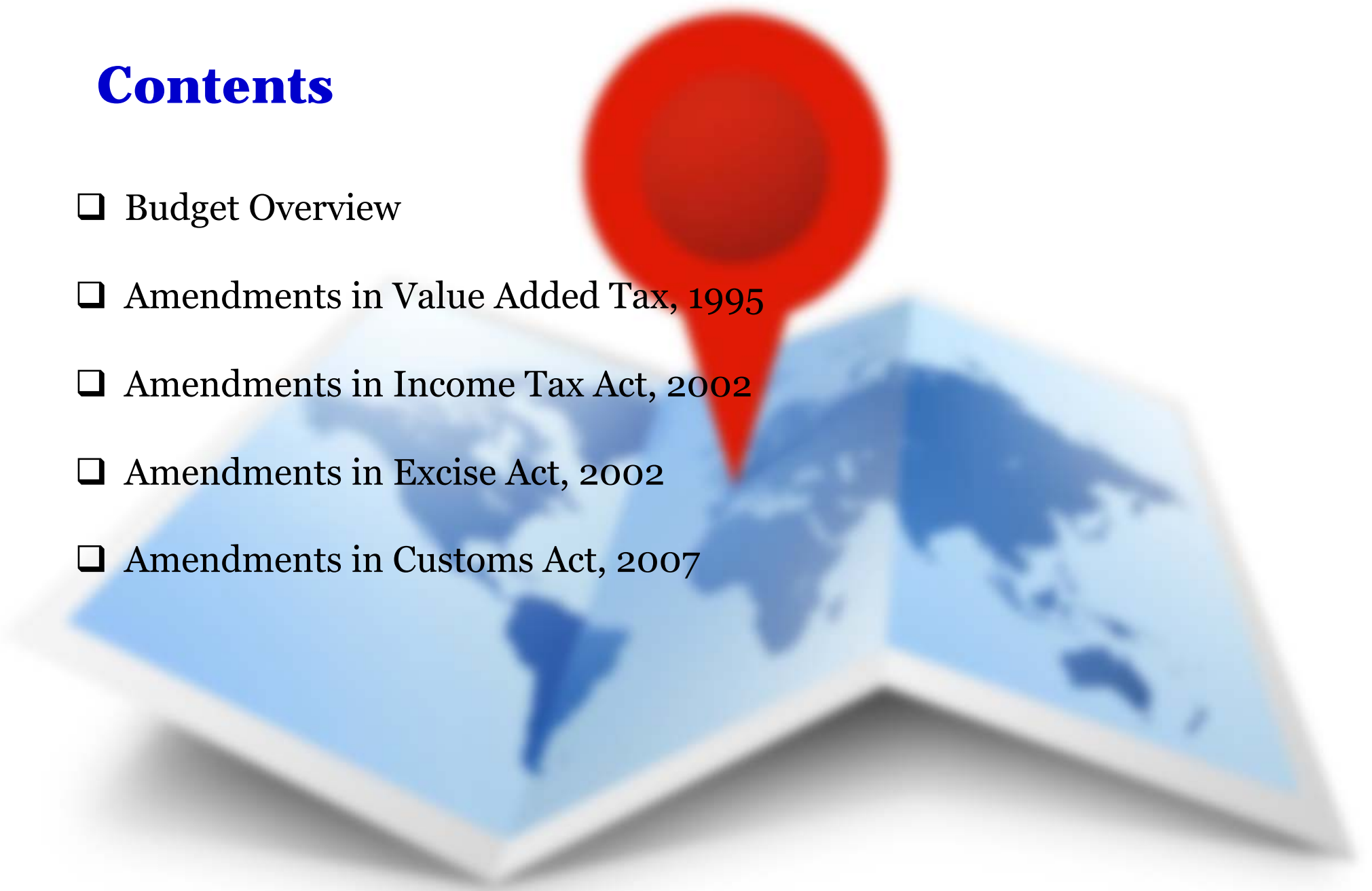
Nepal Budget Highlights

FY 2017/18



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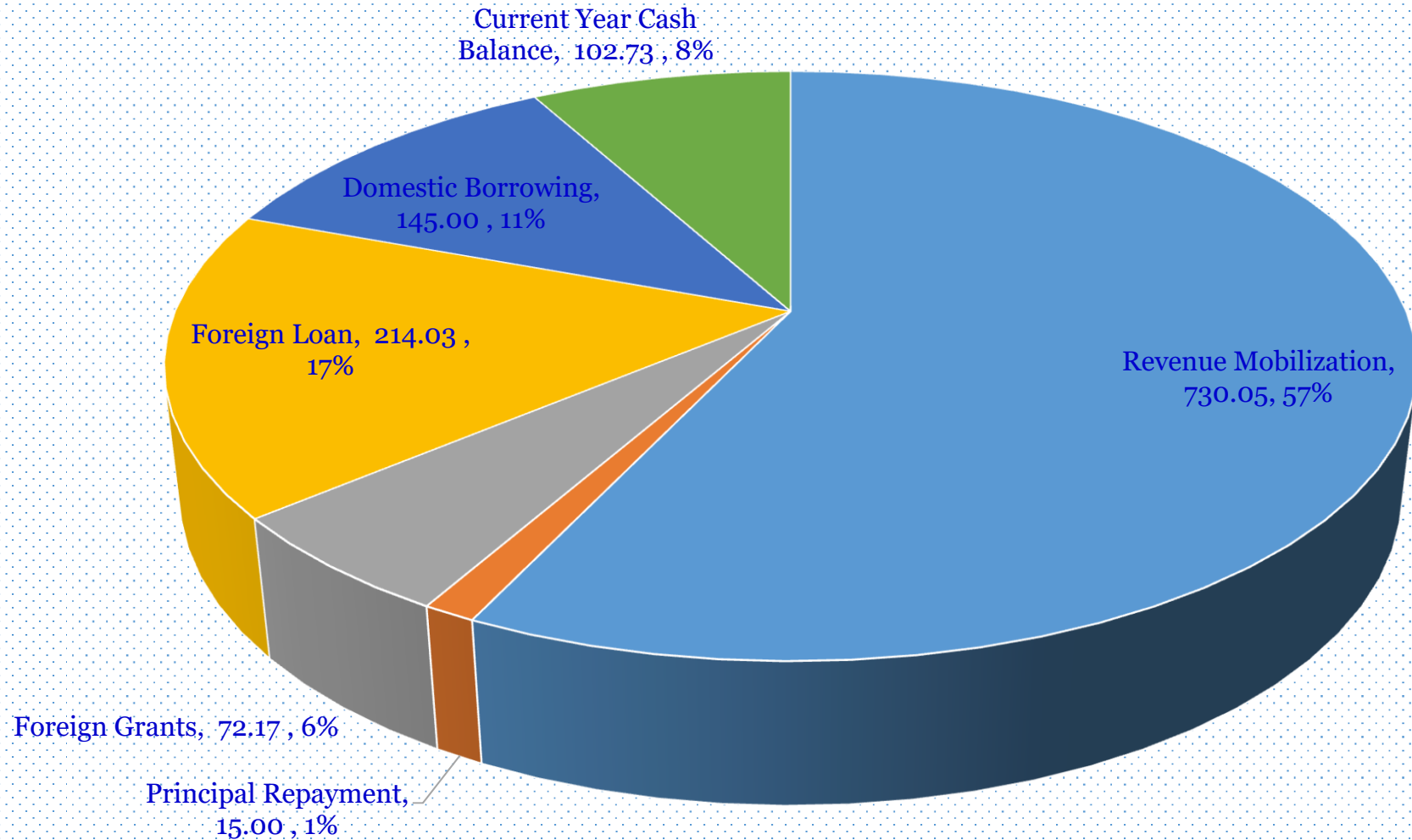


Budget Overview

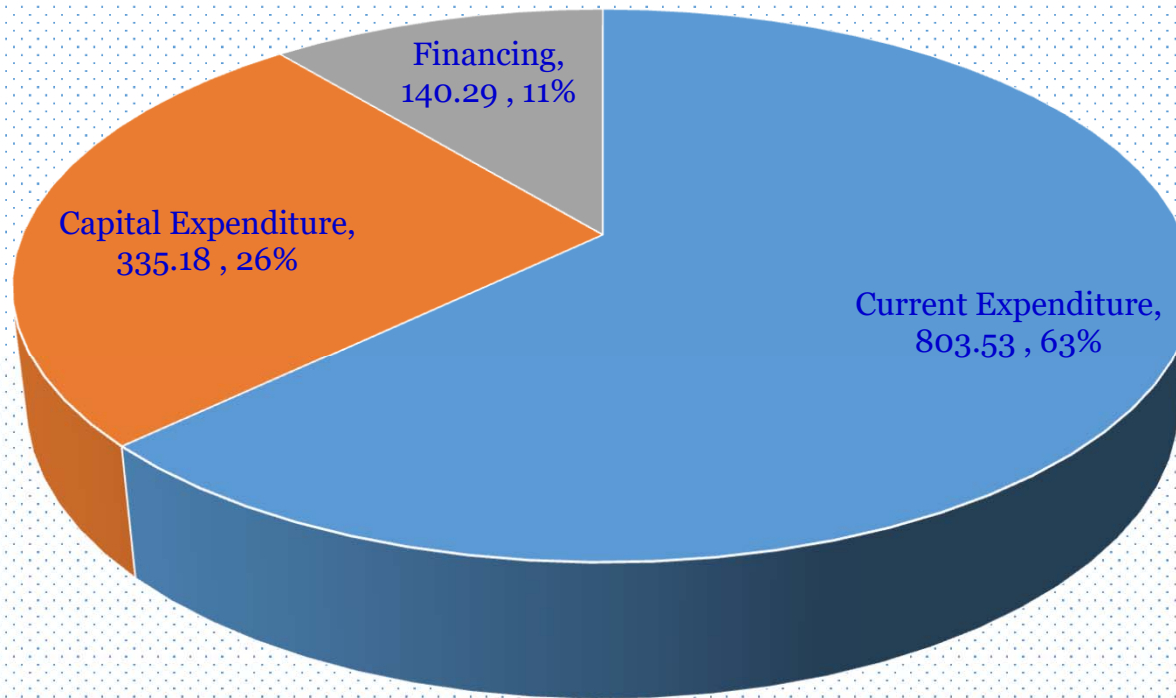
Nepal Budget 2074/75 (2017/18)

Presented on Monday, 29th of May 2017

Source of Finance *(NPR in billion)*

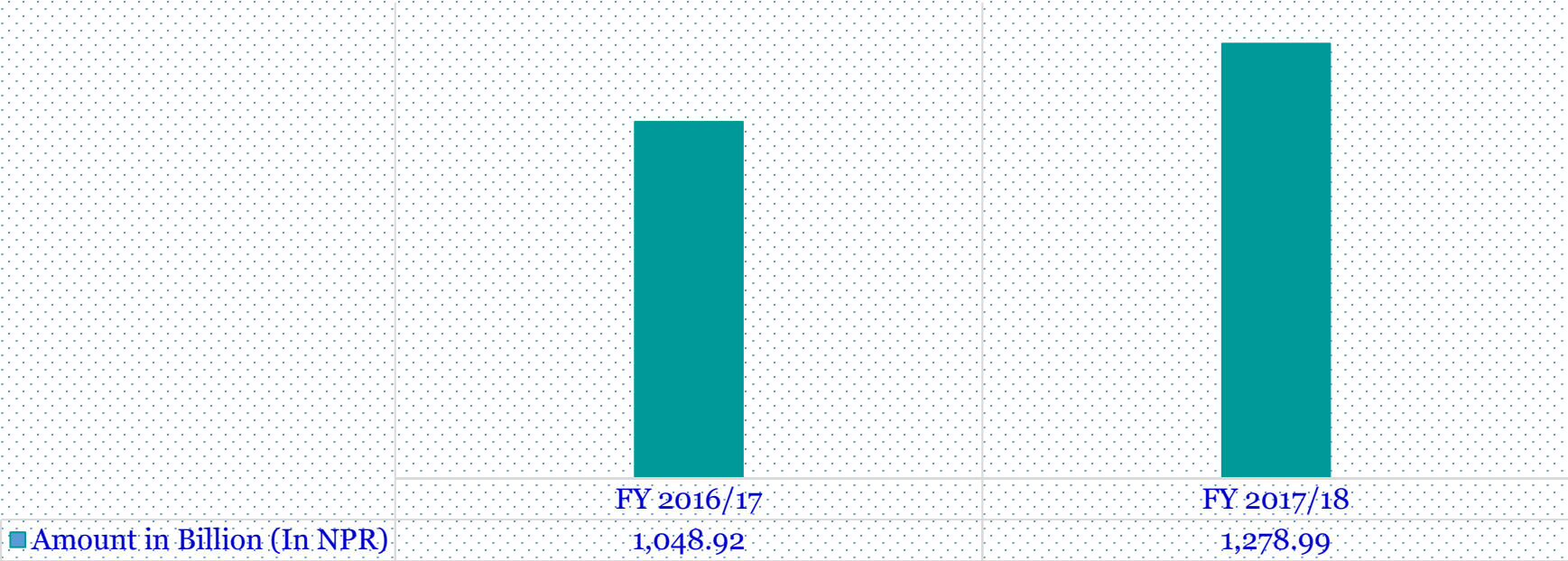


Allocation of Budget *(NPR in billion)*



Budget Amount as compared to Previous Year *(NPR in billion)*

AMOUNT IN BILLION (IN NPR)



Increment of 22% in Budget Amount as compared to Previous Year.

Objectives of the Budget

- ❑ To support Execution of the Constitution,
- ❑ To attain Sustainable, Inclusive and High Economic Growth
- ❑ To maintain Macroeconomic Stability, and
- ❑ To enhance access of General Public to the service provided by the State.

Budget Highlights

Priority Areas

- Execution of Federalism
- Reconstruction of infrastructures damaged by the earthquake,
- Increase employment opportunities,
- Increase in production and productivity
- Speedy implementation of national pride projects,
- Agriculture modernization, commercialization and mechanization,
- Hydroelectric production, transmission and distribution,
- Construction and improvement of road, railway and international airport
- Development and promotion of tourism infrastructure,
- Investment on education, health, drinking water and sanitation,
- Smooth operations and regulations of bank and financial institutions,
- Enhance supply, storage and distribution of necessary consumable goods, and
- Improvement of public administration and service delivery.

Budget Highlights

Federal Fiscal Strengthening

- ❑ Federal revenue policy will be formulated for the development of prosperous economy by making federal fiscal structure strong and capable.
- ❑ To make the State and Local Level able to independently allocate certain portion of the financial resources by developing revenue base and enabling to fix tax rates themselves.
- ❑ The organizational structure of the revenue administration will be made compatible to the federal structure by expanding economic activities
- ❑ For the structural reform of revenue administration, a bill related to the formation of Central Revenue Board will be submitted to the Legislature Parliament
- ❑ Geographic neutrality will be maintained in the resource mobilization of the State and Local Level without affecting inter-state and international trade.

Budget Highlights

Procedural Reform

- ❑ New business code number will be brought into effect from this Fiscal Year revising the existing business code used for the tax purpose so as to match with goods classification code based on the harmonized customs system.
- ❑ E-payment system will be made effective in order to facilitate taxpayers to pay their taxes from any branch of the banks that are involved in revenue collection.
- ❑ As a member state of the World Customs Organization, Goods Classification and Codification 2017 developed and promoted by the organization will be implemented from this fiscal year. I have expected that it will further support trade facilitation.
- ❑ Custom Automation System will be gradually made web-based. For this purpose, Custom Automation System (ASYCUDA) will be gradually extended to all custom offices.
- ❑ An arrangement will be made in a way that the importer and exporter will be allowed to import and export for business purpose, only after getting import export code effective from 16 July 2017.

Budget Highlights

Revenue Leakage Control

- ❑ For the purpose of protecting national tax base, risk indicators will be revised through identifying revenue risk zones and controlling high tax planning and evasion.
- ❑ Information exchange will be managed between Federal, State and Local Level of revenue administration in order to control revenue leakage.
- ❑ Trade distortion will be controlled by the use of electronic system in internal movement of goods making efficient internal monitoring and surveillance. Patrolling will be mobilized in order to control illegal import.
- ❑ An arrangement of payment only through banking system will be made in case of trade transaction over certain amount with India and Tibet of China
- ❑ Customs valuation system will be made realistic and transaction value based by enforcing realistic customs declaration and right classification of goods.
- ❑ Special strategy will be adopted to prevent under invoicing, illegal import/export and illegal trade.

Amendments in VAT Act, 1996

Amendments in VAT Act, 1996

Section 8 (2) : Assessment and Collection of VAT

Existing Provision	Revised Provision
<p>Any person whether registered or not in Nepal receiving services from a person who is not registered and is outside Nepal shall have to assess and collect tax at the taxable value at the time of payment in accordance with this Act and the Rules framed under this Act.</p>	<p>Any person whether registered or not in Nepal receiving services from a person who is not registered and is outside Nepal shall have to assess and collect tax at the taxable value at the time of payment or at the time of receiving service whichever is earlier in accordance with this Act and the Rules framed under this Act.</p>

Amendments in VAT Act, 1996

Section 18 (1) : Description of Tax to be Submitted

Existing Provision	Revised Provision
<p>Every taxpayer shall, upon making assessment of the tax payable by him/her in every month, submit the tax description, as prescribed, before the Tax Officer or by registered post within Twenty Five days of completion of that month. Such description shall be submitted whether or not a taxable transaction was carried out in that month or not.</p>	<p>Every taxpayer shall, upon making assessment of the tax payable by him/her in every month, submit the tax description, as prescribed, before the Tax Officer or by registered post or by <i>Electronic Means</i> within Twenty Five days of completion of that month. Such description shall be submitted whether or not a taxable transaction was carried out in that month or not.</p>

**Note: Addition of Electronic means is added by this Finance Bill in the Act. However, Verification of VAT Returns was possible through electronic means.*

Amendments in Income Tax Act, 2002

Amendments in Income Tax Act, 2002

Section 2 : Definitions

Section	Existing Provision	Revised Provision
<p>2 (s) Organisation Entitled to Enjoy Exemption</p>	<p>“Organisation entitled to enjoy Exemption” means the following entity:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A social, religious, educational, or a charitable organization of a public character established without having a profit motive, <input type="checkbox"/> An amateur sporting association formed for the purpose of promoting social or sporting facilities not involving the acquisition of gain, <input type="checkbox"/> A political party registered with the Election Commission, <input type="checkbox"/> Village Development Committee, Municipality or District Development Committee 	<p>“Organisation entitled to enjoy Exemption” means the following entity:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A social, religious, educational, or a charitable organization of a public character established without having a profit motive, <input type="checkbox"/> an amateur sporting association formed for the purpose of promoting social or sporting facilities not involving the acquisition of gain, <input type="checkbox"/> A political party registered with the Election Commission, <input type="checkbox"/> REMOVED

Amendments in Income Tax Act, 2002

Section 2 : Definitions

Section	Existing Provision	Revised Provision
2 (x) (2) Entity	<p>“Entity” means the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> VDC, Municipality or DDC 	<p>“Entity” means the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Village Council, Municipality or District Coordination Committee
2 (x) (3) Entity	<ul style="list-style-type: none"> <input type="checkbox"/> Nepal Government 	<ul style="list-style-type: none"> <input type="checkbox"/> Nepal Government, Concerned State Government or Local Body

Amendments in Income Tax Act, 2002

Section 2 : Definitions

Section	Existing Provision	Revised Provision
2 (ao) (4A) Resident Person	<p>“Resident” means the following person in respect of any income year:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Nepal Government 	<p>“Resident ” means the following person in respect of any income year:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Nepal Government or State Government
2 (ao) (5) Resident Person	<ul style="list-style-type: none"> <input type="checkbox"/> VDC, Municipality or DDC 	<ul style="list-style-type: none"> <input type="checkbox"/> Nepal Government, Concerned State Government or Local Body

Amendments in Income Tax Act, 2002

Section 10 : Tax Exempt Amount

Section	Existing Provision	Revised Provision
10	<p>The following amounts shall be exempted from income tax:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Allowances provided by Government of Nepal to Widows, Elder Citizens, or Disabled Individuals; <input type="checkbox"/> Income of Nepal Government 	<p>The following amounts shall be exempted from income tax:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Allowances provided by Government of Nepal, State Government or Local Level to Widows, Elder Citizens, or Disabled Individuals; <input type="checkbox"/> Income of Nepal Government, State Government or Local Level

Amendments in Income Tax Act, 2002

Section 11 : Business Exemption and Concession

Section	Existing Provision	Revised Provision
<p>Clause (b) : Explanation for the Purpose of Section 11</p>	<p>For the Purpose of Section 11:</p> <p>☐ “Remote”, “Undeveloped”, “Underdeveloped Area” means the areas as referred to in Schedule -3 of Industrial Enterprises Act, 2049.</p>	<p>For the Purpose of Section 11:</p> <p>☐ “Remote”, “Undeveloped”, “Underdeveloped Area” means the areas as referred to in Schedule -10 of Industrial Enterprises Act, 2073.</p>

Note: There are some changes in “Remote”, “Undeveloped”, “Underdeveloped” Areas too.

Amendments in Income Tax Act, 2002

Section 11 : Business Exemption and Concession

Section	Existing Provision	Revised Provision
<p>Clause (c) : Explanation for the Purpose of Section 11</p>	<p>For the Purpose of Section 11:</p> <p>❑ Special Industry means a Manufacturing Industry, Agro and Forest Based Industry and Mineral Industry as categorized in Section 3 of the Industrial Enterprises Act, 1992, other than an industry producing cigarettes, bidi cigar, chewing tobacco, khaini, or other goods of a similar nature using tobacco as the basic raw material, or alcohol, beer, or other goods of a similar nature.</p>	<p>For the Purpose of Section 11:</p> <p>❑ Special industry means a Manufacturing Industry, Agro and Forest Based Industry and Mineral Industry as categorized in Section 15(2) of the Industrial Enterprises Act, 2017, other than an industry producing cigarettes, bidi cigar, chewing tobacco, khaini, or other goods of a similar nature using tobacco as the basic raw material, or alcohol, beer, or other goods of a similar nature.</p>

Amendments in Industrial Enterprise Act, 2017

Section	Provision as Per Industrial Enterprise Act, 2017	Provision as per Finance Bill 2017												
<p>22 (1)(i)</p> <p>Income Tax Concession to Industry</p>	<p>Following concession in income tax shall be granted to the *industries those who give direct employment to following Nepalese Citizens throughout the year and registered under Industrial Enterprise Act, 2017</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 20px;"> <thead> <tr style="background-color: #008080; color: white;"> <th style="width: 35%;">Particulars</th> <th style="width: 65%;">Tax Rebate</th> </tr> </thead> <tbody> <tr> <td>Employees ≥300</td> <td>15% on Applicable Tax rate</td> </tr> <tr> <td>Employees ≥1200</td> <td>25% on Applicable Tax rate</td> </tr> </tbody> </table> <p style="margin-top: 20px;"><i>*Industries means</i></p> <ul style="list-style-type: none"> ❖ <i>Manufacturing Industries</i> ❖ Information Technology and Communication Industry 	Particulars	Tax Rebate	Employees ≥300	15% on Applicable Tax rate	Employees ≥1200	25% on Applicable Tax rate	<p>Following concession in income tax shall be granted to the *industries registered under Industrial Enterprise Act, 2017 and those who give direct employment to following Nepalese Citizens throughout the year:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 20px;"> <thead> <tr style="background-color: #008080; color: white;"> <th style="width: 35%;">Particulars</th> <th style="width: 65%;">Tax Rebate</th> </tr> </thead> <tbody> <tr> <td>Employees ≥300</td> <td>15% on Applicable Tax rate</td> </tr> <tr> <td>Employees ≥1200</td> <td>25% on Applicable Tax rate</td> </tr> </tbody> </table> <p style="margin-top: 20px;"><i>*Industries means</i></p> <ul style="list-style-type: none"> ❖ <i>Manufacturing Industries</i> ❖ Information Technology Industry 	Particulars	Tax Rebate	Employees ≥300	15% on Applicable Tax rate	Employees ≥1200	25% on Applicable Tax rate
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Note: Income Tax Rebate provided to Communication Industry withdrawn by Finance Bill 2074.

Amendments in Excise Act, 2002

Amendments in Excise Act, 2002

Section	Existing Provision	Revised Provision
3A (5)	Excise Duty paid on Intermediate Raw Material and Packing Material can not be setoff with Excise Duty Liability	<ul style="list-style-type: none"> ▪ Excise Duty paid on Intermediate Raw Material, Packing Material ▪ Excise Duty paid at the time of import of custom duty exempted raw material and spare parts can not be set off with Excise Duty Liability.
4C(2)(d)	NA	Armed personal carrier, vehicle, ammunitions and other goods taken under record for use of Army, Armed Police Force and Nepal Police engaged in peacekeeping mission under request of UN.

There is minimum increment in the excise duty in alcohol-based and tobacco-based goods affecting general health.

Amendments in Excise Act, 2002

Section 4D : Control of Sale and Distribution

Section	Existing Provision	Revised Provision
4D(2)	<p>Person dealing in sale and distribution of liquor and tobacco in Metropolitan City, Sub-Metropolitan City, Municipality and Main Highways declared by Department should involve in business of liquor and tobacco only.</p> <p>The same provision is not applicable to Hotel and Restaurant Business.</p>	<p>Person dealing in sale and distribution of liquor and tobacco should involve in business of liquor and tobacco only.</p> <p>The same provision is not applicable to Hotel and Restaurant Business.</p>
4D(3)	New Provision	Person who have license to sale and distribute tobacco, shall sale and distribute through separate outlet.
4D(4)	Departmental store should sale and distribute liquor through separate section	Departmental store should sale and distribute liquor and tobacco through separate section

Amendments in Excise Act, 2002

Section 10H : Recovery of Due Excise Duty

Section	Existing Provision	Revised Provision
10H(b)	<p>If any person does not pay the excise duty to be paid within the time limit as referred to in this Act, the concerned Excise Duty Officer may recover the same by way of following measures:</p> <ul style="list-style-type: none"> <input type="checkbox"/> By having deduction of such amount from the amount payable by the Government of Nepal or any corporate body owned by the Government of Nepal or local body to such a person. 	<p>If any person does not pay the excise duty to be paid within the time limit as referred to in this Act, the concerned Excise Duty Officer may recover the same by way of following measures:</p> <ul style="list-style-type: none"> <input type="checkbox"/> By having deduction of such amount from the amount payable by the Government of Nepal or any corporate body owned by the Government of Nepal or State Government or Organization owned by State Government or local level to such a person.

Amendments in Customs Act, 2007



Amendments in Income Tax Act, 2002

Section 2 : Definitions

Section	Existing Provision	Revised Provision
2 (u) Custom Examiner	No definition	“Custom Examiner” means Chief Custom Examiner Administrator, Chief Custom Examiner, or Custom Examiner and it includes officer appointed by DG for examination under section 34.

Amendments in Income Tax Act, 2002

Section 23A : Central Examination system can be established

Section	Existing Provision	Revised Provision
23A	No provision	Notwithstanding anything mentioned in this chapter, Department can make necessary provision for central examination of goods declared in custom office

Amendments in Customs Act, 2007

Restriction on Import and Export through Private Courier Services

Following restrictions are imposed for import and export through Private Courier Service:

Items Restricted for Import:

- A packet weighing more than 70Kg
- Animals and their body parts
- Plant and their parts
- Any type of Gold, Silvers and Jewelries
- Valuable Stones
- Any other Goods restricted for import as per prevailing laws

Items Restricted for Export:

- Goods subject to export duty
- Goods Exported by Industries availing the facility of Bonded Warehouse and Passbook
- Any other Goods restricted for export as per prevailing laws

For Further Consultation, Please Contact:

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