



Smart decisions. Lasting value.

# Overview of Nepal Budget A Tax Perspective

## Financial Year 2076-77 (2019-20)

Audit / Tax / Advisory

B.K Agrawal & Co.

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## Foreword

The Hon'ble Finance Minister, Dr. Yuvaraj Khatiwada presented annual budget of 1532 billion (PY Rs.1,315 billion) on May 29th, 2019 for the financial year 2076-77 (2019-20) through Finance Bill, 2076.

This budget has highly prioritized the qualitative reform of lifestyle by fulfillment of fundamental rights of the citizens.

There has been significant progress in financial, social, physical infrastructure and reconstruction in the country. Investment friendly laws and infrastructural development has enabled Nepal to become an attractive location for foreign investment. Equitable development of prosperous social oriented economy by upgrading to medium income earning country within 2030 A.D.

Out of the total budget, Rs.957 billion (62%) as against previous budget of Rs.845 billion (64%) will go to recurrent expenditure, Rs.408 billion (27%) PY Rs.314 billion (26%) to capital expenditure and Rs.167 billion (12%) PY Rs.156 billion (12%) for financing provision (i.e. principal payment of loans). The size of budget is 14% (PY 3%) more than previous year's budget.

The budget aims to collect Rs. 981 billion (64%) (PY Rs.831 billion) from revenue, Rs58 billion (4%) (PY Rs.59 billion) from foreign grants, Rs. 298 billion (19%) (PY Rs.253 billion) from foreign loan and Rs.195 billion (13%) (PY Rs.172 billion) from internal loans.

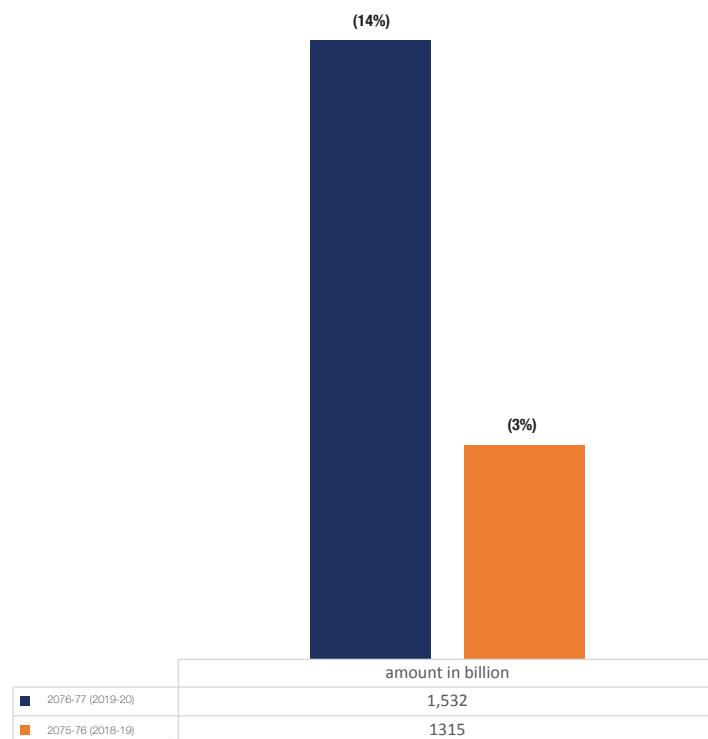
The GDP growth is estimated at 8.5 % (PY estimated 7%) and inflation rate at 6 % (PY 6.5%).

The key highlights in the budget, how it affects the individuals and corporate business entities in Nepal, as well as overseas entities proposing to do business in Nepal are outlined in here.

The Income Tax, Education Service Tax, Vehicle Tax etc. contained in the Finance Act, 2076 (2019) will apply to financial year starting from 1st Shrawan 2076 (i.e. July 17, 2019). Value Added Tax (VAT), Customs Duty, Excise Duty, Health Service Tax and Infrastructure Tax provisions shall apply immediately on its announcement.

## Budget size

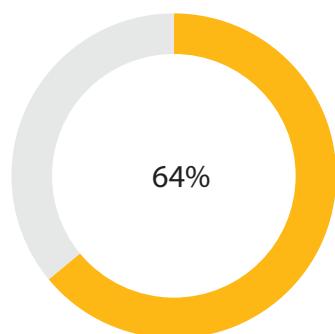
Year	Amount in Billion	Increase in %
2076-77 (2019-20)	1,532	14%
2075-76 (2018-19)	1,315	3%



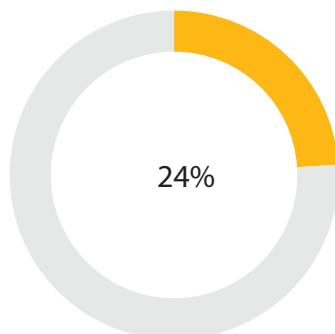
## Application of Budget

Amount in billions

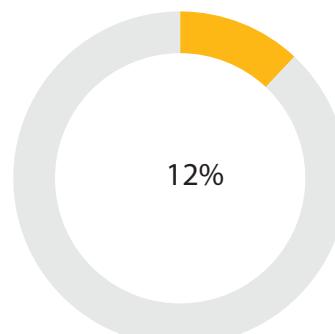
Particulars	F. Y. 2076-77(2019-2020)		F. Y. 2075-76(2018-2019)	
	Amount	%	Amount	%
Recurrent Expenditure	957	62%	845	64%
Capital Expenditure	408	27%	316	24%
Financing Provision	167	11%	156	12%
Total	1532	100%	1315	100%



Recurrent Expenditure



Capital Expenditure



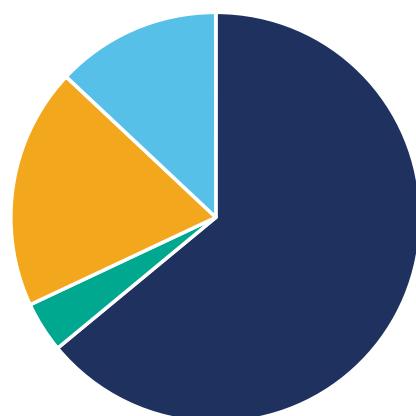
Financing Provision Expenditure

## Sources of Fund

Amount in billions

Particulars	F. Y. 2076-77(2019-2020)		F. Y. 2075-76(2018-2019)	
	Amount	%	Amount	%
Revenue	981	64%	831	63%
Foreign Grant	58	4%	59	5%
Foreign Loan	298	19%	253	19%
Internal Loan	195	13%	172	13%
Total	1532	100%	1315	100%

- Revenue
- Foreign Grant
- Foreign Loan
- Internal Loan



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## **Highlights of Key Tax Issues in the Federal Budget 2076-77 (2019-20):**

### **Direct Tax:**

- Payment of salary and wages to employees/ worker without PAN is inadmissible expense w.e.f F.Y 2076/77.
- Provision of revised return has been introduced w.e.f 2076/77 within 30 days of submission of tax return.
- Expenses booked based on invoices without PAN Invoice above Rs. 1000 is inadmissible expense w.e.f F.Y 2076/77.
- “One man one PAN” policy to be implemented
- Investment in share is encouraged by reducing applicable tax rate for natural person to 5% from 7.5% and the calculation of gain on share will be based on weighted average cost.
- Income tax facility and exemption on merger of bank and financial institution and insurance companies is available if letter of intent is submitted upto 2077 Ashad end.
- Tax benefits and exemptions available under section 11 has been synchronized with rebates and concessions available under other laws.

### **Indirect Tax :**

- Goods transportation has been brought under ambit of VAT w.e.f from 15th Jestha 2076 (29th May 2019)
- VAT refund can be claimed incase of continuous VAT credit/ receivable for 4 months (Previously 6 months).
- Bonded warehouse facility extended for import of all types of raw materials for producers exporting more than 20% (Earlier 50%)
- Exemption of 50% customs on import of vehicle by agro based co-operative
- 1% custom rate for import of Mill machinery, spare parts and chemicals for self utilization by textile industries.
- Import of water transport vehicle, vessel etc. is subject to 5% custom rate instead of 15%.
- Nepalese national are allowed to bring upto 100gms of gold while returning from foreign countries by paying applicable custom.

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- Consulting service above Rs 5 lakhs should be obtained from Registered person .
- 10% of the VAT of the related invoice will be deposited directly into bank account of buyer on purchase of goods or services through card or online mechanism.
- VAT refund to person and entity enjoying diplomatic facilities can immediately be provided if they purchase goods and services from listed firms.
- VAT not applicable for accidental and health insurance.
- VAT paid on Diesel & LP Gas is not eligible to input tax credit.

### **Voluntary Disclosure/Return Filing:**

1. Special Provision for waiver of submission of all returns and payment of all tax, fines, penalties and interest up to fiscal year 2075/76 if unregistered startup businesses operating with innovative ideas, skills, entrepreneurship and technology obtains PAN and registers themselves in VAT within Poush 2076.



## Direct Tax Proposal

The changes in the income tax provisions has been mentioned in the relevant section as below:

### Rate of Taxes: Natural Person

- Basic rate of taxes for natural person is as follows:

Individual/Natural Person	Rate	
	F. Y. 2076-77 (2019-2020)	F. Y. 2075-76 (2018-2019)
Resident		
Up to Rs.450,000 (PY Rs.400,000) opting couple status (includes widow & widower) and Rs.400,000 (PY Rs.350,000) in case of individual.	1%	1%
Next Rs.100,000	10%	10%
Next Rs. 200,000	20%	20%
Upto Rs. 20,00,000	30%	30%
20% Surcharge on income above Rs.20 Lakh (on Tax calculated for income above Rs.20 Lakh)	36%	36%
Non Resident		
Any Amount	25%	25%

#### Note:

- 1% tax mentioned above (i.e. Social Security Tax or SST) is not applicable for (i) proprietorship firms (ii) pension income and (iii) Natural person participating to contributory pension fund Scheme.
- In case of resident disabled natural person, an additional 50% of exemption limit shall be allowed to be deducted.
- 10% tax rebate to resident woman earning remuneration income only.
- Deduction of Rs. 50,000 Remote area allowance to person working in such area.
- Foreign allowance income of employee of diplomatic mission of Nepal posted outside Nepal will get 75% rebate of such allowance.

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### **Additional Notes:**

- Husband and Wife having separate income source are given choice to adopt either to get assessed separately or jointly as married family.
- Deduction of Life insurance premium paid to resident or non-resident companies up to Rs. 25,000 (P.Y 20,000) is allowed
- w.e.f 2072-73, deduction of premium paid to resident insurance company for Health Insurance up to Rs. 20,000 is allowed.
- Deduction for Retirement fund contribution is available @ 1/3rd of assessable Income or NPR 300,000 whichever is lower (IT Rule 21).
- Income from Non-chargeable business assets (i.e. land, buildings and shares) is taxable as follows (Capital Gain):
  - @ 2.5% (if land and building held for more than 5 years) and 5% (if less than 5 years).
  - @ 10% on sale of shares of non-listed entity
  - @ 5% (P.Y 7.5%) on sale of shares of listed entity
- Tax @15% on income from export and tax @20% on income from special industry shall be levied on the income at 30% tax slab.



### Tax Rates: Entities

Entities	Rate	
	F/Y 2076-77 (2019-2020)	F. Y. 2075-76 (2018-2019)
Bank & Finance Company, General Insurance Company, Petroleum entities; Cigarette, Beer, Liquor, Khaini, Guthka and Pan Masala Manufacturing Company	30%	30%
Company operating in the following areas Telecom, Internet, Money Transfer, Capital Market, Stock Exchange, Merchant Banking, Commodity future market, stock broker	30%	30%
Casual income	25%	25%
Special Industries (Manufacturing, Forest, Agriculture and Mining Industries; except Liquor, Cigarette, Khaini Guthaka and pan-parag as defined in Sec. 11)	20% (Net of rebate u/s 11)	20%
Entities constructing & operating road, bridges, tunnel, ropeway, trolley bus and tram	20%	20%
Entity wholly engaged in the projects conducted so as to build public infrastructure, own, operate and transfer (BOOT) it to the GON & in power generation, transmission, or distribution	20%	20%
Non-resident person Providing Shipping, Air Transport or Telecommunications Services in Nepal (sec 70)	5%	5%
Private Ltd., Limited, Partnership Firm not specifically mentioned above	25%.	25%.
Airline Services having office in and business in Nepal but not operating flights to and within Nepal	2%	2%
Export income of Manufacturing Industries	15%	15%
Other Export Entities	20%	20%
Co-operative Institution registered under Co-operative Act, 2048 (except dealers in exempted transaction)	20%	20%
Income of Mutual Funds	Exempt	Exempt

## Presumptive Taxation

The amount of Presumptive Tax for natural person having income up to Rs 2 Lakh and turnover up to Rs 20 Lakh has been revised, as follows:

Individuals Conducting Business	Lump Sum Tax F/Y 2076-77 (2019-2020)	Lump Sum Tax F/Y 2075-76 (2018-2019)
In the Metropolitan or Sub Metropolitan Cities	7500	5000
In Municipalities	4,000	2500
Anywhere else in Nepal	2,500	1500



## **Tax Rates: Non-resident Person**

Particulars of Business	Tax Rate F/Y 2076 - 77 (2019-2020)	Tax Rate F/Y 2075 - 76 (2018-2019)
Income earned from normal transactions.	25% Flat	25% Flat
Income earned from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project.	5%	5%
Income earned providing shipping, air transport of telecommunication services through the territory of Nepal.	2%	2%
Repatriation by Foreign Permanent Establishment	5%	5%
Capital Gain tax on sale of shares (Withholding tax 25% subject to tax treaties.	25%	25%

### **Double Taxation Avoidance Agreement (DTAA)**

To avoid double taxation, Nepal Government has tax treaty with 11 countries namely India, Sri Lanka, Mauritius, Thailand, Qatar, Pakistan, Norway, Korea, Austria, China & Bangladesh. Taxpayer have right to opt the provisions contained in either Nepal Income Tax Act, 2002 or Treaty whichever is beneficial to them.

Turnover Tax rate applicable to Natural Person under sec 1(17) of Sch. 1 to Income Tax Act, 2002 as follows: :

S.N.	Particulars	Tax Rate	Tax Rate
		F/Y 2076-77 (2019-2020)	F/Y 2075-76 (2018-2019)
1	Those persons who sales cigarette, gas, etc. by adding commission or profit up to 3%	0.25% of the turnover or Rs.7,500 whichever is higher	0.25% of the turnover or Rs.5,000 whichever is higher
2	Those persons who is engaged in the transaction other than above	0.75% of the turnover or Rs.7,500 whichever is higher	0.75% of the turnover or Rs.5,000 whichever is higher
3	Persons engaged in service providing business	2% of the turnover or Rs.7,500 whichever is higher	2% of the turnover or Rs.5,000 whichever is higher

*Note: Tax as above should be paid in 2 installments. 1st in Poush and 2nd and final in Ashad based on actual transaction up to 20thday of the month respectively.*

## Tax Concession and Rebates:

S.N.	Type of Industry	Tax Concession/ Rebate	Tax Concession/ Rebate
		F/Y 2076-77(2019-2020)	F/Y 2075-76(2018-2019)
1	Industries established in Special Economic Zone situated in mountainous districts and hilly districts prescribed by Nepal Government - For the first 10 years - After such period	- Tax Exempt - 50% of the applicable tax rate	- Tax Exempt - 50% of the applicable tax rate
2	Industries established in Special Economic Zone situated in other regions		
	- For the first 5 years	- Tax Exempt	- Tax Exempt
	- After such period	- 50% of the applicable tax rate	- 50% of the applicable tax rate
3	Dividend distributed by industries established in SEZ -First 5 years -Next 3 years	-Exempt -50%	-Exempt -50%
4	Income from Foreign technology and management service fee and royalty of Foreign investor in Special Economic Zone	Tax Exempt 50% of the applicable tax rate	Tax Exempt 50% of the applicable tax rate
5	IT industry established within IT Park, biotech park and technology park as specified in the Gazette	50% tax rebate on applicable tax rate	50% tax rebate on applicable tax rate
6	Brandy based on fruits, cider and wine manufacturers in undeveloped area	40% tax rebate on applicable tax rate for period of 10 years	40% tax rebate on applicable tax rate for period of 10 years
7	Entities (Manufacturing, Tourism, Hydro electricity production, distribution and transmission, IT industry established within IT Park, biotech park and technology park as specified in the Gazette) listed in Securities Market	15% tax rebate	15% tax rebate
8	Person involved in exploration & extraction of petroleum and natural gases & mining, will start its operation within Chaitra end 2080. (previously within Chaitra 2075)	Tax exempt for first 7 years and 50% of applicable rate on subsequent 3 years	Tax exempt for first 7 years and 50% of applicable rate on subsequent 3 years

## **Tax Concession and Rebates:**

S.N.	Type of Industry	Tax Concessions	Tax Concessions
		F/Y 2076-77(2019-2020)	F/Y 2075-76(2018-2019)
9	Person having license to generate, transmit and distribute electricity will be allowed if the commercial electricity generation, generation and transmission, generation and distribution or generation, transmission, distribution commences before Chaitra end 2080 ( P.Y Chaitra 2075)	Tax exempt for first 7 years and 50% of applicable rate on subsequent 3 years	Tax exempt for first 7 years and 50% of applicable rate on subsequent 3 years
10	Income earned by manufacturing industries through export sales	25% concession on applicable rate	25% concession on applicable rate
11	Royalty income earned from export of intellectual assets	25% concession on applicable rate	25% concession on applicable rate
12	Income earned from the disposal of intellectual assets	50% concession on applicable rate	50% concession on applicable rate
13	Special industry (Manufacturing) and IT industry providing direct employment to:		
	>100 Nepalese citizen during the entire year	10% of the applicable tax rate	10% of the applicable tax rate
	>300 Nepalese citizen during the entire year	20% of the applicable tax rate	20% of the applicable tax rate
	>500 Nepalese citizen during the entire year	25% of the applicable tax rate	25% of the applicable tax rate
	>1000 Nepalese citizen during the entire year	30% of the applicable tax rate	30% of the applicable tax rate
14	Providing direct employment to 100 or more Nepali citizen including women, dalits and disabled in the proportion of 33% of total	Additional 10% rebate on above rate	Additional 10% rebate on above rate.
15	Special industry operating in following regions have following tax rates for first 10 years:		
	a. Underdeveloped Regions	a. 90% of applicable tax rate	a. 90% of applicable tax rate
	b. Undeveloped Regions	b. 80% of applicable tax rate	b. 80% of applicable tax rate

S.N.	Type of Industry	Tax Concessions	
		F/Y 2076-77(2019-2020)	F/Y 2075-76 (2018-2019)
	b. Undeveloped Regions	b. 80% of applicable tax rate	b. 80% of applicable tax rate
	c. Partly developed Regions	c. 70% of applicable tax rate	c. 70% of applicable tax rate
16	Hydropower projects, solar energy projects, waste-to-energy and wind turbines projects commercially start generation of electricity by Chaitra end 2080	Tax Exempt for first 10 years and 50% of the applicable tax rate thereafter for next 5 years	Tax Exempt for first 10 years and 50% of the applicable tax rate thereafter for next 5 years
17	Existing Pvt.Ltd company with paid up capital of more than Rs. 50 crores converts into public company.	10% tax rebate for 3 years from the date of conversion	10% tax rebate for 3 years from the date of conversion
18	Tea Production and Processing, dairy industry and textile industry	50% tax rebate	50% tax rebate
19	Community Hospital	20% tax rebate	20% tax rebate
20	Small scale industry (Laghu Udyam) having fixed capital upto 5 lac (except land and building), total annual turnover below 50 Lac and employing upto 9 employees (including proprietor)	100% tax rebate for 5 years from the date of commencement of operations and 7 years incase operated by women.	100% tax rebate for 5 years from the date of commencement of operations and 7 years incase operated by women.
21	Special Industry with capital investment of Rs. 1 billion and direct employment of 500 person during whole year	Tax Exempt for first 5 years and 50% of the applicable tax rate thereafter for next 3 years	Tax Exempt for first 5 years and 50% of the applicable tax rate thereafter for next 3 years
	Further, if existing special industry increases its installed capacity by 25% or more and inject new investment so as to reach the capital to Rs. 1 billion and employs 500 persons during the whole year	Full exemption on the profit earned on the increased capacity for 5 years and 50% exemption on such profit for additional 3 years	Full exemption on the profit earned on the increased capacity for 5 years and 50% exemption on such profit for additional 3 years
22	Tax rebates on income generated from the following:	20 % of applicable tax rate	40% of applicable tax rate (on all)
	a) operation of tram or trolley bus	20% of applicable tax rate	
	b) Construction and operation of ropeway, cable car, railway, tunnel or sky bridge	40% of applicable tax rate	
	c) Construction and operation of airport	52% of applicable tax rate	
	d) Construction and operation of road, bridge and tunnel road	52% of applicable tax rate	
	e) Investment and operation in tram or trolley bus	52% of applicable tax rate	

## Tax Concession and Rebates:

S.N.	Type of Industry	Tax Rate	Tax Rate
		F/Y 2076-77 (2019-2020)	F/Y 2075-76(2018-2019)
23	Tourism Industry or International Airlines Operators with capital investment of Rs. 2 billion	Tax Holiday for first 5 years from the date of commencement of business and 50% tax exemption for additional 3 years.	Tax Holiday for first 5 years from the date of commencement of business and 50% tax exemption for additional 3 years.
	Further, if existing such industry/Airlines Operators increases its present capacity by 25% or more and injects new investment so as to reach the capital to Rs. 2 billion	Full exemption on the profit earned on the increased capacity for 5 years and 50% exemption on such profit for additional 3 years	Full exemption on the profit earned on the increased capacity for 5 years and 50% exemption on such profit for additional 3 years
24	Tax on dividend by Special industry, industry based in agriculture and tourism sector which capitalizes its profit (issues bonus shares) for the purpose of expansion of capacity of industry.	Exempt	Exempt
25	The licensed person or entity commencing commercial production, transmission or distribution of hydro-electricity within Chaitra 2080.	Full exemption of Income tax for first ten years and	Full exemption of Income tax for first ten years and
	The exemptions shall also be provided to electricity produced through solar, wind or bio fuel energy. Provided that for those that are in commercial operation on the date of implementation of this provision, the facilities mentioned at the time of granting license shall be applicable	50% exemption in income tax for next five years.	50% exemption in income tax for next five years.



### **Contribution to PM Relief Fund & National relief Fund**

In case any person contributes any amount to Prime Minister Relief Fund or National Reconstruction Fund established by Government of Nepal during any Income Year, the amount will be allowed as deduction from the taxable income of the person during the Income Year.

### **Construction & Operation of public infrastructure projects**

Construction & Operation of public infrastructure projects which is required to be transferred to the government and construction, production and transmission of electricity house will be allowed a concession of 20% of applicable tax rate.

### **Inadmissible Expenses**

1. Payment of salary and wages to employees/ worker without PAN is inadmissible expense w.e.f F.Y 2076/77.
2. Expenses booked based on invoices without PAN Invoice above Rs. 1000 is inadmissible expense w.e.f F.Y 2076/77

### **Tax shall be levied to the Actual Beneficiary Section(110 ga)**

- If recipient of the business profit proved different from the registered person,liability to pay tax rests with that beneficiary.

## Withholding Taxes (TDS):

The Withholding tax (TDS) is required to be deducted as per the rate below during the Financial Year 2019-20 [w.e.f 1.4.2076 (i.e. 16.07.2019):

Particulars	Rate	Rate	Final Withholding Tax
	F/Y 2076-77 (2019-2020)	F/Y 2075-76 (2018-2019)	
Remuneration (Sec.87)	Normal rate of Individual	Normal rate of Individual	
Investment Income & Service Fees (Sec.88)			
Natural Resource Payment	15%	15%	
Interest income from deposit up to Rs 25,000 under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank' & Co-Operative (u/s-11(2) in rural areas	Tax Exempt	Tax Exempt	
Rent - Natural Person	-	-	Yes
Hire Charges	10%	10%	
Rent - Others	10%	10%	
Transportation/ Freight	2.50%	2.50%	
Rent payable to the vehicle rental service provider registered in VAT	1.50%	1.50%	
Royalty	15%	15%	
Gain from Investment Insurance:			Yes
-In case of death claim	Exempt	Exempt	
-In other case	5%	5%	
Service Fees	15%	15%	
Service Fees paid to Service Oriented Resident person registered under VAT or Dealing in Tax exempt transaction	1.50%	1.50%	
Meeting Allowances	15%	15%	Yes (upto 20,000/ meeting)
Commission	15%	15%	
Bonus on Sales/target bonus	15%	15%	
Aircraft Lease Payment	10%	10%	Yes
Commission paid by Resident Employment Companies to Non Residents	5%	5%	Yes
Dividend distributed by Resident Companies to Residents	5%	5%	Yes
Dividend distributed by Resident Companies to Non Residents	5%	5%	Yes
Interest on Deposits / Debentures from Resident Bank, Co-operative, Finance Companies or listed companies and on Govt. Bonds to Individuals not related to business.	5%	5%	Yes

Particulars	Rate	Rate	Final Withholding Tax
	F/Y 2076-77 (2019-2020)	F/Y 2075-76 (2018-2019)	
Verification of answer sheet and preparation of question paper	15%	15%	Yes
Interest to Others-not stated above	15%	15%	
Income distributed by Mutual Fund to Natural Person	5%	5%	Yes
Payment against use of Satellite, Bandwidth, Optical Fiber, Telecom related equipment or electric transmission line	10%	10%	
Income distributed by Mutual Fund to Other Person (Entity)	15%	15%	
Gains from Unapproved Retirement interests	5%	5%	Yes
Lump Sum Retirement Payment from Approved Fund & Nepal Government under Sec 65(1b)	5%	5%	Yes
Teaching-not on regular basis (Part time teaching)	15%	15%	Yes
Casual income	25%	25%	Yes
Dividend distributed by Partnership Firm	5%	5%	Yes
Gain From Commodities Future Market (Sec 95Ka)	10%	10%	
Contract Payments (Sec.89)*			
Payment under contract exceeding Rs.50,000/-	1.50%	1.50%	
Payment to non-resident person under a contract (Sec 89(3)):			
Payment under service contract to Non-resident	15%	15%	Yes
Payment under Repair for Airplane & Other contract	5%	5%	Yes
Premium paid to non-resident insurance company & commission paid on reinsurance premium received from non resident insurance company	1.50%	1.50%	Yes
Others:			
Gain from disposal of interest in Resident Entity (Sec 95 Ka)			
Gain on sale of shares of listed entity to: Natural Person	5%	7.50%	
Resident Entity	10%	10%	
Other	25%	25%	
Gain on sale of shares of unlisted entity to: Natural Person	10%	10%	
Resident Entity	15%	15%	
Other	25%	25%	

Particulars	Rate	Rate	Final Withholding Tax
	F/Y 2076-77 (2019-2020)	F/Y 2075-76 (2018-2019)	
Capital gain tax on sales of land and land & building owned by natural person			
(Deducted by Malpot Office):			
i) For more than 5 years	2.50%	2.50%	
ii) For less than 5 Years	5%	5%	
Capital gain tax in other case ( Advance Tax/TDS)	1.50% (on sales value)	10% (on profit)	

**TDS @ 1.5% on work done through Consumer Committee (Upbokta Samiti) if the amount exceeds Rs. 50 lac**

**Notes on withholding taxes:**

- Rs. 50,000/- referred to sec 89 shall be determined by aggregating a payment under a contract with any other payment made by the person or an associate of the person during the previous ten days under the same contract to the same payee or an associate of the payee.
- “Contract” has been defined as agreement entered into for supply of goods or labour or construction/ erection/ establishment of tangible assets or structure or any work prescribed as contract by the Inland Revenue Department.
- **TDS on Cash back against online purchase is not applicable .**
- No TDS is required to be deducted on the following:
  - > Payment of remuneration to the writer of the articles published in Newspaper & magazines.
  - > Inter-regional inter-change charges paid to a bank issuing Credit Cards.
  - > Interest or fee paid by Nepal Govt., under an agreement, to Foreign Govt. or an international organization (to which Nepal is a party).
  - > Interest and Dividend paid to Mutual Fund
- No Tax need to be deducted while making following Payments:
  - > Payment of interest to a resident bank or other resident financial institution
  - > Payments that are exempt from tax
  - > General insurance premium.
  - > Other Provisions:
    - > Withholding tax need to be deposited along with TDS Return with IRO within 25 days from end of month.
    - > Withholding Tax Certificate should be issued to the person from whom tax has been deducted based on the TDS Return filed with IRO to get the credit for such withholding tax.
    - > Incase of delay payment applicable rate of interest is 15% per annum.
    - > Penalty of 2.5% p.a. on TDS amount for non submission of e-TDS return within prescribed time limit.

### **Advance Income Tax :**

“Income Tax on current year’s Income” shall be paid in three installments

Time Period	Amount	
	F/Y 2076-77(2019-2020)	F/Y 2075-76(2018-2019)
Up to mid of January (Poush end)	40%	40%
Up to mid of April (Chaitra end)	70%	70%
Up to mid of July (Ashad end)	100%	100%

- Where an installment of tax paid by a person is less than 90% of tax payable, the person shall be liable to pay an interest @ 15% p.a. for each month and part of month from the date of first installment on the amount to the excess of 90% of the installment that would have paid over the installment paid.
- The presumptive tax-payers need not require paying any advance tax as above.
- If the tax amount is less than Rs 7,500/- no installment is required to be paid.
- Penalty of Rs. 5000 or 0.01% of the assessable income whichever is higher (P.Y 2,000) shall be imposed for non submission of estimated tax return.

### **Advance Ruling**

The practice of advance ruling is available to facilitate Income Tax assessment on the matters, which are not clarified in Income Tax Act and an application shall be made to the Director General of Inland Revenue Department.

## **Administrative Review (Appeal at DG)**

Provision has been made to file an application in the department for the administrative review in the cases related to income tax and value added tax. Cash deposit of 1/4th (1/3rd previously) of disputed tax and 100% of undisputed tax payable is required. Arrangement has been made to decide upon the application within 60 days and notify the taxpayer.

### **Deduction for General Insurance Business**

Following Expenses have been made allowed as deductible expenses for General Insurance Business:

- 50 % of Net Insurance Premium provided for Unexpired Risk and
- 115 % of outstanding claim at year end as per Insurance Act/Rules.

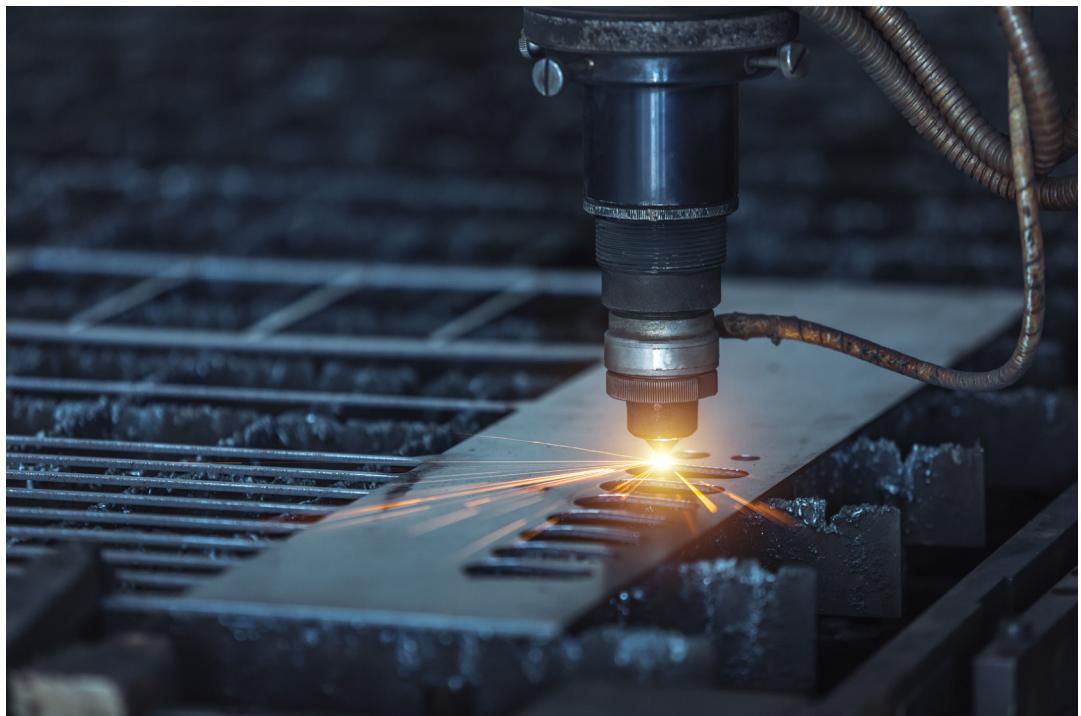
### **General Interest Rate - 15%**

General Rate of Interest charged by the Inland Revenue Department remains at 15% p.a.

- 50% depreciation shall be allowed in the year of purchase of equipment to produce energy for the business (Sch-2, Sec. 3(3)).
- Rs 1 Million or 10 % of Assessable Income shall be allowed as expenses if incurred for preservation of national, religious and cultural heritage sites in Nepal and development of sports infrastructure, with prior approval from the Inland Revenue Department.

### Definition of “Special Industries” u/s 11

Special Industries means “manufacturing, agricultural, forestry and mines industries as defined u/s 3 of Industrial Enterprises Act, 2073 except cigarette, Bidi, Cigar, tobacco, gutkha, pan masala, similar nature other products consuming tobacco as main raw materials, alcohol, beer and identical products manufacturing industries.”



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## INDIRECT TAX PROPOSALS

There are several changes in the VAT, Excise and Customs Duty, which have been highlighted in this Overview; provisions which remained unchanged have also been stated.

### Value Added Tax:

Important Changes :

- Goods transport business has been brought under the ambit of VAT w.e.f. 15 Jestha, 2076.
- Accidental and health insurance has been exempt from VAT with effect from 15 Jestha, 2076.
- Wheat Flour (Atta) (HS 11.03) has been removed from exempt list of goods, hence now it is taxable under VAT.
- Bio-metric registration in Suchana Tatha Abhilekh Bibhag for the Registered Tax Payer within prescribed time limit.
- VAT payment above Rs.10 lakhs should be made compulsorily through cheque, draft or electronically.
- Deposit against Appeal for Administrative Review reduced from 1/3rd to 1/4th of disputed amount.
- A registered person may submit application of refund of the amount remaining excess after adjusting for continuous period of 4 months (previously 6 months).
- Special Provision for waiver of submission of all returns and payment of all tax, fines, penalties and interest up to fiscal year 2075/76 if unregistered startup businesses operating with innovative ideas, skills, entrepreneurship and technology obtains PAN and registers themselves in VAT within Poush 2076.
- 10% VAT refund shall be given to the person on paying through electronic transfer.
- VAT refund to person and entity enjoying diplomatic facilities can immediately be provided if they purchase goods and services from listed firms for VAT paid above Rs.10,000 (P.Y 5,000) per invoices.
- Compulsory registration – Business of liquor, wine, health club, discotheque, motor parts, electronic software, massage therapy, custom agent, toys and scrap.
- Compulsory registration in metropolitan, sub-metropolitan, municipality – educational & legal consultant, auditor.
- Penalty increased for not-issuing VAT invoice from Rs.5,000 to Rs.10,000.
- Penalty of Rs.1,000 for not obtaining VAT invoice has been introduced.
- Penalty increased from Rs.5,000 to Rs.10,000 for not carrying tax invoices alongwith goods worth more than Rs.10,000.
- Penalty increased from Rs.1,000 to Rs.10,000 for not informing tax officer for changes in particular given in registration.
- VAT paid on petrol, diesel & LP gas (only petrol in previous year) is not eligible for input tax credit).

- VAT exemption on following items extended:  
8479.89.30 Garbage processing machine  
8479.89.40 Garbage Compactor  
8479.89.50 Medicine Manufacturing Machine  
85.04.40.90 Solar charge controller, Invertor having more than 80% of capacity  
85.04.40.00 Transistor, Photo Sensitive, Semi-Conductor devices  
8502 Electric Generating sets and rotary converters  
8502.31.00 Wind Powers  
8503.00.00 Parts suitable for use of solely or principally with machines of heading 85.01 & 85.02
- Plastic Granules used to manufacture of packaging materials to pack Saline Water that is being used as medicine, by Saline Manufacturing Industries on recommendation of Department Drug Administration is exempted from VAT (Group 5 of Schedule 1).
- Through Notice, the Department may instruct any taxpayer for computerized billing by associating in Central Billing Monitoring System (CBSM). Developers & Distributors & Users of Billing Software are required to be abided by the Procedures of the Department. Failure to comply with the Procedures of Department attract penalty of Rs. 5 Lakhs.
- Invoice raised without delivering goods and rendering services attract penalty @ 50% of invoice value or upto 6 months imprisonment.
- Industries having an export over 40% of total sales during last 12 months, may import raw material to the extent of manufacture of export quantity against Bank Guarantee of VAT amount. The value addition on such export is 10% (Sec. 8Ka).
- Consultancy service above Rs.5 lakhs ( Rs 1 lakh in PY) should be obtained from the registered person only .
- 50% of VAT amount is required to be deposited with tax authorities under respective revenue code on behalf of the contractor or supplies of goods or services by the registered buyer and remaining amount only to be paid to such supplies . The VAT deposited by the registered buyer can be adjusted against VAT liability by contractor or supplies .(However in our view this pertains to contractual supply and services, the department is expected to issue a clarification in this regards.)

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### **Excise Duty:**

- Excise Duty increased in Beverages(Soft drinks and juice ), Tobacco and Cigarettes, Alcohol and Beer, Cement, Microphone, Amplifier and Speaker.
- Excise Duty paid on auxiliary raw materials & packing materials are not eligible for claim as input excise. However, excise duty paid on raw material are eligible for as input excise and can be adjusted with excise payable on sale of excisable goods.
- If the claim are violating section 3ka (3), then 100% penalty is attracted.
- If any Industry exports excisable goods, shall get refund excise duty paid on raw materials consumed for production of such exported quantity. The claim for refund should be lodged within 1 year from the due date of filing. At least 15% value addition should be made in case of export of tobacco, liquors & Pan Masala.
- Cooperatives & Companies established as public transport operator intended to purchase at least 5 buses of 40 seaters or more for the specified purpose, exempt in excise duty on such import. However, if such vehicles are sold or transferred within 10 years from the date of acquisition, excise duty shall be recovered.
- Payment of Excise duty on Self Removal System has been continued to 25 days from respective month end.
- Excise License not required for goods other than cigarette, beer and alcohol where goods are cleared under Self Removal System.
- Community Education Institute is allowed to purchase 1 bus of 30 seat or more with the recommendation of the Ministry of Education, Science and Technology for the specified purpose, excise duty on such import shall be exempt. However, if such vehicles are not allowed to be sold or transferred within 10 years from the date of acquisition. (New)
- 25% Rebate on Excise Duty for unassembled vehicles in condition at the time of import for the Industries engage in assembling the vehicles. Moreover, same percentage of rebate is also enjoyable on sale of such assembled vehicle.
- 100% Excise Duty is exempted on domestic production of Marbles and lid acid battery.
- Deposit on appeal of disputed amount has been reduced from 1/3 rd to 1/4 th for the administrative review.
- Excise duty decreased in mobile phones from 5% to 2.5%.

**Applicable Excise Duty (Illustrative List)**

Products	Excise Rate	Excise Rate
	F/Y 2076-77 (2019-2020)	F/Y 2075-76 (2018-202)
Katha Ras (1404.90.10)	Rs. 17/Kg	Rs. 15/Kg
Khayar Katha (1404.90.20)	Rs. 155/Kg	Rs. 140/Kg
Jaggery (1701.13.10)	Rs. 125/Quintal	Rs. 115/Quintal
Molasses (HC1703.10.00)	Rs. 80/Quintal	Rs. 70/Quintal
Chewing Gum (HC 1704.10.00)	10%	10%
Other Sweets (not containing coco) 1704.90.00	5%	5%
Items containing chocolates & coco (HC 1806)	5%	5%
Potato Chips (1905.90.20)	Rs. 17/Kg	Rs. 15/Kg
Dalmoth, Papad, Namkin bhujia (HC2106.90.10)	5%	5%
Pan Masala (no tobacco) (HC2106.90.20)	Rs. 610/Kg	Rs. 555/Kg
Kurkure, Kurmure, Lays (HC2106.90.60)	Rs. 17/Kg	Rs. 15/Kg
Sugandhit Supari (no tobacco) (2106.90.70)	Rs. 225/Kg	Rs. 205/Kg
All types of Juice (HC2009.11.00 to 2009.11.90)	Rs.11/Litre	Rs. 10/Litre
Alcohol free Beer (HC2202.91.00)	Rs. 17/Litre	Rs. 15/Litre
Other Beverages (Alcohol Free not included in 20.9) (HC2202.91.00)	Rs. 17/Litre	Rs. 15/Litre
Energy Drinks (HC2202.99.10)	Rs. 30/Litre	Rs. 25/Litre
Beer (HC 2203.00.00)	Rs. 165/ Litre	Rs. 150/Litre
Other non alcoholic beverages (HC 2202.99.90)	Rs. 11/Litre	Rs. 10/Litre
Wine upto 12% Alcohol (HC 2204.10.10)	Rs.370/Litre	Rs. 335/Litre
Wine upto 17% Alcohol (HC 2204.10.10)	Rs. 370/Litre	Rs. 335/Litre
Wine above 17% Alcohol (HC 2204.10.30)	Rs. 430/Litre	Rs. 390/Litre
Denatured Spirit (80-99 % Alcohol) (HC2207.20.00)	Rs. 17/Litre	Rs. 15/Litre
Raw Material of Alcohol such as Spirits (HC 2208.30.10)	Rs. 165/Litre	Rs. 150/Litre

Products	Excise Rate	Excise Rate
	F/Y 2076-77(2019-2020)	F/Y 2075-76(2018-2019)
Alcohol 15 U.P Strength (2208.20.90.10)	Rs. 1325/ Litre Rs. 1560/L.P litre	Rs. 1204/Litre Rs. 1416/L.P litre
Alcohol 25 U.P Strength (2208.20.90.20)	Rs. 990/Litre Rs. 1320/ L.P litre	Rs. 898/Litre Rs. 1197/L.P litre
Alcohol 30 U.P Strength (2208.20.90.30)	Rs. 920/ Litre Rs.1315/L.P litre	Rs. 836/Litre Rs. 1194/L.P litre
Cigarette 70 MM without Filter (HC2402.20.10)	Rs. 495/M	Rs. 450/M
Cigarette 70 MM with Filter (HC2402.20.21)	Rs. 1135/M	Rs. 1030/M
Cigarette (over 70 – up to 75 MM) with Filter (HC2402.20.22)	Rs. 1475/ M	Rs. 1340/ M
Cigarette (over 75 – up to 85 MM) with Filter (HC2402.20.23)	Rs. 1920/M	Rs. 1747/M
Cigarette (over 85 MM) with Filter (HC2402.20.24)	Rs. 2715/M	Rs. 2466/M
Granite (HC2516.12.00)	15%	15%
Cement (HC2523)	Rs. 220/M.T	Rs. 200/M.T
Paints (HC3208)	7%	7%
Putty and Glazier Rosin Cement(HC3214)	5%	-
Makeup & Beauty Products (HC 3304, 3305, 3306, 3307)	5%	5%
Soap & Detergent (HC 3401 & 3402)	5%	5%
Rod & TMT (HC 7213)	Rs. 1650/M.T.	Rs. 1500/M.T.
Iron & non alloy Angle & Section (HC 7216)	Rs. 1650/M.T.	Rs. 1500/M.T.
Cast Fitting, Bends, Elbow (HC 7307)	Rs. 1650/M.T.	Rs. 1500/M.T.
Iron & Ispat Structures Bridge, Towers, windows, door (HC 7308)	Rs. 1650/M.T.	Rs. 1500/M.T.
L.P G Cylinder (HC7311)	5%	5%
Iron or Ispat Chain & Parts (HC 7315)	Rs. 1650/M.T.	Rs. 1500/M.T.
Refrigerator , Freezer (HC 8418)	5%	5%
Vaccum Cleaners & Parts (HC 8508)	5%	5%
Mixers, Juicer, Grinder & Parts (HC 8509)	5%	5%
Cellular Mobile Phone and all Other Wireless Communication Devices (8517.12.00)	2.50%	5%
Motorbikes 50 cc to 155 cc (8711.20.11)	40%	40%
Motorbikes 155 cc to 250 cc (8711.20.99)	50%	50%
Motorbikes 250 cc to 500 cc (8711.30.90)	60%	60%
Motorbikes 500 cc to 800 cc (8711.40.00)	80%	80%
Motorbikes above 800 cc (8711.50.00)	100%	100%
Spares Parts of Motorcycle (HC 8714)	5%	5%

Products	Excise Rate	Excise Rate
	F/Y 2076-77 (2019-2020)	F/Y 2075-76(2018- 2019)
Car, Station Wagon, Racing Car above 1000 cc upto 1500 cc (HC 8703.22.00)	65%	65%
Car, Station Wagon, Racing Car above 1500 cc upto 2000 cc (HC 8703.23.10)	70%	70%
Car, Station Wagon, Racing Car above 2000 cc upto 2500 cc (HC 8703.23.20)	80%	80%
Car, Station Wagon, Racing Car above 2500 cc upto 3000 cc (HC 8703.23.30)	90%	90%
Car, Station Wagon, Racing Car above 3000 cc (HC8703.24.00)	100%	100%
Car, Station Wagon, Racing Car (Diesel) above 1500 cc upto 2000 cc (HC 8703.32.10)	70%	70%
Car, Station Wagon, Racing Car (Diesel) above 2000 cc upto 2500 cc (HC 8703.32.20)	85%	85%
Car, Station Wagon, Racing Car above 2500 (Diesel) ( HC 8703.33.00)	100%	100%
Micro Bus 11-14 Seater (H. Code 8702.10.30)	55%	55%
Double Cab Pick Up (H. Code 8704.21.10)	60%	60%
Three Wheeler (Auto Rickshaw) (H. Code 8703.21.10)	55%	55%
Single Cab Pick Up (H. Code 8704.21.20.10)	50%	50%
Delivery Van (H. Code 8704.21.20.20)	30%	30%
Mini Bus 15-25 Seater (H. Code 8702.10.20, 8706.00.20) and Chassis	35%	35%
Bus & Truck (H. Code 8702.10.10 & 8702.90.10)	5%	5%
Video Games, Consoles (HC 9504)	5%	5%
Plates, cylinders and other equipments used by Printing Press under HC 84.43	10%	10%
Microphone, Loud Speaker under HC 85.18	10%	5%
Discs, Tapes and Smart Card, Optical and Magnetic means- 85.23	5%	5%
Optical Fiber Cables – 85.44.70.00	10%	10%

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## Custom Duty

- The rate of Customs Duty on import prevailing as per Schedule-1 of Finance Act 2076 shall be applicable in F/Y 2076-77 (2019-20).
- The custom officer can recheck the custom cleared goods whether at custom premise or outside custom premise and if found different as to declared name, specifications, character, physical description, qualitative description, size, weight & qualities, 300% penalty in addition to applicable custom duty attract or confiscate the goods with 200% penalty in addition to applicable custom duty.
- Rate of custom duty increased from 20% to 30% in butter, dairy spreads & other products containing FAT & SNF that are extracted from milk.
- Import duty on liquors increased.
- 1% Import duty will be imposed on devices, machinery tools and raw material (steel sheet) needed for tools and devices required for generation, transmission, distribution, operation or maintenance of hydroelectricity on recommendation of Electricity Development Department.
- 2.5% import duty will be imposed on items under HC 9018.31.00 imported by syringe manufacturing company.
- Custom duty on generator of up to 12.5 KVA (HC 8502.11.10) attract @ 15% whereas it is only 5% on above 12.5 KVA (HC 8502.11.90, 8502.12.00 & 8502.13.00).
- Industries export its goods through letter of credit or banking channel in convertible foreign currency but not having Bonded House Facility, can import its raw materials, Auxiliary raw materials & packing materials (if packing material is not manufactured in Nepal) under Custom Deposit facility. Such facility is now also available for liquor, cigarette, and tobacco related manufacturing industries.
- Import duty has continued to be 20% on unassembled television parts, semi LCD & LED panel, Picture tube etc under HS Code 8528.72.00 imported by Television Assembling Company.
- Cooperatives & Companies established as public transport operator intended to purchase at least 5 buses of 40 seater or more for the specified purpose, only 5% import duty levy on buses & chassis of buses. However, if such vehicles are sold or transferred within 10 years from the date of acquisition to any person other than public transport operator registered as cooperatives or Companies, full custom duty shall be recovered. Further, Road Construction & Development tax also waived for such vehicles.
- Only 1% custom duty is applicable on Solar Inverter having capacity utilization of more than 80% continues.
- Fruit juice under HC 200g attract Rs.60 per ltr (Earlier, 30% on value).
- Biscuit, Rusk, water under HC 1905 is subject to 40% (PY 30%).

- 5% import duty applicable for Air Handling Unit imported by Pharmaceutical Industries for manufacturing and for preserving quality of medicine continues.
- Minimum 1% customs duty to be charged on imports by Projects operated under foreign loan or assistance.
- Import Duty of Rs 2,300 per day to be levied in case Trucks entered into Nepal importing goods from foreign countries, trailers with loaded and empty containers intended to load goods from the place other than customs area, if such Truck and Trailers fails to returns back within 48 hours from the time of entry to Nepal.
- Arrangements have been made to the Nepal-based authorized dealers of the vehicle importers to publish mandatorily the maximum retail price of the vehicles in the national-level daily newspaper in every 4 months, and undertake continuous monitoring of the same.
- In case of Ambulance and Dead Body Carrying Vehicle imported by private hospital and community hospital, on recommendation of Ministry of Health and Population of Nepal, custom duty is charged at 1%.
  - > For one Ambulance and one Dead Body Carrying Vehicle – for hospital having less than 100 beds.
  - > For two Ambulances and one Dead Body Carrying Vehicle – for hospital having more than 100 beds
  - > For two Ambulances- for rural municipality
  - > For three Ambulances- for municipality For four Ambulances- for sub-metropolitan & metropolitan area
- 100% Exemption of Customs duty on POY & Staple Fibers under Heading 3907.61 & 3907.69 imported by VAT registered Yarn Industries is continued.
- 90% custom duty rebate on Staples Fibre under heading 55 imported by carpet industries continues.
- 100% exemption of custom duty on import of Raw Jute (HC 5303.10.00 and 5303.90.00) by Jute Industries.
- 1% Custom Duty on import of Aircrafts, Helicopters, their engine, spares and gear box, tyre, batteries, nut, bolt, rivet, turbo jet engine, turbo propellers, tube, blade, rotar, hub, acutor, wheel, brake, APU, fuel control unit, wing, steering selector valve, vibration oscillator, piston, landing gear, windshield is levied. However, in case of lease of Aircraft, helicopter and their engine 1% Customs Duty is levied as deposit, which shall be refunded on return of the aircrafts within 3 years from date of import.
- 1% Custom Duty on import of other metal furniture (HC 9403.20.00), other wooden furniture (9403.60.00) and electric smoothing irons (8516.40.00) by industry exporting readymade garments.
- Goods purchased in and imported from India and Tibet Automobiles Region under L/C shall be granted a rebate on the chargeable custom duty based on advalorem 5% on the goods from 5% to 30% and 3% on the above of it.

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- Industries registered in VAT and manufacturing poly coating paper and printing lamination film will be charged only 10% custom duty on import of polyester film, BOPP film, extracted poly film under heading of 39.19:90.00, 39.20 and 39.21 continues.
- 10% duty is levied on Filler Master Batch (HC 39.20) continues.
- Custom duty on LP Gas (27.11.19) 15% continues.
- Base Oil (HS 2710.19.60) imported by Grease & oil manufactures to be levied duty @ 5% continued.
- Rebate of 50% grant on Import of Spare parts (HS 87.14) & subsidiary materials by E-Rickshaw manufacturers continued.
- 75% rebate on Tello oil (1503), Palm Acid Oil, Palm Fatty Acid & Acid Oil (382311, 382312 & 382313) imported by soap industry continues.
- 1% custom duty be levied on the import of machinery under heading 90.27, equipments and spare parts continues.
- 1% custom duty shall be charged on import of equipment, Machine being used for control of pollution continues (8421.39.00).
- 1% custom duty on offset printing machine (HS Code 8443.12.00 or 8443.13.00) imported by establishing cooperative of Nepali Publication Houses & Editors continues.
- 20% duty on slit steel coil (HS Code 72.10 or 72.12) imported by prefabricated builders registered in Nepal to construct prefabricated buildings continues.
- Only 1% duty on Milk carrying tanker under H.C 87.06 continues.
- Seeds of Sunflower (HC 1206.00.00), Bhatmas (HC 1201.90.00), Mustard Oil, Rayo, Rapeseed (HC 1205.10.00) and Sesamum (HC 1207.50.00) having import duty 10% will get 50% rebate. Incase of Sunflower (HC 1206.00.00) and Bhatmas (HC 1201.90.00) if imported from India or Tibet, only 5% Agricultural improvement fee will be imposed. Import duty shall be Nil. Similarly incase of Soyabean Seed (1201.10) and Mustard Seed (1207.40) only 5% Agricultural improvement fee will be imposed and import duty shall be Nil if imported from India or Tibet.

**Customs Service Fee:**

- Custom service fee payable on import/ export of goods as follows:
  - > Imports - Rs 500 per Pragyapan Patra
  - > Exports - Rs 100 per Pragyapan Patra
- Custom Duty on Gold, Diamond and Silver of 10 GM:
  - Gold (HC 71.08) Rs.5,000 (Earlier Rs.4,200)
  - Silver (HC 71.06) Rs. 56 (Earlier Rs. 56)
  - Gold Ornaments (HC 71.13.19) 15% (Earlier 15%)
  - Gold Ornaments (HC 71.13.11) 30% (Earlier 30%)
  - Gold Ornaments (HC 71.13.20) 30% (Earlier 30%)
  - Diamond (71.02) & Precious Stones (71.01, .03, .04 & .05) 1% (1%) respectively
- Rebate of 50% custom duty on the import of either of two no. of Luxury Coach, Micro bus and Mini bus is allowed to the Travel Agents, Trekking Agency, Rafting agency, Star hotels and resort on the recommendation of Tourism and Civil Aviation Ministry continues



**Export Duty**

The rate of others illustrative list of the items/products are as follows:

Products	Rate	Rate
	F/Y 2076-77(2019-2020)	F/Y 2075-76(2018-2019)
Jarda, Khaini, Nas, Gutkha (HC24039910)	Rs. 50/kg	Rs. 50/kg
Pan Masala (No Tobacco) (HC2106.90.20)	Rs. 40/kg	Rs. 40/kg
Sugandhit Supari (No Tobacco) (HC2106.90.70)	Rs. 25/kg	Rs. 25/kg
Kattha Ras (Khayar) (1404.90.10) – Reduced	Rs. 7/kg	Rs. 7/kg
Wood - 4401	200%	200%
Aggregates (25.17.10.10)	600/m3	600/m3
Stones Boulder (25.17.10.20/30)	1200/m3	1200/m3
Magnasite - 25.19.10	600/m3	600/m3
Yarchagumba (HC1211.90.10)	5000/kg	5000/kg
Paddy, Wheat, Maize, Rice, Millet and other good grains	Rs.1/Kg	Rs.1/Kg



### **Tele-communication Service Fee**

Telecom Companies (Telephone, Mobile, Internet service provider) needs to collect Telecom Service Fee @ 13% from its customers and have to deposit the same along with Value Added Tax. on inter-connection charges paid by one Telecom Company to other telecom company using their network. Telephone Service Fee is required to be paid within 25th of next month along with Value added tax otherwise additional fee of 5% per month shall be charged

### **Telephone Ownership Fee:**

A sum of Rs. 500 (P.Y Rs.1000) shall be collected as Telephone Ownership Fee for Fixed land line and post paid mobile. In case of Prepaid mobile a sum equivalent to 2% of the value of Sim Card and Recharge Card shall be collected as Telephone Ownership Fee.

Telecom ownership Tax is required to be paid within 25th of next month otherwise interest @ 15% p.a. shall be levied.

### **Infrastructure Tax**

Infrastructure tax @ Rs. 5 per litre on petrol, diesel, and air turbine fuel shall be levied on import of such petroleum products at custom point (Section 9 of Finance Ordinance 2076) continues.

### **Pollution Control Fee**

Sale of petrol and diesel within Nepal is subject to Rs.1.5 /litre (PY 0.5/litre) pollution control fee .

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**Casino Royalty:**

- Annual Royalty Rs. 4 (Last Year Rs. 4), but if gaming by Modern machine & equipment only, then Rs. 1 Crore (Last Year Rs. 1 crore) shall be paid by each casino.
- The amount of royalty has to be paid within 2 months from the commencement of the Fiscal Year to Culture, Tourism & Civil Aviation Ministry.
- Fine @ 15% p.a. shall be charged in case of non-deposit of Royalty on time and additional 15% if unpaid for a further period of 3 months.
- The administration of Royalty shall be done by Culture, Tourism & Civil Aviation Ministry.



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THANKS

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## About B.K. Agrawal & Co.

B.K. Agrawal is committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide our decisions daily.

Our firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing a knowledge of local laws and tax regulations which is important to clients undertaking new ventures or expanding into other countries.

Crowe Global is known for its impeccable professional service to privately and publicly held businesses in all sectors and has built a local and international reputation in the areas of Audit, Tax, Advisory and Risk.

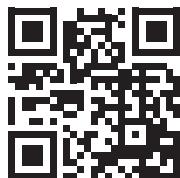
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In addition to our local and regional services, as a member of Crowe Global, we can draw on a worldwide network of independent professionals and their know-how. The Crowe Global network consists of more than 200 independent accounting and advisory services firms in over 130 countries around the world.

As a member firm of Crowe Global we offer comprehensive, international expertise in a broad range of business consulting practices, including assurance, benefit plan services, corporate finance, risk consulting, forensic services, performance services, tax consulting, and technology.

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