

Overview of Nepal Budget Financial Year 2075-76 (2018-19)

A Tax Perspective

Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

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Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Foreword

The Hon'ble Finance Minister, Dr. Yuvaraj Khatiwada presented annual budget of **1315 billion** (PY Rs.1,279 billion) on May 29th, 2018 for the financial year 2075-76 (2018-19) through Finance Bill, 2075.

This budget has highly prioritized the creation of employment opportunities for the citizens, development of health, education and other social areas, development of agriculture, water resource, tourism and industry sectors, reconstruction of earthquake and flood affected structures, improvement in the quality of public services to the citizens. Out of the total budget, Rs.845 billion (64%) as against previous budget of Rs.803 billion (63%) will go to recurrent expenditure, Rs.314 billion (24%) PY Rs.335 billion (26%) to capital expenditure and Rs.156 billion (12%) PY Rs140.28 billion (11%) for financing provision (i.e. principal payment of loans). The size of budget is 3% (PY 22%) more than previous year's budget.

The budget aims to collect **Rs. 831 billion (63%)** (PY Rs.730 billion) from revenue, Rs253 billion (19%) (PY Rs.72.17 billion) from foreign grants, Rs. 58.8 billion (5%) (PY Rs.214.04 billion) from foreign loan and Rs.172 billion (13 %) (PY Rs.145 billion) from internal loans.

The GDP growth is estimated at 8 % (PY estimated 7.2%)and inflation rate at 6.5 % (PY 6%).

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, 2075 (2018) will apply to financial year starting from 1st Shrawan 2075 (i.e. July 17, 2018). Value Added Tax (VAT), Customs Duty, Excise Duty, Health Service Tax and Infrastructure Tax provisions shall apply immediately on its announcement.



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Size of the Budget

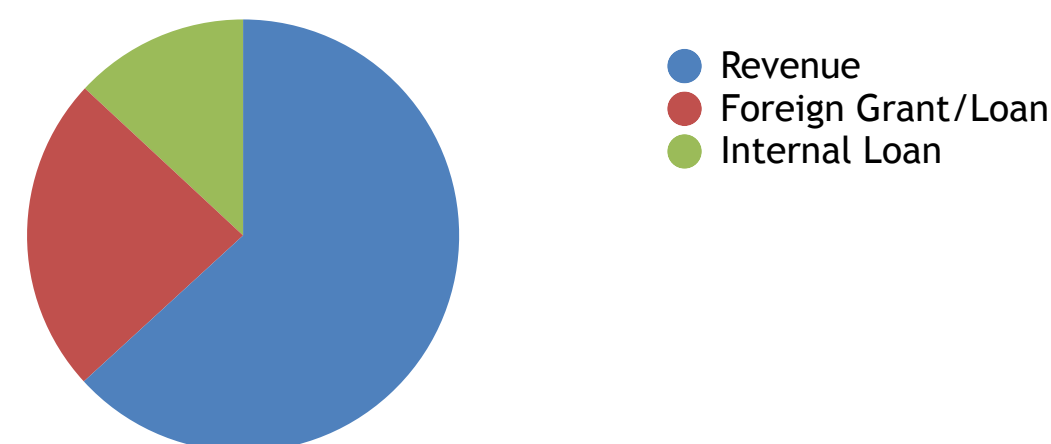
Year	Amount in Billion	Increase in %
2075-76 (2018-19)	1,315	3%
2074-75 (2017-18)	1,279	22%

Sources of the Budget

Amount in billions

Particulars	F. Y. 2075-76		F. Y. 2074-75	
	Amount	%	Amount	%
Revenue	831	63%	730	57%
Foreign Grant	253	19%	72	6%
Foreign Loan	59	5%	214	17%
Internal Loan	172	13%	145	11%
Refund of Principals	-		15	1%
Reserve from this year	-		103	8%
Total	1,315	100%	1,279	100%

Sources of the Budget
Amount in millions
F. Y. 2075-76

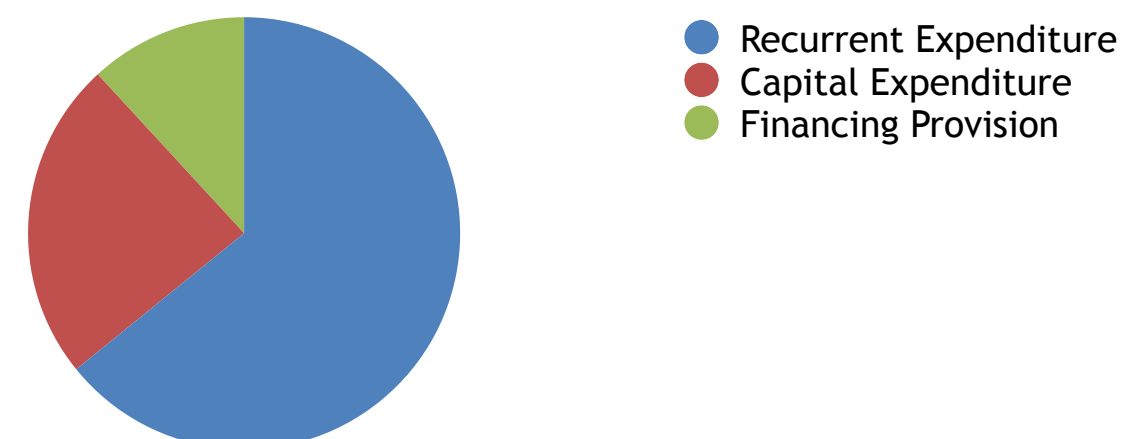


Application of the Budget
Amount in millions
F. Y. 2075-76

Application of the Budget

Amount in billions

Particulars	F. Y. 2075-76		F. Y. 2074-75	
	Amount	%	Amount	%
Recurrent Expenditure	845	64%	804	63%
Capital Expenditure	316	24%	335	26%
Financing Provision	156	12%	140	11%
Total	1315	100%	1,279	100%



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Highlights of Key Tax Issues in the first Federal Budget 2075-76 (2018-19):

Value Added Tax:

- 1) VAT refund on all items including sugar, flour, vegetable oil, ghee, mobile, textile, match, dairy etc. has been withdrawn.
- 2) No VAT on Hospital services.
- 3) Business of Money Transfer, Capital Market, Stock Exchange, Merchant Banking, Commodity Future Market, Stock, Commodity Broker, Canteen and Hostel Service provided by Education Institutions for its own purpose are exempted from VAT net.

Education Service Fee:

- 1) Education Service Fee for domestic institutions has been abolished, however, in case of remittance of fee to foreign institution, education service fee has been increased from 1% to 2%.

Health Hazard Tax:

- 1) Health Hazard Tax is levied on Cigarette, Bidi, Cigar @ Rs.0.25 per pc. and on Gutkha, Pan Masala, Chewing Tobacco @ Rs. 25 /kg.
- 2) Health Service Tax has been abolished with effect from Jestha 15, 2075 (29th May, 2018).

Voluntary Disclosure/Return Filing:

- 1) Special provision for exemption of interest and penalty has been introduced: If any person obtains PAN, files his income tax return for F.Y. 2071-72, 2072-73 and 2073-74 and deposit the tax liability within Poush 2075, neither tax shall be levied nor income tax return is required to be submitted for income earned before F.Y 2071-72.
- 2) Special provision for Natural Person: If any person files and pays the tax on income for F.Y 2071-72 and 2072-73 within Poush 2075 neither interest nor fine will be levied. Further, no tax shall be levied on income earned before F.Y 2071-72.
- 3) Special provision for Waiver of penalty and interest if any registered person submit its VAT return and pays due VAT amount upto Ashad end 2074, within Poush end 2075.

Income Tax:

- 1) Company operating in the areas of Telecom, Internet, Money Transfer, Capital Market, Stock Exchange, Merchant Banking, Commodity Future Market, Stock Broker have been covered under the highest tax rate i.e. 30%.
- 2) TDS on Transportation/Freight @2.5% has been introduced
- 3) TDS on gain on disposal of shares in listed company to natural person has been increased from 5% to 7.5%
- 4) TDS on gain on disposal of shares by non-resident @25% is introduced
- 5) No TDS is required for Rental payment to Resident Natural person.
- 6) Income Tax Rebate of 50% introduced for Dairy, Textiles and Tea Processing Industries
- 7) Tax rebate of 10% for 3 Years from date of conversion of Pvt. Ltd. Co. to Public Ltd Co. having Rs. 50 Crore paid-up capital
- 8) Progressive rate of 10%, 20%, 30% on income of natural person with 20% surcharge (PY 15%, & 25% with 40% surcharge)
- 9) Salary upto NPR 58,000 per month attracts the lowest tax rate with introduction of new slab rates.
- 10) Deduction of Life Insurance Premium increased from 20K to 25K

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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 2075-76	F/Y 2074-75
Resident		
Up to Rs.400,000 (PY Rs.400,000) opting couple status (includes widow & widower) and Rs.350,000 (PY Rs.350,000) in case of individual.	1%	1%
Next Rs.100,000	10%	15%
Next Rs. 200,000	20%	25%
Upto Rs. 20,00,000 (PY upto 25 Lacs @ 25%)	30%	25%
20% Surcharge on income above Rs.20 Lakh (on Tax calculated for income above Rs.20 Lakh (PY 40% above 25 Lakh)	36%	35%
Non Resident		
Any Amount	25%	25%

Notes:

- 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.

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 up to Rs. 25,000 (P.Y 20,000) is allowed (Sch-1).
- w.e.f 2072-73, deduction of premium paid for Health Insurance up to Rs. 20,000 is allowed (Sch-1).
- 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
 - @ 7.5% (P.Y 5%) on sale of shares of listed entity
- Tax @15% (P.Y 20%) on income from export and tax @20% on income from special industry shall be levied on the income at 30% tax slab.



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Tax Rates: Entities

Entities	Rate	
	F/Y 2075-76	F/Y 2074-75
Bank & Finance Company, General Insurance Company, Petroleum entities; Cigarette, Beer, Liquor, Khaini, Guthka and Pan Masala Manufacturing Company	30%	30%
<i>Company operating in the following areas Telecom, Internet, Money Transfer, Capital Market, Stock Exchange, Merchant Banking, Commodity future market, stock broker</i>	30%	25%
Casual income	25%	25%
Special Industries (Manufacturing, Forest, Agriculture and Mining Industries; except Liquor, Cigarette, Khaini Guthka and panparag as defined in Sec. 11) & IT Industries	20%	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 continued, as follows:

Individuals Conducting Business	Lump Sum Tax F/Y 2075-76	Lump Sum Tax F/Y 2074-75
In the Metropolitan or Sub Metropolitan Cities	5,000	5,000
In Municipalities	2,500	2,500
Anywhere else in Nepal	1,500	1,500

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Tax Rates: Non-resident Person

Particulars of Business	Tax Rate F/Y 2075 - 76	Tax Rate F/Y 2074-75
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% (PY WHT 15% Plus final tax 10%) subject to tax treaties.	25%	25%

Double Taxation Avoidance Agreement (DTAA)

To avoid double taxation, Nepal Government has tax treaty with 10 countries namely India, Sri Lanka, Mauritius, Thailand, Qatar, Pakistan, Norway, Korea, Austria & China. 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 Schedule 1 to Income Tax Act, 2002 as follows:

S.N.	Particulars	Tax Rate F/Y 2075-76	Tax Rate F/Y 2074-75
1	Those persons who sell cigarette, gas etc. by adding commission or profit up to 3%	0.25% of the turnover or Rs. 5,000 whichever is higher	0.25% of the turnover or Rs. 5,000 whichever is higher
2	Those persons who are engaged in the transaction other than above	0.75% of the turnover or Rs. 5,000 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.5,000 whichever is higher	2% of the turnover or Rs.5,000 whichever is higher

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



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Tax Concession and Rebates:

S.N.	Type of Industry	Tax Rate	Tax Rate
		F/Y 2075-76	F/Y 2074-75
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 - After such period	- Tax Exempt - 50% of the applicable tax rate	- Tax Exempt - 50% of the applicable tax rate
3	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
4	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
5	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
6	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
7	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
8	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
9	Income earned by manufacturing industries through export sales	25% concession on applicable rate	25% concession on applicable rate

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Tax Concession and Rebates (*continued*)

S.N.	Type of Industry	Tax Concessions	Tax Concessions
		F/Y 2075-76	F/Y 2074-75
10	Income earned from Road, Bridge, Airport, tunnel way construction and operation or from tram and trolley bus operation	40% concession on applicable rate	40% 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	<i>Special industry (Manufacturing) and IT industry providing direct employment to:</i> <i>>100 Nepalese citizen during the entire year</i> <i>>300 Nepalese citizen during the entire year</i> <i>>500 Nepalese citizen during the entire year</i> <i>>1000 Nepalese citizen during the entire year</i>	10% of the applicable tax rate 20% of the applicable tax rate 25% of the applicable tax rate 30% of the applicable tax rate	- 10% of the applicable tax rate 10% of the applicable tax rate 10% of the applicable tax rate
15	Special Industry Providing direct employment to 1200 or more Nepali Citizen	30% of the applicable tax rate	20% of the applicable tax rate
16	Special industry 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	20% of the applicable tax rate
17	Special industry operating in following regions have following tax rates for first 10 years: a. Underdeveloped Regions b. Undeveloped Regions c. Partly developed Regions	a. 90% of applicable tax rate b. 80% of applicable tax rate c. 70% of applicable tax rate	a. 90% of applicable tax rate b. 80% of applicable tax rate c. 70% of applicable tax rate
18	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

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Tax Concession and Rebates (*continued*)

S.N.	Type of Industry	Tax Concessions	Tax Concessions
		F/Y 2075-76	F/Y 2074-75
21	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	-
22	Tea Production and Processing, dairy industry and textile industry	50% tax rebate	-
23	Community Hospital	20% tax rebate	-
24	Small scale industry (Laghu Udhyam) 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.	-
25	Special Industry with capital investment of Rs. 1 billion and direct employment of 500 person during whole year 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	Tax Exempt for first 5 years and 50% of the applicable tax rate thereafter for next 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	Tax Exempt for first 5 years and 50% of the applicable tax rate thereafter for next 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
26	In case special industry, industry based in agriculture and tourism sector provides direct employment to at least 100 Nepalese national ONLY during the whole year, (Airlines Industry is not considered as industry under tourism sector as per industrial enterprise act)	Rebate of 10% of applicable tax rate.	Rebate of 30% of applicable tax rate.

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Tax Concession and Rebates (*continued*)

S.N.	Type of Industry	Tax Rate F/Y 2075-76	Tax Rate F/Y 2074-75
27	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
28	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
29	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.

Compensation received in respect of death of natural person

Compensation received in respect of death of natural person is not taxable
(Sec 31 (2))



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Withholding Taxes (TDS):

The Withholding tax (TDS) is required to be deducted as per the rate below during the Financial Year 2017-18 [w.e.f 1.4.2075] (i.e. 17.07.2018):

Particulars	Rate	Rate	Final Withholding Tax
	F/Y 2075-76	F/Y 2074-75	
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	-	10%	Yes
Hire Charges	10%	10%	
Rent - Others	10%	10%	
Transportation/ Freight	2.5%	-	
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

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Withholding Taxes (TDS) (continued)

Particulars	Rate	Rate	Final Withholding Tax
	F/Y 2075-76	F/Y 2074-75	
Verification of answer sheet and preparation of question paper	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 & <i>commission paid on reinsurance premium received from non resident insurance company</i>	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	7.5%	5%	
Resident Entity	10%	10%	
Other	25%	10%	
Gain on sale of shares of unlisted entity to: Natural Person	10%	10%	
Resident Entity	15%	15%	
Other	25%	15%	

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Withholding Taxes (TDS) (continued)

Particulars	Rate	Rate	Final Withholding Tax
	F/Y 2075-76	F/Y 2074-75	
Capital gain tax on sales of land and land & building owned by natural person (Deducted by <i>Malpot</i> 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 :	10%	10%	

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

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.
- 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.**

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Advance Income Tax

- “Income Tax on current year’s Income” shall be paid in three instalments.

Time Period	Amount	Amount
	F/Y 2075-76	F/Y 2074-75
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 instalment 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 instalment on the amount to the excess of 90% of the instalment that would have paid over the instalment paid.
- The presumptive tax-payers need not require paying any advance tax as above.
- If the tax amount is less than Rs 5000/- no instalment is required to be paid.
- Penalty of Rs. 2000 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 1/3rd 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:

- VAT Refund facility on all items including mobile set, flour, match, vegetables ghee, mustered oil, sugar, textile, copper, dairy, tea etc. has been withdrawn.
- Hostel and Canteen Service provided by the Educational Institution for its own purpose has been exempted from VAT. Moreover, Vat on these services assessed by tax office earlier has also been waived.
- Health Service has also been exempted from VAT. Hospitals already registered in VAT now has to be deregistered from VAT.
- 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
- Business of Money Transfer, Capital Market, Stock Exchange, Merchant Banking, Commodity Future Market, Stock & Commodity Broker are also exempted from VAT net. Further, Vat on Share broker assessed by tax office earlier has also been waived.
- Brick Industries, Alcohol Distributors, Wine Shop, Software, Trekking, Rafting, Ultra light Flight, Paragliding, Tourist Vehicle, Crusher, Slate, Sand Mines and Aggregate Industries are brought under VAT bracket.
- Business of Hardware, Sanitary, Furniture, Fixture, Furnishing, Automobiles, Motor Parts, Electronics, Marble, Educational Consultancy, Discotheque, Health Club, Massage Therapy, Beauty parlour, Catering Service, Dry clean service, Restaurant with Bar, Ice cream Industries, Tailoring business with Suiting & Shirting, Suppliers of Uniform to Educational Institution & Health Institute operating in Metropolitan City, Sub-Metropolitan City, Municipality, or any other area specified Department are mandatorily required to registered in VAT.

Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Value Added Tax (*continued*)

- Through Notice, the Department may instruct any taxpayer for computerised 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.*
- Construction Equipment, Machineries & Tools and related parts thereof as well as import of Raw Materials required for manufacturing of those Equipment are exempt from VAT.
- VAT is exempted on One unit of 30 Seaters school bus import by Community Educational Institution on recommendation of Science, Education & Technology Ministry. But, the bus should not be sold/ transferred within a period of 10 years.
- Threshold of VAT on goods remained at 5 Million and or Service and Service and Goods mixed business remained at Rs.2 Million.
- Reverse VAT u/s 8(3) paid on constructions of buildings and civil strictures for business purpose above Rs 5 million is not allowed to be claimed as Input VAT, continues.
- Reverse VAT u/s 8(2) on import of services is required to be paid at the time of payment to supplier or receipt of services whichever is earlier. This VAT can be claimed as input vat, continues
- VAT Refund facility shall not be available in case of bulk sale to another entity and sale to any other industry or to non-vat registered party in case of Oil and Vegetable ghee Industry.
- VAT exemption on Kerosene Oil (HC 27101910), Bandage (HC 30.05), Services of Clearing House, Lid Acid Battery (HC 85.07) extended
- No VAT exemption is available on Lift and Elevator (HC 84.28) that is not used for business purpose.
- The VAT Exemption is available on PUBLIC TRANSPORT only (Private Transport Taxable) (Group 9 to Schedule-1).
- Cultural Programme, Entry Fee for Botanical Garden and National Forest has been taxable wef 2014-15.
- Company having rental income from renting its “Apartments” has been brought under ambit of VAT.
- VAT shall be exempted on imports of such machinery, equipment, tools and their spare parts, penstock pipes or iron sheets used in making thereof as required for hydro power projects and as are not produced in Nepal, on the recommendation of the Alternative Energy Promotion Center, in the case of those which are operated with the approval of that Center, and on the recommendation of the Electricity Development Department, in the case of the industries except those which are operated with the approval of the AEPC.
- Spare Parts imported by Jute Industries on recommendations from DOI has been exempted from VAT.
- Penalty of Rs. 20,000 per visit if not allowing to inspect the VAT records to the tax officer (S.29(1)(Ng),
- Cheese and Curd (0406.10.00) has been exempted from VAT.
- 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%.

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Value Added Tax (continued)

- Non-Vat Registered persons dealing in Taxable goods and services should maintain Purchase and Sales Register duly self attested. Otherwise a Fine of Rs. 1000 shall be levied for each contravention.
- Oxide, Hydroxide and minerals under Harmonic Code 28 and Raw Materials of Pharmaceutical Industries & Intra Ocular Lens (IOL) under Harmonic Code 29 and Packing Materials for Pharmaceutical Industries & IOL are under exemption list of VAT continues.
- Manufacturers (not having Bonded Warehouse or Pass Book facility) shall get refund of VAT at Flat Rate at custom point against export of finished goods on VAT paid on import of Raw Materials, Auxiliary Raw Materials and Packing Material (not manufactured in Nepal) used for manufacturing such finished goods.
- Vat is imposed on all types of professional training given by an entity other than fully owned government entity.
- Vat should be collected on the sale of taxable goods by foreign diplomats having office in Nepal, Nepal Government (Federal, Provincial and Local).
- Sale of Raw Material and Manufactured Goods to industries operating in Special Economic Zone, established under prevalent Law, shall be taxed at Zero %.



Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Excise Duty:

- Excise Duty increased in Beverages, Tobacco and cigarettes, alcohol & Beer, cement, paint, vehicles
- ***Excise Duty has been introduced in cosmetic items, mobile phones, home appliances such as mixers, juicer, refrigerator, vacuum cleaners, iron and non alloy products .***
- 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.
- On recommendation of Department of Industries of Nepal, waiver in excise duty introduced on raw materials MS Wire Rod in Coil (HC 72139010) imported by Industry.
- 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, some 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.



Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Applicable Excise Duty (Illustrative List)

Products	Excise Rate	Excise Rate
	F/Y 2075-76	F/Y 2074-75
Katha Ras (1404.90.10)	Rs. 15 / Kg	Rs. 10 / Kg
Khayar Katha (1404.90.20)	Rs. 140 / Kg	Rs. 115 / Kg
Jaggery (1701.13.10)	Rs. 115 / Kg	Rs. 90 / Kg
Molasses (HC1703.10.00)	Rs. 70 / Kg	Rs. 55 / Kg
Chewing Gum (HC 1704.10.00)	10%	-
Other Sweets (not containing coco) 1704.90.00	5%	-
Items containing chocolates & coco (HC 1806)	5%	-
Potato Chips (1905.90.20)	Rs. 15 / Kg	Rs. 7.5 / Kg
Dalmoth, Papad, Namkin bhujia (HC2106.90.10)	5% (New Addition)	-
Pan Masala (no tobacco) (HC2106.90.20)	Rs. 555/Kg	Rs. 462/Kg
Kurkure, Kurmure, Lays (HC2106.90.60)	Rs. 15 / Kg	Rs. 7.5 / Kg
Sugandhit Supari (no tobacco) (2106.90.70)	Rs. 205 / Kg	Rs. 171 / Kg
All types of Juice (HC2009.11.00 to 2009.11.90)	Rs.10/ Litre	Rs.4.50/ Litre
Alcohol free Beer (HC2202.91.00)	Rs.15/Litre	Rs.7/Litre
Other Beverages (Alcohol Free not included in 20.9) (HC2202.91.00)	Rs.15/Litre	Rs.7/Litre
Energy Drinks (HC2202.99.10)	Rs.25/Litre	-
Beer (HC 2203.00.00)	Rs.150/ Litre	Rs.115/ Litre
Other non alcoholic beverages (HC 2202.99.90)	Rs.10/ Litre	Rs. 7/ Litre
Wine upto 12% Alcohol (HC 2204.10.10)	Rs.335/ Litre	Rs.280/ Litre
Wine upto 17% Alcohol (HC 2204.10.10)	Rs.335/ Litre	Rs.280/ Litre
Wine above 17% Alcohol (HC 2204.10.10)	Rs.390/ Litre	Rs.325/ Litre
Denatured Spirit (80-99 % Alcohol) (HC2207.20.00)	Rs.15/ Litre	Rs.12/ Litre
Raw Material of Alcohol such as Spirits (HC 2208.30.10)	Rs.150/ Litre	Rs.127/ Litre
Alcohol 15 U.P Strength (2208.20.90.10)	Rs. 1204/ Litre Rs. 1416/ L.P litre	Rs. 1003/ Litre Rs. 1180/ L.P litre
Alcohol 25 U.P Strength (2208.20.90.20)	Rs. 898/ Litre Rs. 1197/ L.P litre	Rs. 748/ Litre Rs. 997/ L.P litre
Alcohol 30 U.P Strength (2208.20.90.30)	Rs. 836/ Litre Rs. 1194/ L.P litre	Rs. 697/ Litre Rs. 996/ L.P litre

Products	Excise Rate	Excise Rate
	F/Y 2075-76	F/Y 2074-75
Cigarette 70 MM without Filter (HC2402.20.10)	Rs.450/M	Rs.374/M
Cigarette 70 MM with Filter (HC2402.20.21)	Rs.1030/M	Rs.859/M
Cigarette (over 70 - up to 75 MM) with Filter (HC2402.20.22)	Rs.1340/ M	Rs.1116/ M
Cigarette (over 75 - up to 85 MM) with Filter (HC2402.20.23)	Rs.1747/M	Rs.1456/M
Cigarette (over 85 MM) with Filter (HC2402.20.24)	Rs.2466/M	Rs.2055/M
Granite (HC2516.12.00)	15%	15%
Cement (HC2523)	Rs.200 /M.T	Rs.180 /M.T
Paints (HC3208)	7%	5%
Makeup & Beauty Products (HC 3304, 3305, 3306, 3307)	5%	-
Soap & Detergent (HC 3401 & 3402)	5%	-
Rod & TMT (HC 7213)	Rs. 1500 /M.T	Rs. 1000 /M.T
Iron & non alloy Angle & Section (HC 7216)	Rs. 1500 /M.T	-
Cast Fitting, Bends, Elbow (HC 7307)	Rs. 1500 /M.T	-
Iron & Ispat Structures Bridge, Towers, windows, door (HC 7308)	Rs. 1500 /M.T	-
L.P G Cylinder (HC7311)	5%	-
Iron or Ispat Chain & Parts (HC 7315)	Rs. 1500 /M.T	-
Refrigerator , Freezer (HC 8418)	5%	-
Vaccum Cleaners & Parts (HC 8508)	5%	-
Mixers, Juicer, Grinder & Parts (HC 8509)	5%	-
Cellular Mobile Phone and all Other Wireless Communication Devices (8517.12.00)	5%	-
Motorbikes 150 cc to 250 cc (8711.30.99)	50%	40%
Motorbikes 250 cc to 500 cc (8711.30.90)	60%	40%
Motorbikes 500 cc to 800 cc (8711.40.00)	80%	40%
Motorbikes above 800 cc (8711.50.00)	100%	40%
Spares Parts of Motorcycle (HC 8714)	5%	5%

Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Applicable Excise Duty (Illustrative List) (continued)

Products	Excise Rate	Excise Rate
	F/Y 2075-76	F/Y 2074-75
Car, Station Wagon, Racing Car above 1000 cc upto 1500 cc (HC 8703.22.00)	65%	60%
Car, Station Wagon, Racing Car above 1500 cc upto 2000 cc (HC 8703.23.10)	70%	60%
Car, Station Wagon, Racing Car above 2000 cc upto 2500 cc (HC 8703.23.20)	80%	60%
Car, Station Wagon, Racing Car above 2500 cc upto 3000 cc (HC 8703.23.30)	90%	60%
Car, Station Wagon, Racing Car above 3000 cc (HC 8703.23.30)	100%	60%
Car, Station Wagon, Racing Car (Diesel) above 1500 cc upto 2000 cc (HC 8703.32.10)	70%	60%
Car, Station Wagon, Racing Car (Diesel) above 2000 cc upto 2500 cc (HC 8703.32.20)	85%	60%
Car, Station Wagon, Racing Car above 2500 (Diesel) (HC 8703.33.00)	100%	60%
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 (HC 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%	-

Products	Rate	Rate
	F/Y 2075-76	F/Y 2074-75
Plates, cylinders and other equipments used by Printing Press under HC 84.43	10%	10%
Microphone, Loud Speaker under HC 85.18	5%	5%
Discs, Tapes and Smart Card, Optical and Magnetic means- 85.23	5%	5%
Optical Fibre Cables - 85.44.70.00	10%	10%
Insulated wire, cables, conductors - 85.44.42.00	15%	15%



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Custom Duty

- The rate of Customs Duty on import prevailing as per Schedule-1 of Finance Act 2075 shall be applicable in F/Y 2075-76 (2018-19).
- 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.
- Custom duty on generator of up to 12.5 KVA (HC 8502.11.10) attract @ 15% whereas it is only 1% 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. However, such facility is not 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 utilisation of more than 80% continues.
- 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.

Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Custom Duty (*continued*)

- Import Duty of Rs 2,000 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 return 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.
- **Rebate of 50% in duty on Sunflower seed and Bhatmas seed continues whereas 68% rebate on Agricultural reform fees withdrawn**
- 1% Customs duty on Raw Jute imported by Jute Industries
- 1% customs duty on import of Aircrafts, Helicopters, their engine, spares and gear box, tyre, batteries, nut, bolt and rivet 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
- Rebate of 5% on normal customs tariffs between 5-30% and 3% on normal Customs Tariff above 30% of Chinese origin goods imported via Letter of credit from Tibet
- In case of Ambulance and Dead Body Carrying Vehicle imported by private 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
- 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.
- Wheel chairs, tri-cycles other equipments being used by disabled is fully exempted from custom duty.

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

Rebate on Import Duty:

- Rebate on Import duty is given in following cases:
- 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 and 39.21 continues.
- 10% duty is levied on Filler Master Batch (HC 39.20) continues.
- Custom duty on LP Gas (27.11.19) -5% continues.
- Base Oil (HS 2710.19.60) imported by Grease & oil manufactures to be levied duty @ 15% continued.
- Rebate of 50% grant on Import of Spare parts (HS 87.14) & subsidiary materials by E-Rickshaw manufacturers continues.
- 75% rebate on Tello oil (1503), Palm Acid Oil, Palm Fatty Acid & Acid Oil (382311 & 382312) 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.
- 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.
- 10% 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.

Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Custom Duty (continued)

- **Custom Duty on Gold, Diamond and Silver of 10 GM:**
 - Gold (HC 71.08) Rs.4,200 (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 (HC 71.02) & Precious Stones (71.01, .03, .04 & .05) 1% (1%) respectively.
- Customs Duty rebate of 50% on Tariff rate of 5% for Crude Soyabean Oil & Crude Palmoline and Crude Sunflower (HC 1507.10, 1512.11 & 1511.10.00) withdrawn. Now new rate @ 10% has been introduced in the Custom Tariff.
- Seeds of mustard oil, Rayo, Sarsyu and Rapeseed (1205.10 & 1207.50 will attract 5% duty (Concessional 1% custom duty of Previous year withdrawn).
- 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 2075-76	F/Y 2074-75
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/m ³	600/m ³
Stones Boulder (25.17.10.20/30)	1200/m ³	1200/m ³
Magnasite -25.19.10	600/m ³	600/m ³
Yarchagumba (HC1211.90.10)	5000/kg	5000/kg
Paddy, Wheat, Maize, Rice, Millet and other good grains	Rs.1 /Kg	Rs.1 /Kg

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Telecommunication Service Fee

Telecom Companies (Telephone, Mobile, *Internet service provider*) needs to collect Telecom Service Fee @ 13% (Earlier 11%) 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. 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 2074) continues.

Road Construction and Improvement Fee - At the time of registration of vehicle:

Particulars	Fee F/Y 2075-76	Fee F/Y 2074-75
Car, Jeep, Van, Microbus, Bus, Truck, Tipper, Mini-bus, Mini Truck, Mini tipper	7%	7%
Upto 2000 CC Car, Jeep, Van	8%	7%
Above 2000 CC Car, Jeep, Van	10%	7%
Motorbike upto 150 CC -	Rs.15,000	Rs.10,000 for Upto 125 CC & Rs. 12,000 for 126 to 150 CC
Motorbike of 151-250 CC	Rs.18,000	Rs.12,000
Motorbike upto 251-400 CC	Rs.50,000	Rs.15,000
Motorbike above 401 CC	Rs.200,000	Rs.20,000

At the time of Import:

- Petrol Rs. 4/Ltr (Not revised)
- Diesel Rs. 2/Ltr (Not revised)

50% on Road Construction Fee is waived on Electric Vehicle, Solar Vehicle, Battery Operated Vehicle Continues

Overview of Nepal Budget 2075-76 (2018-19) - A Tax Perspective

Casino Royalty:

- Annual Royalty Rs. 4 (Last Year Rs. 3) Crore, but if gaming by Modern machine & equipment only, then Rs. 1 Crore (Last Year Rs. 75 Lakh) 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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