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Nepal Budget & Concise Tax Update

Highlights from Tax Perspective

Financial Year: 2077 - 2078 [BS]
2020 - 2021 [AD]

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Foreword & Economic Indicators

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Foreword (1/2)

- **Address of the FM:**

- The Honorable Finance Minister, Dr. Yuba Raj Khatiwada presented annual budget of **Rs. 1,474 billion** (PY **Rs. 1,532 billion**) on May 28th, 2020 for the financial year 2077-78 (2020-21) through Finance Bill, 2077.

- **Objectives of this budget:**

- Ensure safety of its citizens by protecting them against all types of diseases, epidemics and pandemics.
- Sustain the development pace through optimum utilization of resources.
- Fulfill the basic fundamental rights and necessities of its citizens.
- Create a developed economy through all round development of financial, social and physical infrastructure.

- **Priorities of this budget:**

- Develop all the spheres of Health Sector i.e. Improved Health Services, Advanced Health Infrastructure, Increased Health Manpower and Qualitative Health Services in order to protect its citizens from pandemics such as COVID 19 and other possible risks.
- Recovery of Agriculture, Tourism, Manufacturing, Construction and other sectors which have suffered a huge blow due to the lockdown imposed by the government in order to curb Corona Virus.
- Strengthen and increase employment opportunities, food security, protected household and overall social status of its citizens.

- Establishment of a better educational system along with expansion of information technology and overall development of economic, physical and social infrastructure.

- Build a transparent and accountable governance system ensuring improved accessibility of public services and improved federal structure.

- **Current Scenario of the economy:**

- The country was gearing for a GDP growth of 6.4% (Pre-Lockdown) which has been revised to 2.3% (Post Lockdown) due to many sectors like Agriculture, Tourism etc. being affected by the pandemic.
- The major contributors to the economy's revenue which include Agriculture, Foreign Remittances & Wholesale & Retail Sector have reduced drastically.

Foreword (2/2)

- The outbreak has affected people's lives as well as private and public sectors. Banks are suffering in loss of their investments in hospitality and aviation due to the coronavirus tourist slump.
- The impact is also visible in the manufacturing industries. As most raw materials including pharmaceutical chemicals come from China and supply of these raw materials has decreased drastically.
- There is also a high risk of general inflation. In the situation of limited supply from China, Nepal may have to import from third countries, thus resulting in products becoming more costly.
- The situation is alarming. Although we are yet to experience the full impact and aftermath of this pandemic.

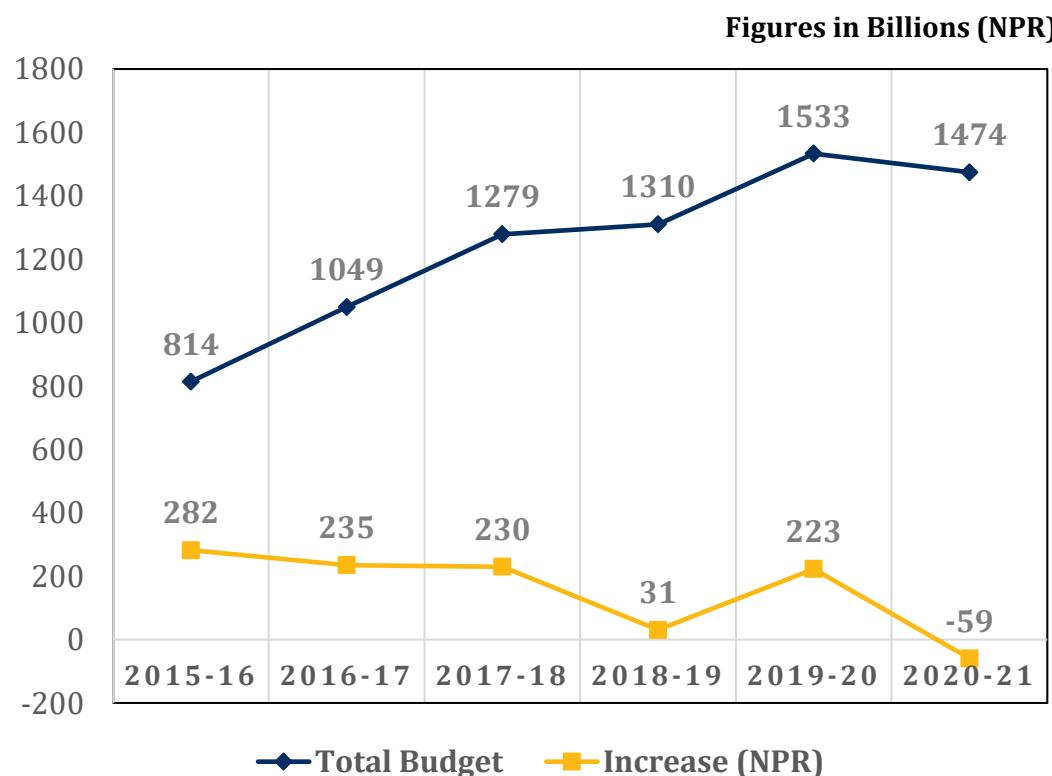
- **Economic Indicators:**

- Out of the total budget, **Rs. 949 billion (64%)** [PY Rs. 957 billion (62%)] will go to recurrent expenditure, **Rs. 352 billion (24%)** [PY Rs. 408 billion (26%)] to capital expenditure and **Rs. 173 billion (12%)** [PY Rs. 168 billion (12%)] for financing provision (Principal Payment of Loans).
- Size of the budget has lowered by 4% (PY Growth of 14%) than the previous year's budget.
- The budget aims to collect **Rs. 889 billion (61%)** [PY Rs. 981 billion] from revenue, **Rs. 61 billion (4%)** [PY Rs. 58 billion] from foreign grants, **Rs. 299 billion (20%)** [PY Rs. 298 billion] from foreign loan and **Rs. 225 billion (15%)** [PY Rs. 196 billion] from internal loans.

- The GDP growth is estimated at **2.3 %** [PY 7.11%] and Inflation rate is estimated at **6.7%** [PY 4.64%].
- **Contents of this Document:**
- This document highlights the effects of this budget on the individuals, corporate business entities in Nepal & overseas entities proposing to do business in Nepal. We have tried to incorporate all the major changes made in the act.
- The Income Tax, TSC, Casino Royalty Vehicle Tax etc. contained in the Finance Act, 2077 (2020) will apply to financial year starting from **1st Shrawan 2077** (i.e. July 16, 2020). Value Added Tax (VAT), Custom Duty, Excise Duty, Health Hazard Tax, ESF, Pollution Control and Infrastructure Tax provisions shall apply immediately on its announcement.

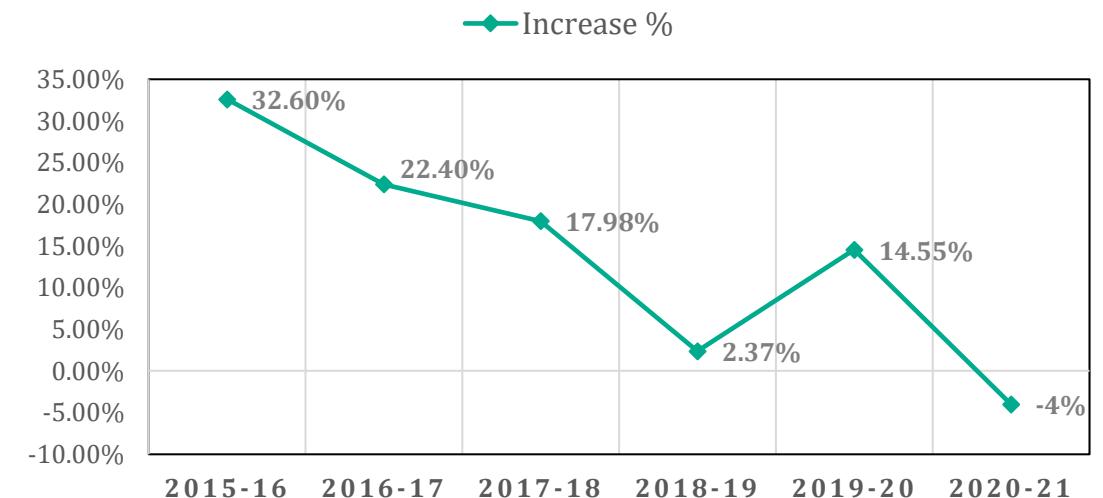
Economic Indicators (1/5)

Size of the Budget [2015 to 2021]:



*Source: Ministry of Finance, Nepal

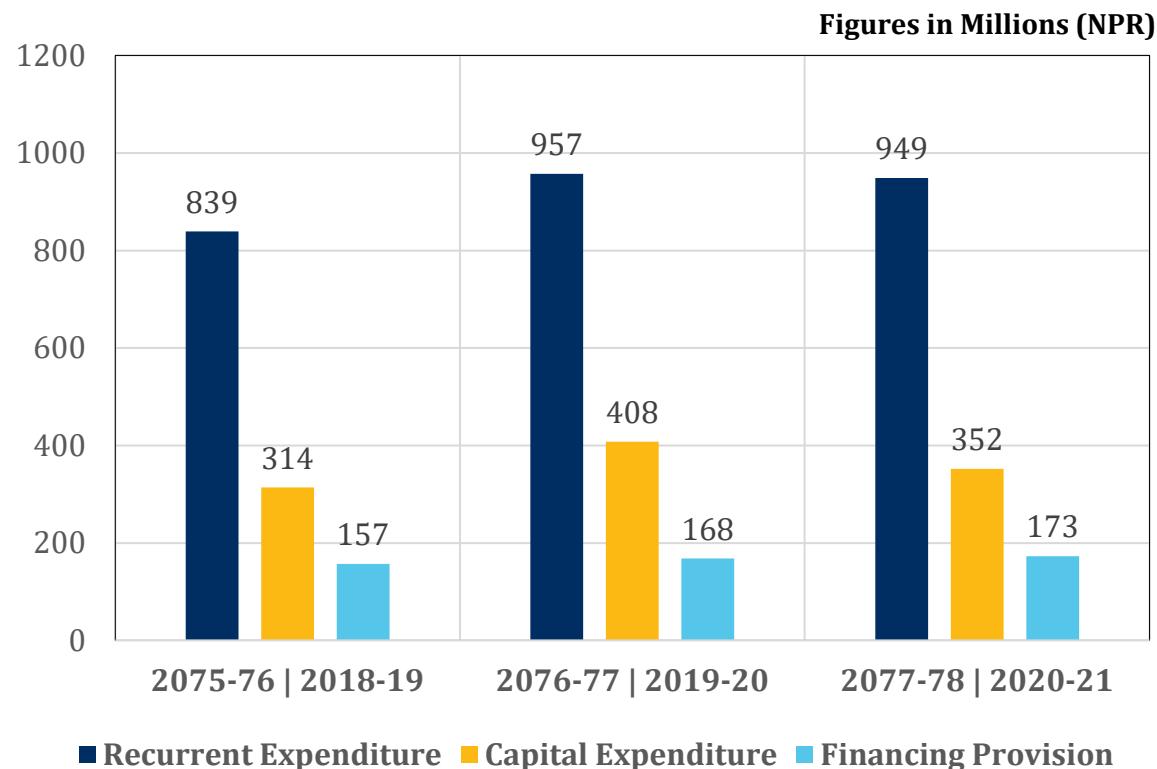
- The government has announced the budget size of **NPR 1,474 billion** for FY 2077-78 (2020-21).
- There is a decrease of **NPR 59 billion** from the previous year. In terms of percentage we can see 4 % decline in the size of the budget.



*Source: Ministry of Finance, Nepal

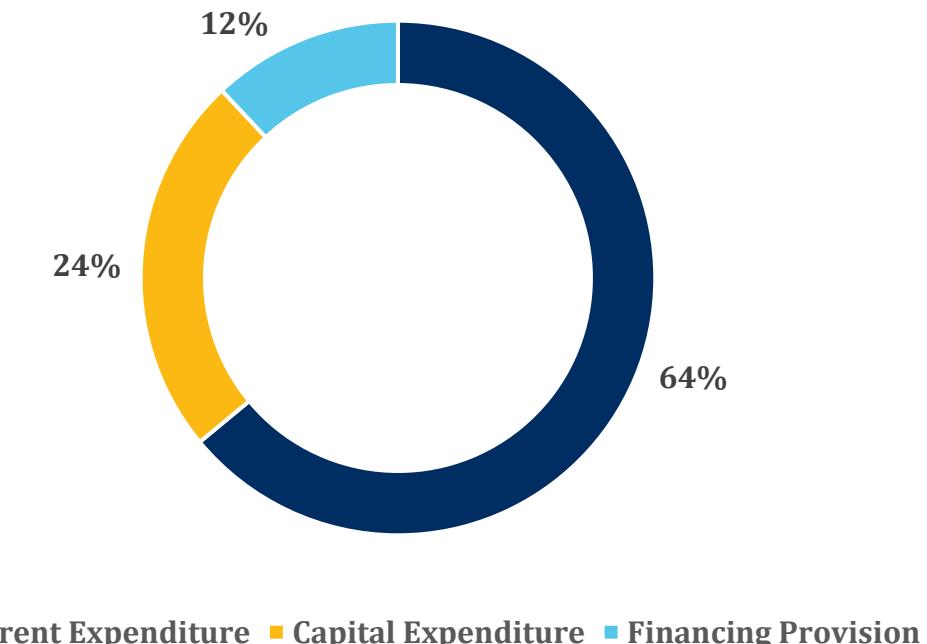
Economic Indicators (2/5)

Application of Budget:



*Source: Finance Act of Relevant Years

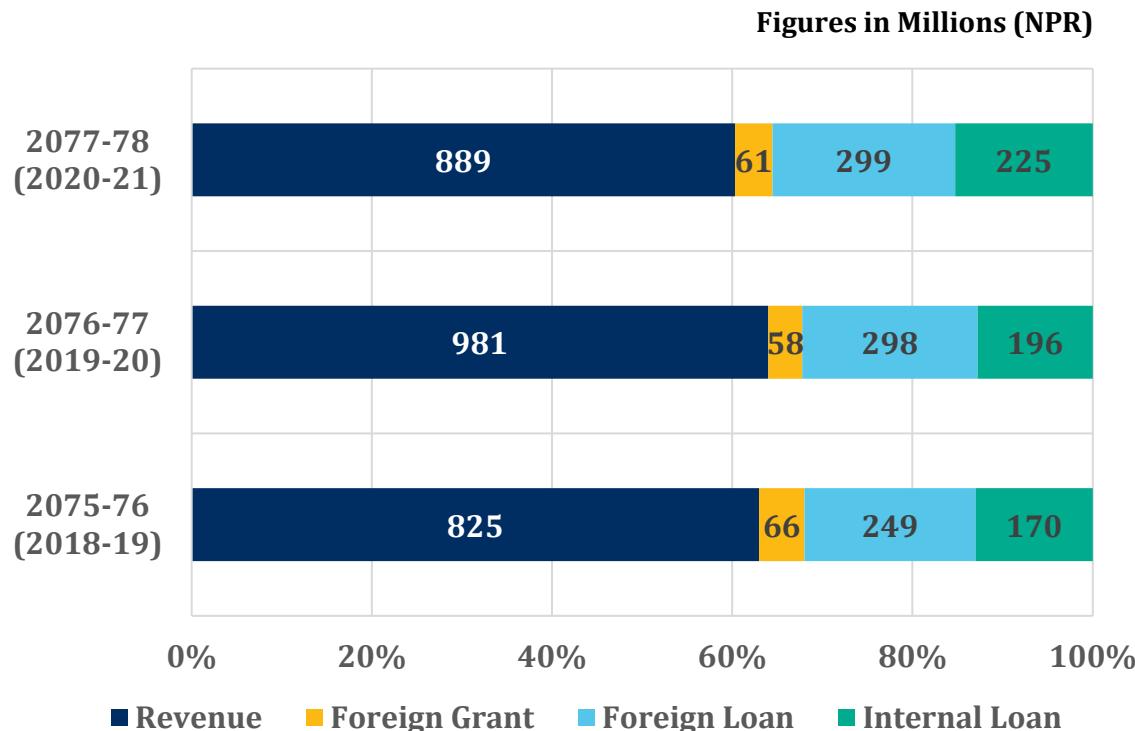
Application of Budget in % for FY 2077-78 (2020-21)



*Source: Finance Act of Relevant Years

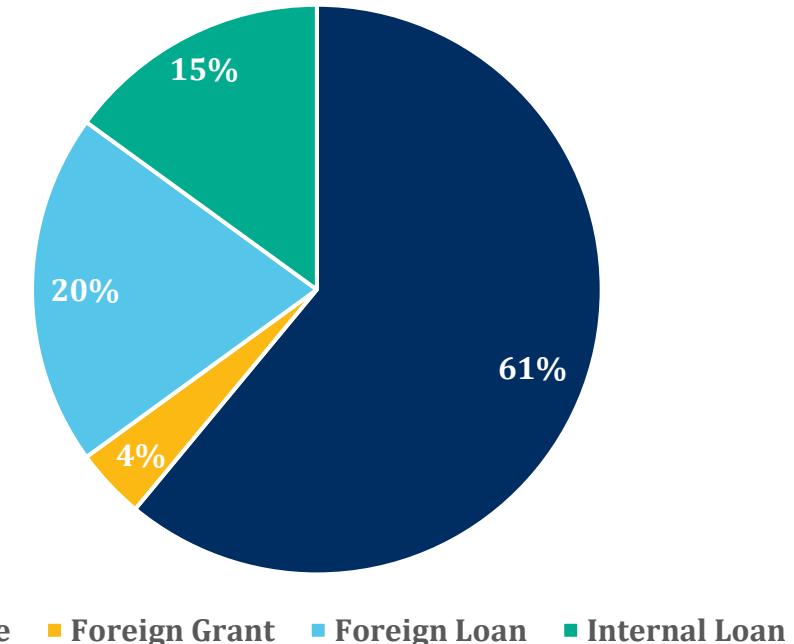
Economic Indicators (3/5)

Sources of Budget:



*Source: Finance Act of Relevant Years

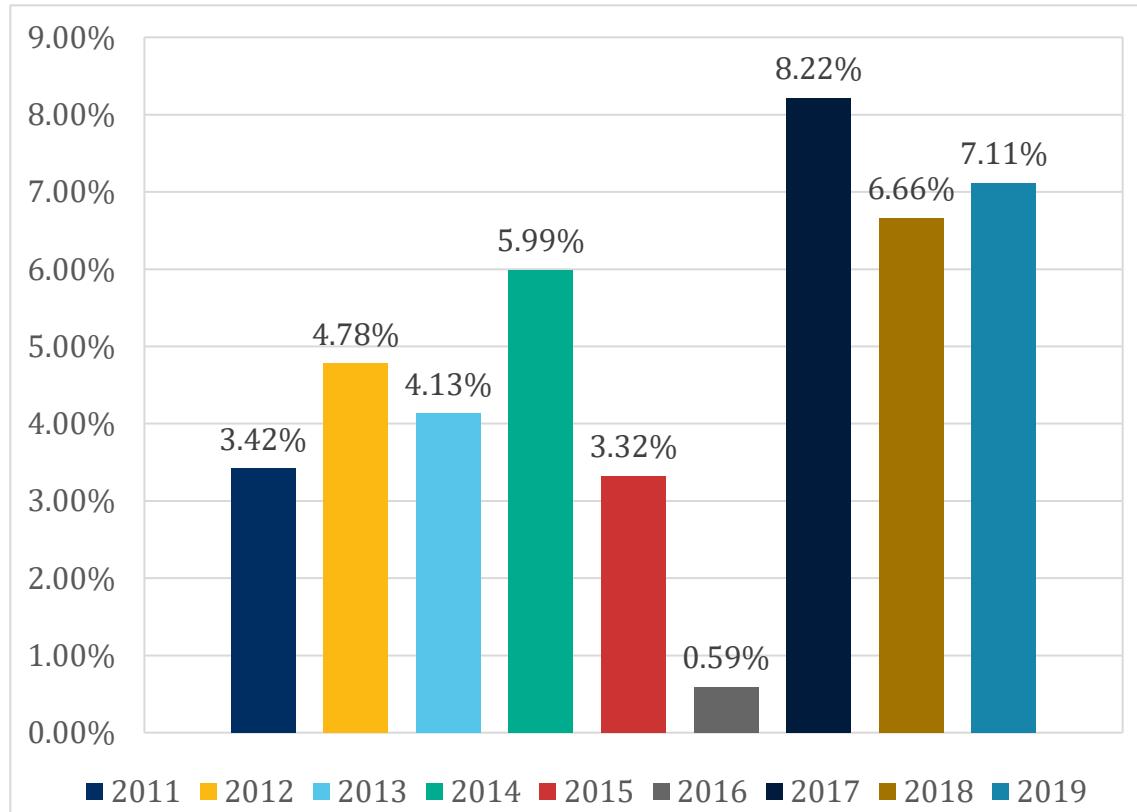
Sources of Budget in % for FY 2077-78 (2020-21)



*Source: Finance Act of Relevant Years

Economic Indicators (4/5)

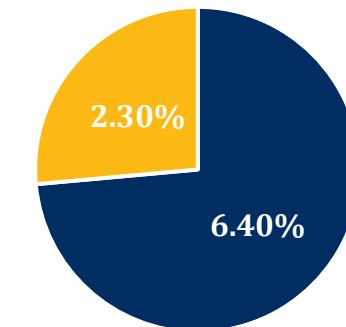
GDP Growth Analysis [2011 to 2019]:



*Source: World Bank

- The Nepalese economy is expected to register a growth rate of 2.3% after considering the slow down occurred due to the lock-down imposed by the government in order to curb the spread of 'Corona Virus'.
- Before the spread of pandemic the expected growth rate for FY 2020 was around 6.4%.

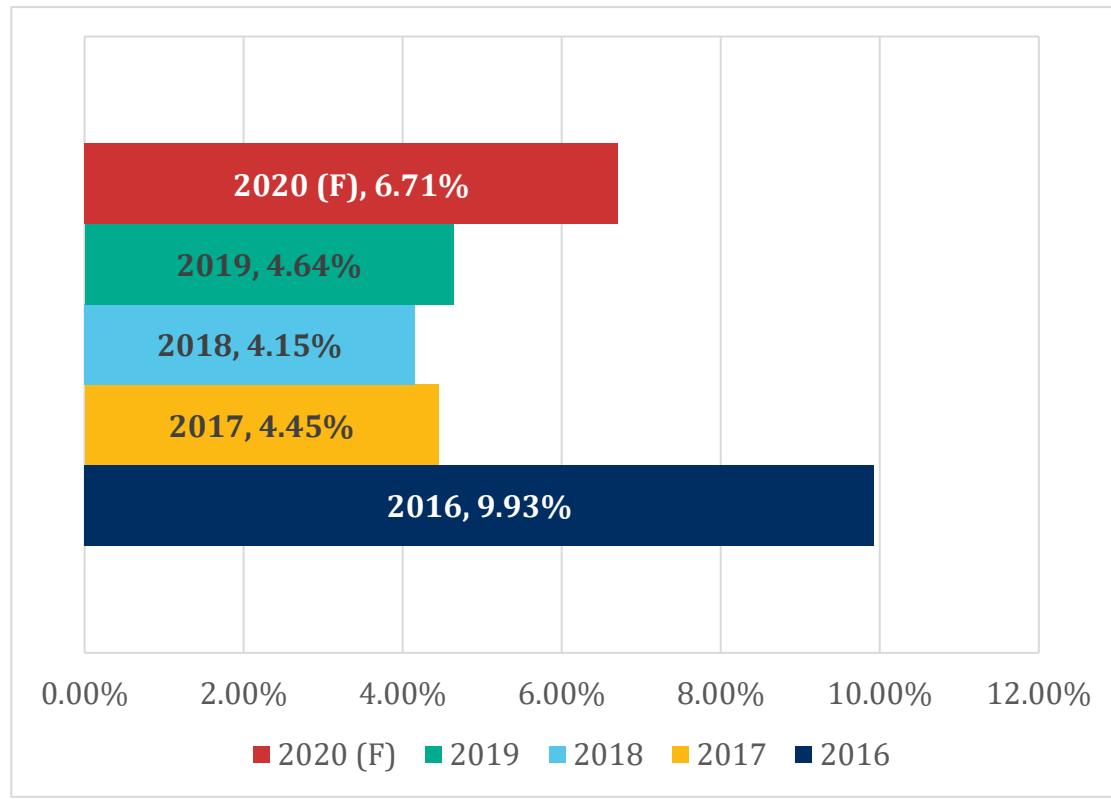
Expected GDP Growth Rate for 2020



■ 2020 (Pre Lock-Down) ■ 2020 (Post Lock-Down)

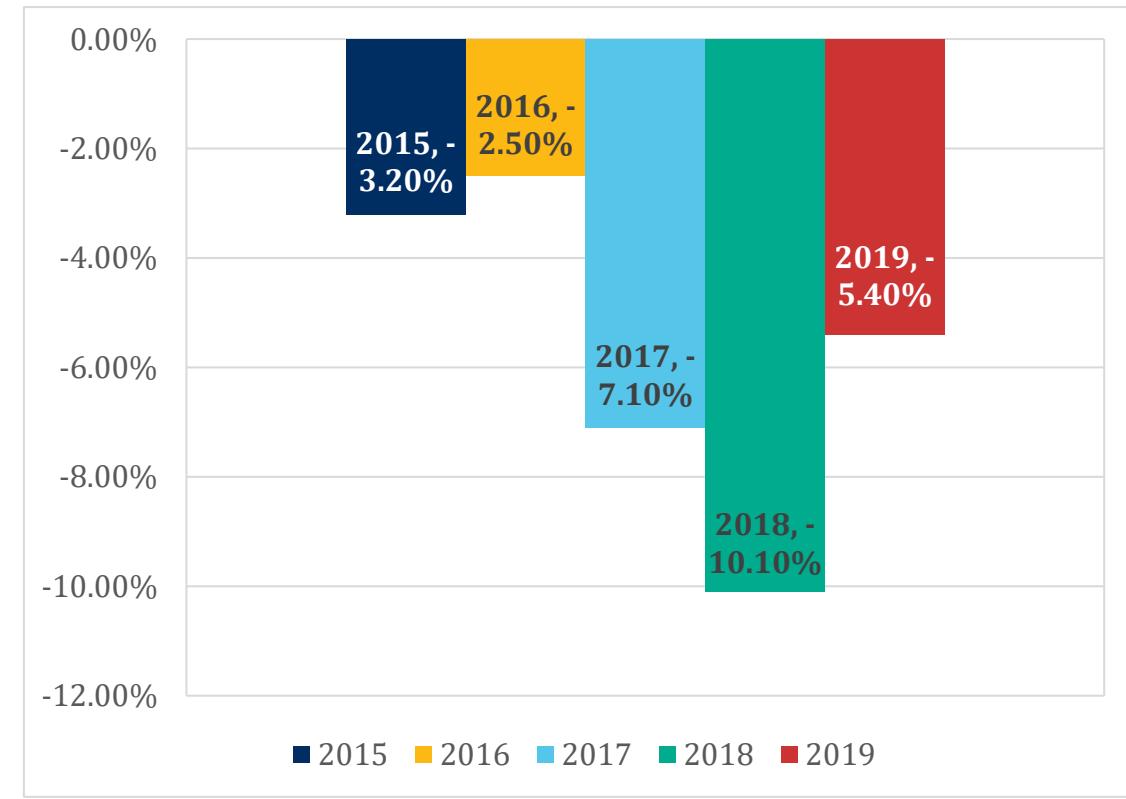
Economic Indicators (5/5)

Inflation Analysis:



*Source: IMF

Budget Deficit Analysis [% of GDP]:



*Source: Nepal Rastra Bank

Tax Waivers & Retrospective Amendments

□ Key Contents:

- [Tax Waivers](#)
- [Retrospective Amendments](#)

Tax Waivers (1/2)

Finance Act	Applicable:	Pre-Condition	Compliances to be met			Waiver	
			Particulars	Year	Due Date for Submission	Particulars	Year
Section 20	Income Tax Act Natural Person Artificial Person	✓ Having taxable income without obtaining PAN;	1) Obtain PAN	-	-	-	-
			2) File Tax Returns	• 2074-75 • 2075-76	Falgun, 2077	1) Interest & Fees	• 2074-75 • 2075-76
			3) Deposit Tax Liability	• 2074-75 • 2075-76	Falgun, 2077	2) Tax, Interest & Fees	• Before 2074-75
Section 21 (1)	Income Tax Act Natural Person	✓ Has obtained PAN; ✓ Having taxable transactions up to Rs. 50 Lacs;	1) File Tax Returns	• 2073-74 • 2074-75 • 2075-76	Falgun, 2077	1) Interest: 75% 2) Fees: 100%	• 2073-74 • 2074-75 • 2075-76
			2) Deposit Tax Liability	• 2073-74 • 2074-75 • 2075-76	Falgun, 2077	3) Tax, Interest & Fees	• Before 2073-74
Section 21 (2)	Income Tax Act Natural Person Artificial Person	✓ Has obtained PAN ✓ Non-Filer of Tax & Tax Returns (2073-74 and Before such period) ✓ Taxable transactions above Rs. 50 Lacs	1) File Tax Returns	• 2073-74 & Before	Falgun, 2077	1) Interest: 75% 2) Fees: 100%	• 2073-74 & Before
			2) Deposit Tax Liability	• 2073-74 & Before	Falgun, 2077		
Section 21 (3)	VAT Act Natural Person Artificial Person	✓ Has registered in VAT ✓ Non-Filer of VAT & VAT Returns (Up to Ashad end, 2075)	1) File VAT Returns	• Up to Ashad, 2075	Falgun, 2077	1) Interest: 50% 2) Fees & Penalty: 100% (Additional)	• Up to Ashad, 2075
			2) Deposit VAT Liability	• Up to Ashad, 2075	Falgun, 2077		

Tax Waivers (2/2)

Finance Act	Applicable to	Pre-Condition	Compliances to be met			Waiver	
			Particulars	Year	Due Date for Submission	Particulars	Year
Section 22	Drinking Water & Sanitation Consumer Group registered under Water Resource Act, 2049	✓ Completed tax assessment by IRO up to 2075-76	NA	NA	NA	Tax/Fees/Interest Arrears : 100% (As per order of IRO up to 2075-76)	Up to 2075-76
		✓ No tax assessment by IRO up to 2076-77	NA	NA	NA	Tax/Fee/Interest due on Income Earned (up to 2076-77) : 100% (Income of core objectives of the org.)	Up to 2076-77
Section 23	Natural Person Artificial Person	✓ Completed tax assessment by IRO up to Ashad 2060 ✓ Arrears of <ul style="list-style-type: none">▪ Income Tax under Income Tax, 2031▪ Hotel Tax▪ Entertainment Tax▪ Contract Tax▪ Sales Tax	NA	NA	NA	1) Up to Rs 50K per Demand (Lagat) 2) Interest: 100%	NA
Section 24 (Appeal)	Natural Person Artificial Person	✓ Completed Income Tax/VAT/Excise (Except False & Fake Bill Cases) assessment by IRO up to Ashad 2075.	Withdrawal of appeal from IRD (Admin Review)/ Revenue Tribunal/Court Payment of Income Tax/ VAT/ Excise: 100% Payment of Interest: 100%	NA	Falgun, 2077	1) Fee: 100% 2) Additional Fee: 100% 3) Penalty: 100%	NA

Retrospective Amendments (1/2)



Finance Act	Applicable to	Threshold	Exemption
Tax exemption to businesses affected by COVID 19 pandemic			
Section 25 (1)	Assessee who are availing Presumptive Tax Scheme.	✓ Assessee whose Annual Turnover is up to Rs. 20 Lacs or ✓ Assessee whose Taxable Income is up to Rs. 2 Lacs.	<ul style="list-style-type: none">▪ 75% of Tax Liability as per Section 4 (4) of IT Act, 2058 For the FY 2076-77 (2019-20)
Section 25 (2)	Assessee who are availing Turnover Tax Scheme.	✓ Assessee whose Annual Turnover is between Rs. 20 Lacs to Rs. 50 lacs	<ul style="list-style-type: none">▪ 50% of Tax Liability as per Section 4 (4 Ka) of IT Act, 2058 For the FY 2076-77 (2019-20)
Section 25 (3)	Assessee who are paying normal Income Tax.	✓ Assessee whose Annual Turnover is between Rs. 50 Lacs to Rs. 1 Crore	<ul style="list-style-type: none">▪ 25% of Tax Liability as per IT Act, 2058 For the FY 2076-77 (2019-20)
Section 25 (4)	Business relating to Hotel/Travel/Trekking/Transportation & Aviation Sectors	✓ Assessee whose Annual Turnover is above Rs. 1 Crore	<ul style="list-style-type: none">▪ 20% of Tax Liability as per IT Act, 2058 For the FY 2076-77 (2019-20)

Retrospective Amendments (2/2)



Finance Act	Applicable to	Exemption
Corona Infection Prevention, Control and Treatment Fund		
Section 26	Natural Person Artificial Person	<ul style="list-style-type: none"> The amount contributed by a person to the Corona Infection Prevention, Control and Treatment Fund established by the Government of Nepal or Government of the State or the Local Government will be allowed as a deductible expense while calculating the taxable income of FY 2076-77.
Permanent Account Number		
Section 27	Natural Person Artificial Person	<ul style="list-style-type: none"> Where a person makes casual payment to labor up to Rs. 3,000; such expense is deductible even when there is no Permanent Account Number of such labor for the FY 2076-77.
Section 28	Natural Person Artificial Person	<ul style="list-style-type: none"> Where a person makes payment in respect of invoices up to Rs. 2,000; such expense is deductible even when the bill does not contain the permanent account number of the vendor for the FY 2076-77. However, where a person makes direct purchase of agricultural, forest related, animal related and any other household goods from a natural person who is not involved in commercial activities; such expense shall be deductible even when there is no Permanent Account Number of such natural person for the FY 2076-77.
Social Security Fund		
Section 29	Natural Person	<ul style="list-style-type: none"> Where a person opting for the couple status makes contribution to the 'Contributory Social Security Fund' then 1% Social Security Tax on basic exemption limit is not applicable for the year FY 2076-77.
Section 30	Natural Person	<ul style="list-style-type: none"> Where a beneficiary of an approved retirement fund transfers the amount from such fund to Social Security Fund (SSF) by Chaitra, 2077 then tax applicable u/s 88 of Income Tax Act, 2058 shall be waived.
Additional Depreciation		
Section 31	Artificial Person	<ul style="list-style-type: none"> One-third additional depreciation u/s 3 (2) of Schedule 2 of Income Tax Act, 2058 shall be provided to the following for FY 2076-77: (Except Block E) <ul style="list-style-type: none"> Entities involved in operation of special industries mentioned in Sec. 11 of Income Tax Act, 2058 throughout the income year. Entities involved in building and operation of road, bridge, tunnel, ropeway, railway or overhead bridge Entities involved in operation of trolley bus or tram

Direct Tax & Indirect Taxes

□ Key Contents:

- [Highlights of Direct & Indirect Taxes](#)
- [Direct Tax Proposal](#)
- [Indirect Taxes Proposal](#)

Legend for this Section:

Blue – Added by Finance Act, 2077

Green – Amended by Finance Act, 2077

Yellow – Deleted by Finance Act 2077

Highlights of Direct Tax & Indirect Taxes (1/2)



- The Finance Budget 2077 has introduced **Tax Waiver Scheme**. The non-filer assessee having taxable income and outstanding tax liability can avail benefits from this scheme.
- Concerns over the PAN bill and PAN of casual labor which was introduced through Finance Bill 2076 has been addressed in Finance Bill 2077 with retrospective effect for FY 2076-77. Now payments made to casual labor without PAN up to Rs. 3000 & expenses up to Rs. 2,000 without PAN bill shall **not be disallowed** u/s 21 of Income Tax Act, 2058.
- Tax Relief, to the businesses that are affected from COVID-19 pandemic, has been introduced with retrospective affect for FY 2076-77 only. Presumptive Taxpayers, Turnover Taxpayers & Normal Taxpayers having income from Rs. 50 lacs to Rs. 1 crore as well as business in Hotel/Travel Agent/Trekking/Transportation & Aviation Sectors having annual turnover above Rs. 1 crore will be benefitted.
- Additional deduction of 25% of standard threshold available to assessee having pensioner income has been withdrawn, leading to excess tax burden.
- Capital investment required for Tourism Industry (Except Casino) of Rs. 2 billion has been brought down to Rs. 1 billion to get rebate u/s 11. This will benefit sectors like Hotels, Resort, Trekking, Paragliding, Cable Car Operators etc.
- Infrastructure Tax on Air Turbine Fuel (ATF) @ Rs. 5/Ltr. has been withdrawn. Also, no TDS deduction to be made on Airplane Repairing Charges paid to Non-Resident Entity. Airline fares are expected to fall.
- Interest paid by Resident BFI to Foreign Lending Banks are subject to withholding tax @ 10%.
- Restrictions have been imposed on Liquor/Beer/Cigarette Industries for operating gift programs or providing rebates even to a VAT registered Distributor. This restriction leads to drastic decrease in Sales Promotion Expenses and impacts Taxable Profit of such industries.
- Cigarette Industry under Self Removal System is now required to renew its Excise License.

Highlights of Direct Tax & Indirect Taxes (2/2)



- ❑ Excise on Pan Masala, Chewing Tobacco, Guthka has been increased making such products costlier.
- ❑ Electric Vehicles, Ice Cream, Hukkah Flavor, Iron & Unmixed Ispat wire, E-Cigarettes & Furnitures are certain major items which have been brought under Excise.
- ❑ Few Medical Items under HC Code 3926, Plates & Cylinder for Printing Machine, Certain Vehicle Parts have all been exempted from Excise.
- ❑ VAT Refund to Contractors & Pharmaceutical Companies has been introduced in Finance Bill 2077.
- ❑ Payment of VAT & VAT Return for Tourism Industry, Transport Service Provider, Printing and Digital Media and Cinema Houses has been extended to trimester basis (4 monthly).
- ❑ Scrap Dealers, Legal Consultancy, Tailoring Businesses prescribed in Sec 10 (2) (Kha) are no longer required to obtain mandatory VAT registration.
- ❑ UN & its Member Organizations will get VAT refunds.
- ❑ Products like Soya-bean, Adhesive Gauge, Medical Cotton, Micro Insurance COVID-19 related medicines/PPE & related items, machinery for manufacturing bio gas/face mask/jute & cloth bag are exempted from VAT.
- ❑ Dip Lid Acid Battery used in Electric Vehicles which are manufactured by Local Industries are brought under VAT net.
- ❑ Custom Duty on Electric Vehicles has increased. Consequently, prices of such vehicles shall be costlier.
- ❑ Custom Duty on Diesel & Kerosene Oil has increased by 600%.
- ❑ Custom Duty on Gold/Silver, Monitors, Refrigerators has increased.
- ❑ Custom Duty on Acrylic Emulsion & Iron Dioxide used as raw material by Paint Manufacturing Industries has been reduced.
- ❑ Health Hazard Tax has been increased by the Finance Act, 2077.
- ❑ Time has been extended to 6 months for Casino operators to deposit royalty.

Direct Tax Proposal

□ Key Contents:

- Tax Rates - [Natural Person](#) / [Entities](#) / [Others](#)
- [Double Taxation Avoidance Agreements](#)
- [Tax Concessions and Rebates](#)
- [Withholding Taxes](#)
- [Other Amendments](#)
- [Miscellaneous Points](#)

Tax Rates: Natural Person (1/2)



Individual/ Natural Person	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
Resident		
➤ Couple Status - <ul style="list-style-type: none">Up to Rs. 4.5 Lacs (Includes Widow & Widower)	1%	1%
➤ Individual Status- <ul style="list-style-type: none">Up to Rs. 4 Lacs		
• Next - Rs. 1 Lac	10%	10%
• Next - Rs. 2 Lacs	20%	20%
• Up to - Rs. 20 Lacs	30%	30%
• Above - Rs. 20 Lacs (20% Surcharge)	36%	36%
Non-Resident		
• Any Amount	25%	25%

Notes:

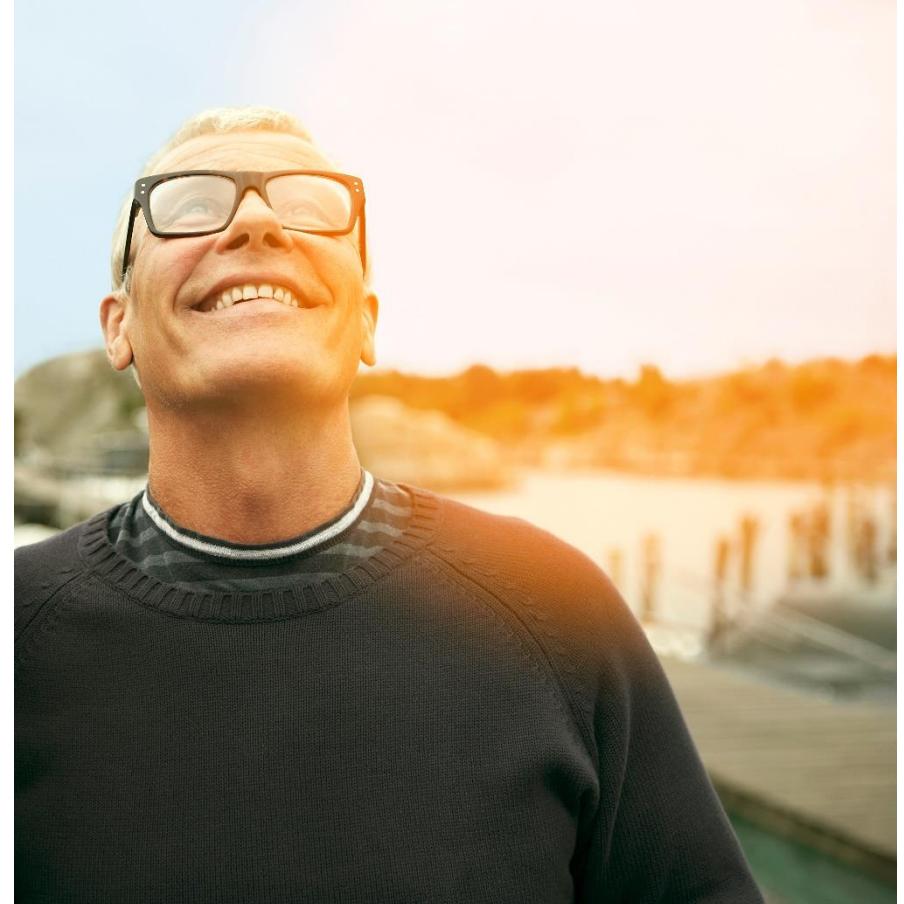
- 1% tax mentioned above (i.e. Social Security Tax | SST) is not applicable for:
 - (i) Proprietorship Firms;
 - (ii) Pension Income and ;
 - (iii) Natural person participating to Contributory Pension Fund Scheme & Contributory Social Security Fund (SSF).
- In case of resident disabled natural person, 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. 50K - Remote Area Allowance if working in such area.
- Foreign Allowance Income of an employee posted outside Nepal for Diplomatic Mission of Nepal will get 75% rebate of such allowance.

Tax Rates: Natural Person (2/2)



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 is allowed.
- Deduction for retirement fund contribution is available @ $1/3^{\text{rd}}$ of assessable income or NPR 300,000 whichever is lower. However, if the same is deposited with SSF then deduction shall be lower of $1/3^{\text{rd}}$ or NPR 500,000 or **(IT Rule 21)**.
- Income from non-chargeable business assets (i.e. land, buildings and shares) is taxable as follows (Capital Gain):
 - ✓ @ 2.5% (if L&B held for more than 5 years) and 5% (if held for less)
 - ✓ @ 10% on sale of shares of non-listed entity.
 - ✓ @ 5% on sale of shares of listed entity.
- Tax @15% on income from export & Tax @20% on income from special industry shall be levied.
- **Additional Deduction of '25% of Standard Threshold' available to the assessee having only pension income has been withdrawn.**



Tax Rates: Entities (1/2)



Entities	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
<ul style="list-style-type: none"> • General Tax Rate <ul style="list-style-type: none"> ➢ Private Limited ➢ Limited ➢ Partnership Firm (Not specifically mentioned below) 	25%	25%
Entities operating in the following areas:		
<ul style="list-style-type: none"> • Banking & Finance Company • General Insurance Company 		
Manufacturing Co's. in the following areas:		
<ul style="list-style-type: none"> • Petroleum Entities • Cigarette • Beer • Liquor • Khaini • Guthka • Pan Masala 	30%	30%

Entities	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
Entities operating		
<ul style="list-style-type: none"> • Tram/Trolley Bus 	15%	20%
Entities investing and operating		
<ul style="list-style-type: none"> • Tram/Trolley Bus 	15%	12%
Entities constructing and operating		
<ul style="list-style-type: none"> • Ropeway/Cable Car/Over Bridge 	15%	20%
Entities constructing and operating		
<ul style="list-style-type: none"> • Road/Bridge/Underpass 	12.5%	12%
Entities constructing and operating		
<ul style="list-style-type: none"> • Tunnel/Railways 	12.5%	20%
Entities constructing and operating		
<ul style="list-style-type: none"> • Airport 	12.5%	15%
<ul style="list-style-type: none"> • Entities wholly engaged in the projects conducted to build public infrastructure under Build, Operate and Transfer model (BOT) to GON & in Power Generation, Transmission or Distribution Sector. 	20%	20%

Tax Rates: Entities (2/2)

Entities	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
• Non-resident person providing Shipping, Air Transport or Telecommunications Services in Nepal (Section 70)	5%	5%
• Airline Services having office in and business in Nepal but not operating flights to and within Nepal.	2%	2%
• Special Industries (Manufacturing, Forest, Agriculture and Mining Industries; except Liquor, Cigarette, Khaini, Guthka and Pan-Parag as defined in Section 11) (Tax rate after availing rebate u/s 11)	20%	20%
• Export income of <ul style="list-style-type: none"> ➤ Manufacturing Special Industries ➤ Non-Manufacturing Special Industries (Mines/Agro/Forestry) ➤ Manufacturing Industries - (Non Special Industries having Normal Tax Rate of 30%) ➤ Other Export Entities 	12% 16% 18% 20%	12% 16% 18% 20%
• Casual income.	25%	25%

Entities	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
• Co-operative Institutions registered under Co-operative Act, 2074		
A. Operating in Municipality Area	5%	5%
B. Operating in Sub-Metropolitan Area	7%	10%
C. Operating in Metropolitan Area	10%	10%
• Income of Life Insurance Company	25%	25%
• Income of Mutual Funds	Exempt	Exempt
Entities operating in the following areas:		
• Telecom		
• Internet		
• Money Transfer		
• Capital Market		
• Stock Exchange		
• Merchant Banking,		
• Commodity Future Market		
• Stock Brokers.		
	30%	30%

Tax Rates: Others (1/2)



Presumptive Taxation: Natural Person

The amount of presumptive tax for natural person having income up to Rs 2 Lacs or turnover up to Rs 20 Lacs is, as follows:

Individuals Conducting Business	Lump Sum Tax	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
• Metropolitan & Sub-Metropolitan	7,500	7,500
• Municipalities	4,000	4,000
• Anywhere else in Nepal	2,500	2,500

Amendment in Presumptive Tax - For affected by COVID 19:

Individuals Conducting Business	Amended Tax Rate
	F. Y. 2076-77 (2019-2020)
• Metropolitan & Sub-Metropolitan	1,875
• Municipalities	1,000
• Anywhere else in Nepal	625

Tax Rates: Non-Resident Person

Particulars of Business	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
• Income earned from normal transactions.	25%	25%
• Income earned from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project.	5%	5%
• Income earned from providing shipping, air transport or telecommunication services through the territory of Nepal.	2%	2%
• Repatriation by Foreign Permanent Estb.	5%	5%
• Capital Gain tax on sale of shares (WHT 25% subject to tax treaties)	25%	25%

Tax Rates: Others (2/2)



Turnover Taxation: Natural Person

Turnover Tax rate applicable to Natural Person under Section 1(17) of Schedule 1 to Income Tax Act, 2002 are as follows:

Particulars	Applicable Tax Rate		Amended Tax Rate
	FY 2077-78 (2020-2021)	FY 2076-77 (2019-2020)	FY 2076-77 (2019-2020)
• Persons engaged in sales of Cigarette, Gas, etc. by adding Commission or Profit up to 3%	0.25% of Turnover or 7,500 (Whichever is Higher)	0.25% of Turnover or 7,500 (Whichever is Higher)	0.125% of Turnover or 3,750 (Whichever is Higher)
• Persons engaged in the transactions (Other than above)	0.75% of Turnover or 7,500 (Whichever is Higher)	0.75% of Turnover or 7,500 (Whichever is Higher)	0.375% of Turnover or 3,750 (Whichever is Higher)

Note: Tax should be paid in 2 installments. 1st installment in Poush and 2nd & final installment in Ashad based on actual transactions up to 20th day of the month respectively.



Amendment in Turnover Tax for FY 76-77 Only
- For assesses affected by COVID 19:

Tax Rates: Double Taxation Avoidance Agreement (1/1)

To avoid double taxation, Government of Nepal has entered into tax treaties with **11 countries** namely:

- India
- Sri Lanka
- Mauritius
- Thailand
- Qatar
- Pakistan
- Norway
- Korea
- Austria
- China
- Bangladesh



Note:

Taxpayer have right to opt the provisions contained in either Nepal Income Tax Act, 2002 or Treaty whichever is beneficial to them.

Tax Concessions and Rebates (1/6)



AR = Applicable Rate / TR = Taxable Rate

SN.	Type of Industry	Rebate & Concession	
		FY 2020-21	FY 2019-20
1	<ul style="list-style-type: none"> Industries established in Special Economic Zone Situated in Mountainous Districts and Hilly Districts prescribed by GoN. <ul style="list-style-type: none"> For the first 10 years After such period 	100% - Tax Exempt 50% of the AR/TR	100% - Tax Exempt 50% of the AR/TR
2	<ul style="list-style-type: none"> Industries established in Special Economic Zone Situated in Other Regions <ul style="list-style-type: none"> For the first 5 years After such period 	100% - Tax Exempt 50% of the AR/TR	100% - Tax Exempt 50% of the AR/TR
3	<ul style="list-style-type: none"> Dividend distributed by industries in Special Economic Zone <ul style="list-style-type: none"> For the first 5 years For the subsequent 3 years 	100% - Tax Exempt 50% of the AR/TR	100% - Tax Exempt 50% of the AR/TR
4	<ul style="list-style-type: none"> Income from Foreign Technology, Management Service Fee & Royalty of Foreign Investor in Special Economic Zone 	50% of the AR/TR	50% of the AR/TR
5	<ul style="list-style-type: none"> IT industry established within IT Park, Biotech Park, Zoological Park, Geological Park and Technology Park as specified in the Gazette 	50% of the AR/TR	50% of the AR/TR
6	<ul style="list-style-type: none"> Manufacturers of - Brandy based on Fruits, Cider & Wine in: <ul style="list-style-type: none"> Remote Area Undeveloped Area For the first 10 years – Remote Area For the first 10 years – Undeveloped Area 	40% of the AR/TR 25% of the AR/TR	40% of the AR/TR -
7	<ul style="list-style-type: none"> Entities (Manufacturing, Tourism, Hydro-Electricity Production, Distribution & Transmission, IT industry established within IT Park, Biotech Park & Technology Park as specified in the Gazette) - Listed in Securities Market 	15% of the AR/TR	15% of the AR/TR

Tax Concessions and Rebates (2/6)



SN.	Type of Industry	Rebate & Concession	
		FY 2020-21	FY 2019-20
8	<ul style="list-style-type: none"> Persons involved in Exploration & Extraction of Petroleum, Natural Gases, Fuel & Mining - Will start its operation within Chaitra end 2080 BS (2023 AD) <ul style="list-style-type: none"> ➤ For the first 7 years ➤ For the subsequent 3 years 		
	➤ For the first 7 years	100% - Tax Exempt	100% - Tax Exempt
	➤ For the subsequent 3 years	50% of the AR/TR	50% of the AR/TR
9	<ul style="list-style-type: none"> Persons having License to Generate, Transmit and Distribute Electricity will be allowed if the Commercial Electricity Generation, Generation and Transmission, Generation & Distribution or Generation, Transmission & Distribution commences before Chaitra end 2080 BS (2023 AD) <ul style="list-style-type: none"> ➤ For the first 7 years ➤ For the subsequent 3 years 		
	➤ For the first 7 years	100% - Tax Exempt	100% - Tax Exempt
	➤ For the subsequent 3 years	50% of the AR/TR	50% of the AR/TR
10	• Income earned by Manufacturing Industries through Export Sales	25% of the AR/TR	25% of the AR/TR
11	• Royalty Income earned from Export of Intellectual Assets	25% of the AR/TR	25% of the AR/TR
12	• Income earned from the Disposal of Intellectual Assets	50% of the AR/TR	50% of the AR/TR
13	<ul style="list-style-type: none"> Special industry (Manufacturing) and IT Industry providing direct employment to: <ul style="list-style-type: none"> ➤ >100 Nepalese citizen during the entire year ➤ >300 Nepalese citizen during the entire year ➤ >500 Nepalese citizen during the entire year ➤ >1000 Nepalese citizen during the entire year 		
	➤ >100 Nepalese citizen during the entire year	10% of the AR/TR	10% of the AR/TR
	➤ >300 Nepalese citizen during the entire year	20% of the AR/TR	20% of the AR/TR
	➤ >500 Nepalese citizen during the entire year	25% of the AR/TR	25% of the AR/TR
	➤ >1000 Nepalese citizen during the entire year	30% of the AR/TR	30% of the AR/TR

Tax Concessions and Rebates (3/6)



SN.	Type of Industry	Rebate & Concession	
		FY 2020-21	FY 2019-20
14	<ul style="list-style-type: none"> Special Industry providing direct employment to 100 or more Nepali Citizens including Women, Dalits and Disabled in the proportion of 33% of Total Employees 	10% of the AR/TR	10% of the AR/TR
15	<ul style="list-style-type: none"> Special Industry operating in following regions have following tax rates: <ul style="list-style-type: none"> ➤ Underdeveloped Regions – For the first 10 years ➤ Undeveloped Regions – For the first 10 years ➤ Partly developed Regions – For the first 10 years 	90% of AR/TR 80% of AR/TR 70% of AR/TR	90% of AR/TR 80% of AR/TR 70% of AR/TR
16	<ul style="list-style-type: none"> Hydropower Projects, Solar Energy Projects, Waste-To-Energy and Wind Turbine Projects and have commercially started generation of electricity by Chaitra, 2080 ➤ For the first 10 years ➤ For the subsequent 5 years 	100% - Tax Exempt 50% of the AR/TR	100% - Tax Exempt 50% of the AR/TR
17	<ul style="list-style-type: none"> Existing Private Limited Company with paid up capital of more than Rs. 50 crores converts into Public Company. ➤ For the first 3 years – From the Date of Conversion 	10% of the AR/TR	10% of the AR/TR
18	<ul style="list-style-type: none"> Tea Production and Processing, Dairy Industry & Textile Industry 	50% of the AR/TR	50% of the AR/TR
19	<ul style="list-style-type: none"> Community Hospital 	20% of the AR/TR	20% of the AR/TR
20	<ul style="list-style-type: none"> Small Scale Industry (Laghu Udyam) having: <ul style="list-style-type: none"> ➤ Fixed capital up to Rs. 5 lacs (except land and building) ➤ Total Annual Turnover below Rs. 50 Lacs ➤ Employing up to 9 employees (including proprietor) ➤ For the first 7 years – From the Date of Commencement – Male - (PY 5 Years) ➤ For the first 10 years – From the Date of Commencement – Female - (PY 7 Years) 	100% - Tax Exempt 100% - Tax Exempt	100% - Tax Exempt 100% - Tax Exempt

Tax Concessions and Rebates (4/6)



SN.	Type of Industry	Rebate & Concession	
		FY 2020-21	FY 2019-20
21	<ul style="list-style-type: none"> ▪ Special Industry & Tourism Industry (except Casino) with: <ul style="list-style-type: none"> ➢ Capital Investment of Rs. 1 billion ➢ Direct Employment of 500 persons during the whole year. ➢ For the first 5 years ➢ For the subsequent 3 years 		
	<ul style="list-style-type: none"> ▪ Further, if existing special industry & Tourism Industry (except Casino) increases its installed capacity by 25% or more to reach the capital of Rs. 2 billion (PY 1 Billion) and 300 persons (PY 500 persons) during the whole year. <ul style="list-style-type: none"> ➢ For the first 5 years – Profit earned on the Increased Capacity ➢ For the subsequent 3 years – Profit earned on the Increased Capacity 	100% - Tax Exempt 50% of the AR/TR	100% - Tax Exempt 50% of the AR/TR
22	<ul style="list-style-type: none"> ▪ Tourism Industry or Aviation Industry operating International Flights with: <ul style="list-style-type: none"> ➢ Capital Investment of Rs. 2 billion ➢ For the first 5 years – From the Date of Commencement ➢ For the subsequent 3 years 		
	<ul style="list-style-type: none"> ▪ Further, if existing such Tourism/Aviation Industry increases its present capacity by 25% or more as to reach the capital of Rs. 2 billion. <ul style="list-style-type: none"> ➢ For the first 5 years – From the Date of Commencement – (Profit earned on the Increased Capacity) ➢ For the subsequent 3 years 	100% - Tax Exempt 50% of the AR/TR Withdrawn	100% - Tax Exempt 50% of the AR/TR 100% - Tax Exempt 50% of the AR/TR
23	<ul style="list-style-type: none"> ▪ Special Industry, Industry based in Agriculture & Tourism Sector which capitalizes its profit (i.e. Issues Bonus Shares) for the purpose of capacity enhancement 	100% - Tax Exempt	100% - Tax Exempt

Tax Concessions and Rebates (5/6)



SN.	Type of Industry	Rebate & Concession	
		FY 2020-21	FY 2019-20
24	<ul style="list-style-type: none"> ▪ Licensed person or Entity commencing Commercial Production, Transmission or Distribution of hydro-electricity within Chaitra, 2080. ➤ 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. ➤ For the first 10 years ➤ For the subsequent 5 years 		
		100% - Tax Exempt	100% - Tax Exempt
		50% of the AR/TR	50% of the AR/TR
25	<ul style="list-style-type: none"> ▪ Entities in the following sectors: <ul style="list-style-type: none"> ➤ Operating - Tram/Trolley Bus ➤ Investing and Operating - Tram/Trolley Bus ➤ Constructing and Operating - Ropeway/Cable Car/Over Bridge ➤ Constructing and Operating - Road/Bridge/Underpass ➤ Constructing and Operating - Tunnel/Railways ➤ Constructing and Operating - Airport 	40% of the AR/TR 40% of the AR/TR 40% of the AR/TR 50% of the AR/TR 50% of the AR/TR 50% of the AR/TR	52% of the AR/TR 20% of the AR/TR 20% of the AR/TR 52% of the AR/TR 20% of the AR/TR 40% of the AR/TR
26	▪ Special Industry established in Industrial Zone/Industrial Village	25% of the AR/TR	-

Additional Note:

- If any entity is entitled to more than one benefit under Section 11 of the Income Tax Act, 2058 only one benefit shall be availed. However, in case of Special Industries, they can avail the concession of 20% provided in the Section 11 (2Kha) as well as any one of the other benefits available in Section 11.

Deductible Donations under Income Tax Act:

Section 12 of Income Tax Act, 2058	Description
Donation to Tax Exempt Entities (Section 12)	<ul style="list-style-type: none">▪ Donation paid to any tax exempt entity shall be deductible as expenses equivalent to - Lower of Rs 1 Lac or 5% of Adjusted Taxable Income (ATI)
Preservation of National Heritage/Sports Infrastructure (Section 12 Ka)	<ul style="list-style-type: none">▪ 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.
Contribution to PM Relief Fund & National Relief Fund (Section 12 Kha)	<ul style="list-style-type: none">▪ Any contribution made to the said fund shall be allowed as deduction from the taxable income of the person.

Definition of 'Special Industry':

- Special Industries means "Manufacturing, Agricultural, Forestry and Mining Industries as defined u/s 3 of Industrial Enterprises Act, 2076 except Cigarette, Bidi, Cigar, Tobacco, Gutkha, Pan-Masala and other similar nature products consuming tobacco as main raw material, Alcohol, Beer and other identical products."



Withholding Taxes (1/5)

Particulars	Rate of TDS		Final Withholding Tax
	FY 2020-21	FY 2019-2020	
□ Section 87			
• Remuneration	Normal rate of Individual	Normal rate of Individual	
□ Section 88			
• Natural Resource Payments	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 or Hire of Means of Transportation			
➢ For VAT Registered Party	1.5%	2.5%	
➢ For Non-VAT Registered Party	2.5%	2.5%	
• Rent Payable to the Vehicle Rental Service provider registered in VAT	1.5%	1.5%	
• Royalty	15%	15%	
Gain from Investment Insurance:			
➢ Claim in case of death	Exempt	Exempt	Yes
➢ Claim in any 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	1.5%	1.5%	

Withholding Taxes (2/5)

Particulars	Rate of TDS		Final Withholding Tax
	FY 2020-21	FY 2019-20	
• Meeting Allowances (up to Rs. 20,000 per meeting)	15%	15%	Yes
• Commission	15%	15%	
• Bonus on Sales/ Target Bonus	15%	15%	
• Aircraft Lease Payments	10%	10%	Yes
• Commission paid by Resident Employment Companies to Non Residents	5%	5%	Yes
• Dividend distributed by Resident Companies to Residents	5%	5%	
• 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
• 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 & GoN under Section 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

Withholding Taxes (3/5)

Particulars	Rate of TDS		Final Withholding Tax
	FY 2020-21	FY 2019-20	
• Interest paid by Resident BFI to Foreign Lending Banks in Forex where purpose of the loan is to finance prescribed sectors which are Approved by NRB	10%	-	Yes
□ Section 89			
• Contract Payments			
• Payment under Contract exceeding Rs. 50,000	1.5%	1.5%	
• Payment to Non-resident Person under a Contract:			
➢ Payment under Service Contract to Non-resident	15%	15%	
➢ Payment under Other Contracts/Agreements	5%	5%	
➢ Payment under Repairs for Airplanes	-Withdrawn-	5%	Yes
➢ Premium paid to Non-resident Insurance Company & Commission Paid on Reinsurance Premium received from Non-resident Insurance Company	1.5%	1.5%	
□ Section 95 (Ka)			
• Gain From Commodities Future Market	10%	10%	
• Gain from Disposal of Interest in Resident Entity:			
• Gain on Sale of Shares of Listed Entity to:			
➢ Natural Person	5%	5%	
➢ 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%	

Withholding Taxes (4/5)



Particulars	Rate of TDS		Final Withholding Tax
	FY 2020-21	FY 2019-20	
• Capital gain tax on Sale of Land or Land & Building owned by Natural Person (Deducted by Land Revenue Office i.e. Malpot):			
➢ For more than 5 years	2.5%	2.5%	
➢ For less than 5 years	5%	5%	
➢ Capital Gain Tax in Other Case: - (On Sale Value)	1.5%	1.5%	
• Language Proficiency Examination Fees paid in Foreign Currency by BFI's on behalf of students going abroad for further education.	15%	-	

Other Rates:

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

General Provisions:

- Withholding Tax needs to be deposited along with TDS Return with IRO within 25 days from the 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 tax.
- In case of delayed payment of WHT, the applicable rate of Interest is 15% per annum.
- Penalty of 2.5% p.a. on TDS amount will be levied for non-submission of e-TDS return within prescribed time limit.
- **Penalty u/s 117 and 120 shall be imposed on Non-payment of TDS and non-submission of TDS Return.**

Withholding Taxes (5/5)



□ **Notes on Withholding Taxes:**

- Rs. 50,000 referred in Section 89 shall be determined by aggregating payments under a contract with any other payment made by the same 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 an agreement entered into for supply of goods or labor or construction/erection/establishment of tangible assets or structure or any other 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:**

- Remuneration to the writer of articles published in Newspaper & Magazines.
- Inter-Regional interchange charges paid to a bank issuing Credit Cards.
- Interest or fee paid by GoN, under an agreement, to Foreign Govt. or an International Organization. (To which Nepal is a party)
- Interest and Dividend paid to a Mutual Fund.
- Payment of Interest to a Resident Bank or Other Resident Financial Institution.
- Payments that are exempt from tax.
- Life/General Insurance premium.



Income Tax - Other Amendments (1/1)



Income Tax Act	Exemption
Section 10 (Ta)	<ul style="list-style-type: none">Income earned by Drinking Water & Sanitation consumer group regd. in Water Resource Act, 2049 has been declared 'EXEMPT'
Section 21 (1) (Gha1)	<ul style="list-style-type: none">Where a person makes payment to casual labor up to Rs. 3,000; such expense is deductible even when there is no Permanent Account Number of such labor.
Section 21 (1) (Gha2)	<ul style="list-style-type: none">Where a person makes payment in respect of invoices up to Rs. 2,000; such expense is deductible even when the bill does not contain the permanent account number of the vendor.However, where a person makes direct purchase of agricultural, forest related, animal related and any other household goods from a natural person who is not involved in commercial activities; such expense shall be deductible even when there is no Permanent Account Number of such natural person.
Section 47 (Ka) (6)	<ul style="list-style-type: none">MOU which had to be submitted to IRD for merger purposes by Ashad end, 2077 has been extended to Ashad end, 2078. (For BFI's & Insurance)
Section 47 (Ka) (7)	<ul style="list-style-type: none">Merger process which had to be completed by Ashad end, 2078 has been extended to Ashad end, 2079. (For BFI's & Insurance)
Section 78 (Ka)	<ul style="list-style-type: none">The PAN will be suspended by IRD in case of the following circumstances:<ul style="list-style-type: none">➤ Stopped Commercial Transactions;➤ In case of Closure of entity / Sale or transfer of entity / Non-Existence of Entity due to any other reason;➤ Death of the proprietor;➤ Erroneous Registration.

Income Tax - Miscellaneous Points (1/1)



Advance Income Tax:

Particulars	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
• 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%

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

- 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, 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 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.

General Interest Rate:

General Rate of Interest charged by the IRD remains at 15% p.a.

Deduction for General Insurance Business:

Following Expenses have been made allowed as deductible expenses for General Insurance Business: **(Section 60)**

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

Indirect Taxes Proposal

❑ Key Contents:

- **Value Added Tax**
 - ✓ [Significant Points](#)
 - ✓ [Amendments by Finance Act, 2077](#)
- **Excise Duty**
 - ✓ [Significant Points](#)
 - ✓ [Amendments by Finance Act, 2077](#)
 - ✓ [Excise Duty Tariff](#)
- **Custom Duty**
 - ✓ [Significant Points](#)
 - ✓ [Customs Duty Tariff](#)

Value Added Tax - Significant Points (1/1)



Significant Points of Value Added Tax:

VAT Payment:

- All the rates under VAT Act remain unchanged.
- VAT payment above Rs. 10 lacs should be made compulsorily through cheque, draft or electronically.

Input VAT Credit:

- VAT paid on Petrol/Diesel & LP gas is not eligible for input tax credit.

VAT Refund:

- Contractors (incl. Government Contractor) may submit an application for VAT refund of the excess amount remaining unadjusted for a continuous period of 4 months. In the same manner for Pharmaceutical Industry, VAT Refund shall be available for local purchases of RM/PM & auxiliary materials only.
- 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 per invoices.

Penalty in VAT Act:

- Invoice raised without delivering goods and rendering services attract penalty @ 50% of invoice value or up to 6 months imprisonment.
- Penalty is attracted for not-issuing VAT invoice from Rs. 5,000 to Rs. 10,000.
- Penalty is attracted of Rs.1,000 for not obtaining VAT invoice.
- 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 abide by the Procedures of the Department. Failure to comply with the Procedures of Department attract penalty of Rs. 5 Lacs.

Facility to Exporters:

- 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% (Section 8 Ka).

Facility to COVID Impacted Sectors:

- Period for payment of VAT and Submission of VAT Return has been increased to trimester (4 monthly) from the existing for Tourism/Transport/Printing & Digital Media and Cinema Houses.

Value Added Tax - Amendments (1/3)



Section	Sub-Heading	Applicable with Immediate Effect (Jestha 15, 2077)
10 (2) (Ka)	➤ Mandatory Registration under VAT	<ul style="list-style-type: none"> The following businesses need not require mandatory registration under VAT: <ul style="list-style-type: none"> ➤ Scrap Dealers
10 (2) (Kha)	➤ Mandatory Registration under VAT	<ul style="list-style-type: none"> The following businesses need not require mandatory registration under VAT: <ul style="list-style-type: none"> ➤ Motor Parts ➤ Legal Consultancy ➤ Tailoring (Includes Suiting & Shirting) ➤ Businesses prescribed under 10 (2) (Kha) operating in Municipality Area.
25 (1) (Ka2)	<ul style="list-style-type: none"> • UNO/Member Organizations – (Eligible for VAT Refund) 	<ul style="list-style-type: none"> Eligible to receive VAT Refund from the date of transaction up to 3 years: <ul style="list-style-type: none"> ➤ VAT amount paid on purchase of taxable goods and services in Nepal by United Nations Organization & its Member Organizations or Specialized Agencies for the purpose of conducting activities as per its objectives shall become eligible.
25 (Ga1)	<ul style="list-style-type: none"> • Contractors - Eligible to claim VAT Credit 	<ul style="list-style-type: none"> VAT withheld and deposited on behalf of the contractors by: <ul style="list-style-type: none"> ➤ Government entity (Fully or Partially owned by GoN) ➤ Public Institution or Association for the purchase of goods and services under the contract shall be allowed to be adjusted by the contractor against their VAT payable. The amount of VAT so deposited by the government entity as mentioned in Sub-Section 1, if remains excess after off-setting for a continuous period of 4 months, then the contractor at his will shall submit an application to the tax officer for VAT refund. If the application for VAT refund is received by the tax officer as per Sub-Section 2, then the refund shall be made within 60 days from the date of application. Unadjusted VAT amount as per Sub-Section 2 shall not be further adjusted with the VAT of subsequent months, once the application for the refund has been made.

Value Added Tax - Amendments (2/3)

Section	Sub-Heading	Applicable with Immediate Effect (Jestha 15, 2077)
25 (Ga2)	<ul style="list-style-type: none">• Pharmaceutical Industry - Eligible to claim VAT Refund	<ul style="list-style-type: none">• VAT paid on purchase of raw materials, auxiliary raw materials or packing materials utilized in the production of medicines by a domestic industry is refundable on trimester basis by making an application to the tax officer.• The refundable amount shall be refunded by the tax officer within 60 days of application.
29 (1) (Ka)	<ul style="list-style-type: none">• Penalty in case of failure to obtain VAT Registration	<ul style="list-style-type: none">• Where a person breaches the order of registration of tax officer under Section 5B or violates Section 10 (1), Section 10 (2), or fails to get registered under Section 10 (Ka) (1) or Sec. 10 Kha (1), then Rs. 20,000 (PY: Rs. 10,000) shall be levied as penalty.
29 (1Gha)	<ul style="list-style-type: none">• Non-Registered Assessee is liable to a Penalty of 50% of Tax Liability	<ul style="list-style-type: none">• Where a person who is required to be registered under VAT has conducted transactions without obtaining registration, then in such case the tax officer may levy penalty up to 50% of the tax principal that has accrued on account of transactions conducted by such person.
VAT Rules	<ul style="list-style-type: none">• Facility to file VAT Return on Trimester Basis	<ul style="list-style-type: none">• Print & Digital Publication or Publication House, Hotel, Tourism, Cinema Halls and Transporters are required to file VAT Return on trimester basis.



Value Added Tax - Amendments (3/3)



Sub-Heading	Applicable with Immediate Effect (Jestha 15, 2077)
<ul style="list-style-type: none">• Products which have been exempted.	<ul style="list-style-type: none">• Soya-bean (Soya-badi)• Medicine, Equipment, PPE, PCR Test Kit, RDT Test Kit, Surgical Gloves, Face Mask, Auto Clave Machine, Thermal Gun, Ventilator, Portable PCR Machine, Protective Goggles imported by Ministry of Health or other Entities with the condition to donate to MoH approved Health Institutions for the prevention & treatment of COVID-19• Adhesive Gauge, Tape, Medical Cotton, Bandages, Plaster, Surgical Tape• Machineries for manufacturing Face Mask, Electric Crematorium, Micro Insurance• Machinery for Manufacturing Bags by consuming Jute & Cloth.• Machinery for Manufacturing Bio-Fuel.
<ul style="list-style-type: none">• Products brought into VAT net	<ul style="list-style-type: none">• Braille Books• Dip Lid Acid Battery used in electric Vehicle manufactured by Local Industry.
<ul style="list-style-type: none">• Sector Wise Pointers	<ul style="list-style-type: none">• Hydro Sector: VAT Exempt facility on Steel Sheet (Raw Materials) for manufacturing of Hydro Construction Equipment's on recommendation of Alternative Energy Promotion Centre (AEPC) has been withdrawn.• Education Sector: Total VAT Shall be recovered if Community Educational Institution sell/transfer of bus within a period of 10 years which was imported under VAT exempt facility on recommendation of Ministry of Education, Science & Technology .• Manufacturing Sector (Plastics): Machinery import by Existing plastic bag manufacturing company to switch over to manufacture of Environmental friendly cotton, jute or paper bags , VAT exemption to such machinery now withdrawn.

Excise Duty - Significant Points (1/2)



Significant Points of Excise Duty:

Increase in Excise Duty:

- Excise Duty has been increased for Tobacco and Pan Masala.

Introduced to Excise Net:

- Polyethylene or Polypropylene Bags, GI Wires, Furniture, Entertainment Items, Electric Vehicles, Metal Wires and E-Cigarettes are the major items that have been brought under the excise net.

Exemptions in Excise Duty:

- The major items on which excise duty has been exempted are Medical & Surgical items, Machinery of Printing Press, Spare Parts & Accessories of Vehicles, Bikes, Cycles.
- Cooperatives & Companies established as public transport operator who intended to import at least 5 buses of 40 seaters or more for specified purposes, shall be exempt from excise duty. However, if such vehicles are sold or transferred within 10 years from the date of acquisition, excise duty shall be recovered.

- 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 specified purposes. Excise duty on such import is exempt. However, such vehicles are not allowed to be sold or transferred within 10 years from the date of acquisition.

Rebate of Excise Duty:

- Rebate of 25% on Unassembled vehicles under HS 8711 & 50% on HS 8703 has been made available to the industry dealing in assembling of vehicles.

Refund of Excise Duty:

- If any Industry exports excisable goods, they shall get refund of 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.

Withdrawal of Exemption:

- Excise Duty exemption on domestic production of Marbles stands withdrawn.

Excise Duty - Significant Points (2/2)

Manner of Collection of Excise Duty on Liquor:

- Excise Duty shall be assessed & collected on higher of Per LP Litre or Per Litre on Liquor.

General Provisions of Excise Duty:

- Excise Duty Payment:** Payment of Excise duty should be on Self Removal System within 25 days from respective month end.

- Input Credit of Excise:** Excise Duty paid at custom point on auxiliary raw materials, packing materials, spare parts and duty-free raw materials are not eligible for claim as input credit. However, excise duty paid on raw material are eligible as input excise and can be adjusted with excise payable on sale of excisable goods.

- Penalty in Excise Duty:** If the Claims are violating Section 3 (Ka) (3), then 100% Penalty is attracted.

- Deposit on Appeal:** 1/4th of the disputed amount is to be deposited for appeal with administrative review has been continued.



Excise Duty - Amendments (1/2)

Section	FY 77-78 (Amended Provision)	FY 76-77 (Prevailing Provision)
2 (1Ka)	<ul style="list-style-type: none"> Definition of Excise Ticket: Excise Ticket means ticket attached on excisable goods by department ticket issued electronically or any other means by the department. 	-No Such Provision-
4(Nga)	<ul style="list-style-type: none"> Restriction on Claim of Expenses to Liquor/Tobacco Entities: The liquor, beer or cigarette industry and importer of such goods or their sellers shall not operate any type of gift program or such industry shall not provide any rebate to distributor except the distributor registered in the value added tax while selling such products. If such an act is carried it shall be deemed to be breach of the condition of the license. ➤ Impact: Now the liquor/tobacco industry cannot give any discount or operate any gift programme with immediate effect. 	<ul style="list-style-type: none"> The liquor, Beer or Cigarette industry and importer of such goods or their sellers shall not operate any type of gift program or such industry shall not provide any rebate to any other distributor except the distributor registered in the value added tax while selling such products. If such an act is carried it shall be deemed to be breach of the condition of the license.
9 (5)(Ga)	<ul style="list-style-type: none"> Replacement with: A license, obtained to produce goods except tobacco related industry where self removal system is applicable, shall not be required to be renewed. ➤ Impact: Only Tobacco related entity shall be required to renew license. 	<ul style="list-style-type: none"> A license, obtained to produce goods or provide services in which excise duty is levied under the industry where self removal system is applicable, shall not require to be renewed.
16 (1) (Gha)	<ul style="list-style-type: none"> Replacement with: Production, Bottling or Selling of Liquor violating this Act, Rule made there under or any specification issued by department. 	<ul style="list-style-type: none"> Violation of Rule 16 Excise Rule 2059

Excise Duty - Amendments (2/2)



Section	FY 77-78 (Amended Provision)	FY 76-77 (Prevailing Provision)
16 (4) (Dha)	<ul style="list-style-type: none">-Withdrawn-	<ul style="list-style-type: none">Production of Liquor of 70 U.P power using the spirit other than mention under heading 2207. 10.20 shall be confiscated and penalty equal to value of goods or 1 lakh whichever is higher shall be imposed.
16 (4)(Dha1)	<ul style="list-style-type: none">In case of production of Liquor by using ethanol or spirit against the permission given by the act or rule made there under, the rate applicable to liquor that could be produced by using such spirit will be charged.	-No Such Provision-
16 (9)	<ul style="list-style-type: none">Wording Changed, Clause 1 replaced by Clause 2: In addition to penalty under clause 2 of section 16 excise officer could suspend the license for 6 months under section 9 or could cancel the license of such industry and write up for cancelation of registration under section 10.	<ul style="list-style-type: none">In addition to penalty under clause 1 of section 16 excise officer could suspend the license for 6 months under section 9 or could cancel the license of such industry and write up for cancelation of registration under section 10.

Excise Duty Tariff (1/5)

Harmonic Code	Products	Excise Rate FY 2077-78 (2020-2021)	Excise Rate FY 2076-77 (2019-2020)	Status
HC 0802.11.00	Coconut, Brazilnut, Cashew fresh or dried, with or without cover	5%	5%	No Change
HC 1404.90.10	Katha Ras	Rs. 17/Kg	Rs. 17/Kg	No Change
HC 1404.90.20	Khayar Katha	Rs. 155/Kg	Rs. 155/Kg	No Change
HC 1701.13.10	Jaggery	Rs. 125/Quintal	Rs. 125/Quintal	No Change
HC 1703.10.00	Molasses	Rs. 80/Quintal	Rs. 80/Quintal	No Change
HC 1704.10.00	Chewing Gum	10%	10%	No Change
HC 1704.90.00	Other Sweets (not containing cocoa)	5%	5%	No Change
HC 1806	Items containing chocolates & cocoa	5%	5%	No Change
HC 1905.90.20	Potato Chips	Rs. 17/Kg	Rs. 17/Kg	No Change
HC 2105.00.00	Ice Cream or other edible ice whether with cocoa or not	10%	10%	Excisable
HC 2106.90.10	Dalmoth, Papad, Namkin bhujia	5%	5%	No Change
HC 2106.90.20	Pan Masala (no tobacco)	Rs. 650/Kg	Rs. 610/Kg	Increased
HC 2106.90.60	Kurkure, Kurmure, Lays	Rs. 17/Kg	Rs. 17/Kg	No Change
HC 2106.90.70	Sugandhit Supari (no tobacco)	Rs. 225/Kg	Rs. 225/Kg	No Change
HC 2009.11.00 to 2009.11.90	All types of Juice	Rs.11/Litre	Rs.11/Litre	No Change
HC 2202.91.00	Alcohol free Beer	Rs. 17/Litre	Rs. 17/Litre	No Change
HC 2202.91.00	Other Beverages (Alcohol Free not included in 20.9)	Rs. 17/Litre	Rs. 17/Litre	No Change
HC 2202.99.10	Energy Drinks	Rs. 30/Litre	Rs. 30/Litre	No Change
HC 2202.99.90	Other Non Alcoholic Beverages	Rs. 11/Litre	Rs. 11/Litre	No Change
HC 2203.00.00	Beer	Rs. 165/ Litre	Rs. 165/ Litre	No Change
HC 2204.10.10	Wine up to 12% Alcohol	Rs.370/Litre	Rs.370/Litre	No Change
HC 2204.10.20	Wine up to 17% Alcohol	Rs. 370/Litre	Rs. 370/Litre	No Change
HC 2204.10.30	Wine above 17% Alcohol	Rs. 430/Litre	Rs. 430/Litre	No Change
HC 2207.20.00	Denatured Spirit (80-99 % Alcohol)	Rs. 17/Litre	Rs. 17/Litre	No Change
HC 2208.30.10	Raw Material of Alcohol such as Spirits	Rs. 165/Litre	Rs. 165/Litre	No Change

Excise Duty Tariff (2/5)

Harmonic Code	Products	Excise Rate FY 2077-78 (2020-2021)	Excise Rate FY 2076-77 (2019-2020)	Status
HC 2207.20.00	Denatured Spirit (80-99 % Alcohol)	Rs. 17/Litre	Rs. 17/Litre	No Change
HC 2208.30.10	Raw Material of Alcohol such as Spirits	Rs. 165/Litre	Rs. 165/Litre	No Change
HC 2208.20.90.10	Alcohol 15 UP Strength	Rs. 1,325/ Litre Rs. 1,560/LP litre	Rs. 1,325/ Litre Rs. 1,560/LP litre	No Change
HC 2208.20.90.20	Alcohol 25 UP Strength	Rs. 990/Litre Rs. 1,320/ LP litre	Rs. 990/Litre Rs. 1,320/LP litre	No Change
HC 2208.20.90.30	Alcohol 30 UP Strength	Rs. 920/ Litre Rs.1,315/LP litre	Rs. 920/ Litre Rs.1,315/LP litre	No Change
HC 2402.20.10	Cigarette 70 MM without Filter	Rs. 495/M	Rs. 495/M	No Change
HC 2402.20.21	Cigarette 70 MM with Filter	Rs. 1,135/M	Rs. 1,135/M	No Change
HC 2402.20.22	Cigarette (over 70 – up to 75 MM) with Filter	Rs. 1,475/ M	Rs. 1,475/ M	No Change
HC 2402.20.23	Cigarette (over 75 – up to 85 MM) with Filter	Rs. 1,920/M	Rs. 1,920/M	No Change
HC 2402.20.24	Cigarette (over 85 MM) with Filter	Rs. 2,715/M	Rs. 2,715/M	No Change
HC 2403.99.10	Chewing Tobacco, Guthka & Pan Masala containing Nicotine/Other tobacco	Rs. 650 Per Kg.	Rs. 610 Per Kg.	Increased
HC 2403.99.91	Hukkah Flavor	Rs. 1,000 Per Kg.	-	Excisable
HC 2516.12.00	Granite	15%	15%	No Change
HC 2523	Cement	Rs. 220/M.T	Rs. 220/M.T	No Change
HC 3208	Paints	7%	7%	No Change
HC 3214	Putty and Glazier Rosin Cement	5%	5%	No Change
HC 3302.10.10	Odophorus Substance used in alcoholic solutions	5%	-	Excisable
HC 3307.49.00	Room freshners and other related items	10%	-	Excisable
HC 3401 & 3402	Soap & Detergent	5%	5%	No Change

Excise Duty Tariff (3/5)

Harmonic Code	Products	Excise Rate FY 2077-78 (2020-2021)	Excise Rate FY 2076-77 (2019-2020)	Status
HC 3926.20.19	Gloves used in medical and surgery	5%	5%	Exempted
HC 3926.20.29	Gown for medial and surgery	5%	5%	Exempted
HC 3926.20.39	Apron for medial and surgery	5%	5%	Exempted
HC 6305.33.00	Polyethylene or Polypropylene Sheet and related products	5%	-	Excisable
HC 7217	Iron or Unmixed Ispat wires (With or Without Coating)	Rs. 1650 Per M.T.	-	Excisable
HC 7223	Non-oxidizable ispat metal wire	Rs. 1650 Per M.T.	-	Excisable
HC 7229	Other Ispat metal wire	Rs. 1650 Per M.T.	-	Excisable
HC 7307	Cast Fitting, Bends, Elbow	Rs. 1650 Per M.T.	Rs. 1650 Per M.T.	No Change
HC 7308	Iron & Ispat Structures Bridge, Towers, Windows, Door	Rs. 1650 Per M.T.	Rs. 1650 Per M.T.	No Change
HC 7312	Stranded Wire, cable or rope	Rs. 1650 Per M.T.	-	Excisable
HC 7213	Rod & TMT	Rs. 1650 Per M.T.	Rs. 1650 Per M.T.	No Change
HC 7216	Iron & non alloy Angle & Section	Rs. 1650 Per M.T.	Rs. 1650 Per M.T.	No Change
HC 7311	L.P G Cylinder	5%	5%	No Change
HC 7315	Iron or Ispat Chain & Parts	Rs. 1650 Per M.T.	Rs. 1650 Per M.T.	No Change
HC 8418	Refrigerator , Freezer	5%	5%	No Change
HC 8443	Plates, cylinders and other equipments used by Printing Press	-	10%	Exempted
HC 8508	Vaccum Cleaners & Parts	5%	5%	No Change
HC 8509	Mixers, Juicer, Grinder & Parts	5%	5%	No Change
HC 8517.12.00	Cellular Mobile Phone and all Other Wireless Communication Devices	2.50%	2.50%	No Change
HC 8518	Microphone, Loud Speaker	10%	10%	No Change
HC 8523	Discs, Tapes and Smart Card, Optical and Magnetic means	5%	5%	No Change
HC 8543.70.10	E-ciggerates	30%	-	Excisable
HC 8544.70.00	Optical Fiber Cables	10%	10%	No Change

Excise Duty Tariff (4/5)



Harmonic Code	Products	Excise Rate FY 2077-78 (2020-2021)	Excise Rate FY 2076-77 (2019-2020)	Status
HC 8702.10.10 & 8702.90.10	Bus & Truck	5%	5%	No Change
HC 8702.10.20, 8706.00.20	Mini Bus 15-25 Seater and Chassis	35%	35%	No Change
HC 8702.10.30	Micro Bus 11-14 Seater	55%	55%	No Change
HC 8703.21.10	Three Wheeler (Auto Rickshaw)	55%	55%	No Change
HC 8703.22.00	Car, Station Wagon, Racing Car above 1000 cc upto 1500 cc	65%	65%	No Change
HC 8703.23.10	Car, Station Wagon, Racing Car above 1500 cc upto 2000 cc	70%	70%	No Change
HC 8703.23.20	Car, Station Wagon, Racing Car above 2000 cc upto 2500 cc	80%	80%	No Change
HC 8703.23.30	Car, Station Wagon, Racing Car above 2500 cc upto 3000 cc	90%	90%	No Change
HC 8703.24.00	Car, Station Wagon, Racing Car above 3000 cc	100%	100%	No Change
HC 8703.32.10	Car, Station Wagon, Racing Car (Diesel) above 1500 cc upto 2000 cc	70%	70%	No Change
HC 8703.32.20	Car, Station Wagon, Racing Car (Diesel) above 2000 cc upto 2500 cc	85%	85%	No Change
HC 8703.33.00	Car, Station Wagon, Racing Car above 2500 (Diesel)	100%	100%	No Change
HC 8703.80.10	Electric motor 3 wheeler and others	5%		Excisable
HC 8703.80.20	Electric Car, Jeep, Van with peak motor power upto 50kw	30%		Excisable
HC 8703.80.30	Electric Car, Jeep, Van with peak motor power from 50kw to 100 kw	40%		Excisable
HC 8703.80.40	Electric Car, Jeep, Van with peak motor power from 100kw to 150 kw	50%		Excisable
HC 8703.80.50	Electric Car, Jeep, Van with peak motor power from 150kw to 200 kw	60%		Excisable
HC 8703.80.61	Electric Car, Jeep, Van with peak motor power >200 kw<300 kw	70%		Excisable
HC 8703.80.71	Electric Car, Jeep, Van with peak motor power >300 kw unassembled	80%		Excisable
HC 8704.21.10	Double Cab Pick Up	60%	60%	No Change
HC 8704.21.20.10	Single Cab Pick Up	50%	50%	No Change
HC 8704.21.20.20	Delivery Van	30%	30%	No Change
HC 8708	Parts and ancillary materials for vehicles under HC 8701 to 8705		5%	Exempted
HC 8714	Parts and ancillary materials for vehicles under HC 8711 to 8713		5%	Exempted

Excise Duty Tariff (5/5)

Harmonic Code	Products	Excise Rate FY 2077-78 (2020-2021)	Excise Rate FY 2076-77 (2019-2020)	Status
HC 8711.20.11	Motorbikes 50 cc to 155 cc	40%	40%	No Change
HC 8711.20.99	Motorbikes 155 cc to 250 cc	50%	50%	No Change
HC 8711.30.90	Motorbikes 250 cc to 500 cc	60%	60%	No Change
HC 8711.40.00	Motorbikes 500 cc to 800 cc	80%	80%	No Change
HC 8711.50.00	Motorbikes above 800 cc	100%	100%	No Change
HC 9401	Foldable or unfoldable seats and related furniture for vehicle or otherwise	10%	-	Excisable
HC 9403	Other furniture for kitchen, rooms, baby walker etc. wooden, babmoo or plastic	10%	-	Excisable
HC 9406	Pre Fabricated Wooden Buildings	10%	-	Excisable
HC 9504	Video Games, Consoles	5%	5%	No Change
HC 9505	Entertainment, Recreational Items & Others	5%	-	Excisable



Customs Duty - Significant Points (1/3)



Customs Service Fees:

HS Code	Particulars	CY	PY
On Import/Export of Goods			
-	On Import of goods (Per PP)	500	500
-	On Export of goods (Per PP)	100	100
Gold and Silver of 10 grams			
HC 71.08	Gold	8500	6500
HC 71.06	Silver	85	75
HC 71.13.11	Gold Ornaments	30%	30%
HC 71.13.19	Gold Ornaments	15%	15%
HC 71.13.20	Gold Ornaments	30%	30%
Diamonds			
HC 71.02	Diamonds	1%	1%
HC 71.01	Precious Stones	1%	1%
HC 71.03	Precious Stones	1%	1%
HC 71.04	Precious Stones	1%	1%
HC 71.05	Precious Stones	1%	1%

Points applicable to All Sectors:

- **Applicability:** The rate of Customs Duty on import prevailing as per Schedule-1 of Finance Act 2077 shall be applicable with immediate effect (Jestha 15,2077).
- **Custom Deposit Facility:** 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.
- **Penalty:** The custom officer can recheck the custom cleared goods whether at custom premise or outside custom premise and if found that the declared name, specifications, character, physical description, qualitative description, size, weight & qualities are different, 300% penalty in addition to applicable custom duty or confiscation of goods along with 200% penalty in addition to the applicable custom duty shall be attracted.
- **For all Sectors:** Import Duty of Rs 2,300 per day to be levied in case trucks entering 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 fail to return back within 48 hours from the time of entry to Nepal.
- **Imports from India & Tibet:** Goods purchased and imported from India and Tibet Autonomous Region **through land route to Nepal Only** under L/C shall be granted a rebate on the chargeable custom duty based on ad valorem 5% on the goods ranging from 5% to 30% and 3% on the above.

Customs Duty - Significant Points (2/3)



• Manufacturing Sector:

- **Agro-Based Industries:** 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. In case of Sunflower (HC 1206.00.00) and Bhatmas (HC 1201.90.00) if imported from India or Tibet, only 9% (PY 5%) Agricultural improvement fee will be imposed. Import duty shall be Nil. Similarly in case of Soyabean Seed (1201.10) and Mustard Seed (1207.40) only 9% (PY 5%) Agricultural improvement fee will be imposed and import duty shall be Nil if imported from India or Tibet.
- **Carpet Industries:** 90% custom duty rebate on Staples Fibre under heading 55 imported by carpet industries continues.
- **Garment Industries:** 1% Custom Duty on import of vacuum ironing table (HC 9403.20.90), and steam iron (8516.40.00) by industry exporting readymade garments.
- **Incense Stick Industries:** 5% custom duty on D.I.P. (HS Code 2917.34.00) & Incense Stick Compound (HS Code 3302.90.00) imported by Incense Stick manufacturing industries.
- **Jute Industries:** 100% exemption of custom duty on import of Raw Jute (HC 5303.10.00 and 5303.90.00) by Jute Industries.
- **Micro & Small Industries:** 50% Rebate in custom duty on machineries under Part 84 (except already categorized as duty free) imported by Micro, Small & Cottage Industries introduced.

□ Oil Industries:

- Base Oil (HS 2710.19.60) imported by Grease & oil manufactures to be levied duty @ 15% continued.
- 75% rebate on Tello oil (1503), Palm Acid Oil, Palm Fatty Acid & Acid Oil (3823.11, 3823.12 & 3823.13) imported by soap industry continues.

□ **Paint Industries:** **20%** (PY: 30%) Custom Duty on import of Acrylic Emulsion (HS Code 3209.10.10) & **5%** (PY: 15%) custom duty on Iron Oxide (HS Code 2823.00.00) shall be levied if imported by paint manufacturing industries as a raw material.

□ **Plastic Industries:** 10% duty is levied on Filler Master Batch (HC 39.20) continues.

□ **Pollution Control Equipment:** 1% custom duty shall be charged on import of equipment, Machine being used for control of pollution continues (8421.39.00).

□ **Textile & Yarn Industries:**

- 100% Exemption of Customs duty on POY & hand-made Staple Fibers under Heading 5402 & 5503, 5504, 5506, 5507 respectively imported by VAT registered Yarn Industries is continued.
- 1% Custom Duty on Yarn (HS Code 5205 & Sub HS Code 5207.10.00) shall be applicable for Textile & Carpet Industries.
- 1% Custom Duty on Cotton Fibre (HS Code 5001, 5202 & 5203) applicable for spinning mills continues.
- Custom Duty on blended protein fiber yarn (HS Code 5108.10.90 & 5108.20.90) slashed to 1% (PY 5%)

Customs Duty - Significant Points (3/3)



Other Sectors:

- **Automobile Sector:**

- 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% on Import of Spare parts (HS 87.08) & auxiliary materials applicable for E-Rickshaw manufacturers continued.

- **Aviation Sector:** 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.

- **Co-operatives Sector:** 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 will be levied 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 not registered as cooperatives or Companies; then full custom duty shall be recovered. Further, Road Construction & Development tax also waived for such vehicles.

- **Construction Sector:** 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.

- **Hydro-electricity Sector:** 1% Import duty will be imposed on equipment's, machinery tools required for generation, transmission, distribution, operation or maintenance of hydroelectricity on recommendation of Electricity Development Department.
- **Media Sectors:** Only 1% custom duty on News print (HS Code 4801) shall be levied to Media Houses on the recommendation of Ministry of Communication & Information.
- **Medical Sector:** 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 1 Ambulance and 1 Dead Body Carrying Vehicle – Hospital < 100 Beds.
 - For 2 Ambulances and 1 Dead Body Carrying Vehicle – Hospital > 100 Beds.
 - For 2 Ambulances - Rural Municipality
 - For 3 Ambulances - Municipality
 - For 4 Ambulances - Sub-metropolitan & Metropolitan
- **Printing & Publication Sector:** 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.
- **Renewable Energy Sector:** Only 1% custom duty is applicable on Solar Inverter having capacity utilization of more than 80% continues.
- **Tourism Sector:** 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.

Customs Duty Tariff - Import Duty (1/3)



These rates are general rates- if any specific industry is eligible for any concessional import duty, that has been covered in Customs Act.

Harmonic Code	Products	Custom Rate FY 2077-78 (2020-2021)	Custom Rate FY 2076-77 (2019-2020)	Status
HS 0402.10.10	Skimmed Milk	40%	40%	No Change
HS 0402.10.20	Infant Milk	40%	40%	No Change
HS 0701.90.00	Potatoes (Fresh & Chilled)	15%	10%	Increase
HS 0910.91.00	Spices	15%	10%	Increase
HS 1806.10/20/31/32 & 90	Chocolate and Other food preparation containing Cocoa	30%	40%	Decrease
HS 1905	Bread, Pastry, Cake, Biscuit, Rusk, Wafers	40%	40%	No Change
HS 2005.20.10	Potato Chips	40%	20%	Increase
HS 2009	Fruit Juices & Vegetable Juices	Rs. 60 per liter	Rs. 60 per liter	No Change
HS 2103.90.10	Pickle	15%	20%	Decrease
HS 2204	Wine of fresh grapes including fortifies wines	Rs. 300 per liter	Rs. 300 per liter	No Change
HS 2205	Vermouth and other wine of fresh grapes	Rs. 300 per liter	Rs. 300 per liter	No Change
HS 2206	Other Fermented Beverages like Sider & Perry	40%	40%	No Change
HS 2207	Undenatured Ethyl Alcohol - Alcoholic strength by volume of 80% or higher & ENA, DNA	Rs. 50 per liter	Rs. 50 per liter	No Change
HS 2208	Undenatured Ethyl Alcohol - Alcoholic strength by volume of < 80% - Raw Materials	Rs. 1,500 per liter	Rs. 1,200 per liter	Increase
HS 2208	Undenatured Ethyl Alcohol - Alcoholic strength by volume of < 80% - Finished Liquor	Rs. 2,000 per liter	Rs. 2,000 per liter	No Change
HS 2402	Cigars, Cheroots, cigarillos and cigarettes of tobacco or substitute	Rs. 4500 per '000 pcs.	Rs. 4500 per '000 pcs.	No Change
HS 2516	Granite, Basalt, Sandstone, Building Stone except crude or roughly trimmed	20%	20%	No Change
HS 2256.39	Pebbles, gravels or crushed stone for road metaling for Railways	10%	10%	No Change
HS 2710.12.10	Motor Spirit (Petrol)	Rs. 25,200 per kl	Rs. 15,200 per kl	Increase
HS 2710.12.20	Hexene (Food Grade)	Rs. 25,200 per kl	Rs. 15,200 per kl	Increase
HS 2710.19.10	Kerosene Oil (Superior Kerosene Oil)	Rs. 12,000 per kl	Rs. 2,000 per kl	Increase
HS 2710.19.30	High Speed Diesel	Rs. 12,000 per kl	Rs. 2,000 per kl	Increase

Customs Duty Tariff - Import Duty (2/3)



Harmonic Code	Products	Custom Rate FY 2077-78 (2020-2021)	Custom Rate FY 2076-77 (2019-2020)	Status
HS 2711.19.10	LP Gas	5%	5%	No Change
HS 2821.10.00	Iron Oxide and Hydroxides	15%	15%	No Change
HS 2823.00.00	Titanium Oxide	15%	15%	No Change
HS 3005.10.10	Wadding, Gauze, Bandage, Dressing, Adhesive Plaster & similar items	10%	10%	No Change
HS 3204	Synthetic organic coloring matter (Dying Chemicals)	10%	5%	Increase
HS 3209.10.10	Acrylic Emulsion	30%	30%	No Change
HS 3401.20.10	Sodium Fatty Acid Salt (Soap Noodles)	15%	20%	Decrease
HS 4801	Newsprint in Rolls or Sheets	5%	5%	No Change
HS 7106	Silver	Rs. 85 per 10 gms.	Rs. 75 per 10 gms.	Increase
HS 7108	Gold	Rs. 8500 per 10 gms.	Rs. 6500 per 10 gms.	Increase
HS 8415	Air conditioners	30%	30%	No Change
HS 8418.10 to 8418.50	Refrigerator, Freezer & Other Refrigerator Equipment's	20%	15%	Increase
HS 8471.30 & 8471.60	Laptop, Note book, Tablet, Key Board, Scanner, Mouse	Free	Free	No Change
HS 8502.11.10	Up to 12.5 KVA	15%	15%	No Change
HS 8502.11.90, 8502.12 & 8502.13	Above 12.5 KVA	5%	5%	No Change
HS 8507.90.00	Power Bank (Battery Pack)	10%	15%	Decrease
HS 8516.40.00	Electric Smoothing Iron	15%	15%	No Change
HS 8516.60.10	Induction Cooker	5%	15%	Decrease
HS 8517.62.10	Smart Watch, Networking Switch, Router	Free	Free	No Change
HS 8528.52.10	Monitor up to 23 inches	5%	-	Increase
HS 8528.52.90	Monitor above 23 inches	20%	-	Increase
HS 8528.72.10	Unassembled Television	20%	20%	No Change
HS 8702.90.40	Electrical Vehicle for Personal Use	40%	10%	Increase
HS 8708 & 8714	Spare Parts of Vehicle & Motor Cycle	20%	15%	Increase
HS 9018.31	Syringe (With or without needle)	5%	5%	No Change
HS 9430.20.00	Other Metal Furniture	30%	30%	No Change

Customs Duty Tariff - Export Duty (3/3)



Harmonic Code	Products	Custom Rate FY 2077-78 (2020-2021)	Custom Rate FY 2076-77 (2019-2020)	Status
HC 2403.99.10	Jarda, Khaini, Nas, Gutkha	Rs. 50/kg	Rs. 50/kg	No Change
HC 2106.90.20	Pan Masala (No Tobacco)	Rs. 40/kg	Rs. 40/kg	No Change
HC 2106.90.70	Sugandhit Supari (No Tobacco)	Rs. 25/kg	Rs. 25/kg	No Change
HC 1404.90.10	Kattha Ras (Khayar - Half Processed)	Rs. 7/kg	Rs. 7/kg	No Change
HC 1404.90.20	Khair Kattha	Rs. 5/kg	Rs. 5/kg	No Change
HC 4401 to 4407	Wood	200%	200%	No Change
HC 2517.10.10	Aggregates	600/m3	600/m3	No Change
HC 25.17.10.20/30	Stones Boulder	1200/m3	1200/m3	No Change
HC 2519.10.00	Magnasite	600/m3	600/m3	No Change
HC 1211.90.10	Yarchagumba	5000/kg	5000/kg	No Change

Note: No changes made in export duty rates.

Miscellaneous

❑ Key Contents:

- [Health Hazard Tax](#)
- [Education Service Fee](#)
- [Infrastructure Development Tax](#)
- [Telecom Taxes](#)
- [Casino Royalty](#)

Legend for this Section:

Blue – Added by Finance Act, 2077

Green – Amended by Finance Act, 2077

Yellow – Deleted by Finance Act 2077

Miscellaneous (1/3)

Section	FY 77-78 (Amended Provision)	FY 76-77 (Prevailing Provision)
Section 7 Health Hazard Tax	<p>On import or domestic production of the following items, Health Hazard Tax will be levied as follows:</p> <p>1) Beedi (Per Piece) – Rs. 0.25 Paisa 2) Cigarette/Cigar (Per Piece) – Rs. 0.50 Paisa 3) Surti/Khaini/Gutkha/Pan Masala (Per Kg) – Rs. 40</p>	<p>On import or domestic production of the following items, Health Hazard Tax will be levied as follows:</p> <p>1) Beedi (Per Piece) – Rs. 0.25 Paisa 2) Cigarette/Cigar (Per Piece) – Rs. 0.25 Paisa 3) Surti/Khaini/Gutkha/Pan Masala (Per Kg) – Rs. 25</p>
Section 8 Education Service Fee	<p>2% Education Service Fee to be deducted by BFI's on tuition fees paid in Foreign Currency on behalf of the students going abroad for further education.</p>	<p>2% Education Service Fee to be deducted by BFI's on tuition fees paid in Foreign Currency on behalf of the students going abroad for further education.</p>
Section 9 Infrastructure Development Tax	<p>On import of Petrol and Diesel, Infrastructure Development Tax will be levied at the custom point as follows:</p> <p>1) Petrol (Per Litre): Rs. 10 2) Diesel (Per Litre): Rs. 10 3) -----Withdrawn by Finance Act, 2077-----</p>	<p>On import of Petrol and Diesel, Infrastructure Development Tax will be levied at the custom point as follows:</p> <p>1) Petrol (Per Litre): Rs 5 2) Diesel (Per Litre): Rs 5 3) Air Turbine Fuel: Rs 5</p>

Miscellaneous (2/3)

Section	FY 77-78 (Amended Provision)	FY 76-77 (Prevailing Provision)
Section 14 Telephone Ownership Fee	<ul style="list-style-type: none"> A sum of Rs. 500 shall be collected as Telephone Ownership Fee for installing new Fixed land line or on transfer of ownership of such land line. In case of mobile phone (Prepaid & Postpaid) 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. 	<ul style="list-style-type: none"> A sum of Rs. 500 shall be collected as Telephone Ownership Fee for installing new Fixed land line or on transfer of ownership of such land line. In case of Prepaid plan, 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.
Section 15 Telecommunication Service Charges (TSC)	<ul style="list-style-type: none"> Telecom Companies (Communication Service Providers, Internet Service Providers) need to collect a Telecom Service Charge @ 13% from its customers and deposit the same along with the monthly Value Added Tax i.e. on the 25th of the next month. In case of delay in the deposit of TSC, an additional fee of 5% on the outstanding amount shall be levied. The above charges shall not be levied on the following: <ul style="list-style-type: none"> ➤ Inter-connection charges (Paid by one Telecom Company to another for using their network) ➤ Repair & Maintenance charges up to 50% of the Fixed Broadband Service Fees. 	<ul style="list-style-type: none"> Telecom Companies (Communication Service Providers, Internet Service Providers) need to collect a Telecom Service Charge @ 13% from its customers and deposit the same along with the monthly Value Added Tax i.e. on the 25th of the next month. In case of delay in the deposit of TSC, an additional fee of 5% on the outstanding amount shall be levied. The above charges shall not be levied on the following: <ul style="list-style-type: none"> ➤ Inter-connection charges (Paid by one Telecom Company to another for using their network)

Miscellaneous (3/3)

Section	FY 77-78 (Amended Provision)	FY 76-77 (Prevailing Provision)														
Section 16 Casino Royalty	<ul style="list-style-type: none"> Annual Royalty of Rs. 4 Crores. In case if the casino operates gaming only by modern machinery & equipment, then Annual Royalty of Rs. 1 Crore. The amount of royalty has to be paid within 6 months from the commencement of the FY. Fine @ 15% p.a. shall be charged in case of non-deposit of royalty on time and 30% p.a. shall be charged if unpaid for further period. The administration of Royalty shall be done by Culture, Tourism & Civil Aviation Ministry. <p>.....</p> <ul style="list-style-type: none"> If the following outstanding amounts are deposited with the Ministry by the end of Chaitra, 2077, then the casino shall be qualified for a waiver of all its outstanding Annual Fees and Additional Fees up to FY 75-76. <table border="1"> <thead> <tr> <th rowspan="2">Particulars</th><th colspan="2">Amount to be deposited</th></tr> <tr> <th>2076-77</th><th>2075-76</th></tr> </thead> <tbody> <tr> <td>Annual Royalty</td><td>100%</td><td>100%</td></tr> <tr> <td>Annual Fees</td><td>100%</td><td>50%</td></tr> <tr> <td>Additional Fess</td><td>100%</td><td>50%</td></tr> </tbody> </table>	Particulars	Amount to be deposited		2076-77	2075-76	Annual Royalty	100%	100%	Annual Fees	100%	50%	Additional Fess	100%	50%	<ul style="list-style-type: none"> Annual Royalty of Rs. 4 Crores. In case if the casino operates gaming only by modern machinery & equipment, then Annual Royalty of Rs. 1 Crore. The amount of royalty has to be paid within 2 months from the commencement of the FY. Fine @ 15% p.a. shall be charged in case of non-deposit of royalty on time and 30% p.a. shall be charged if unpaid for further period. The administration of Royalty shall be done by Culture, Tourism & Civil Aviation Ministry. <p>.....</p> <ul style="list-style-type: none"> No Such Provision
Particulars	Amount to be deposited															
	2076-77	2075-76														
Annual Royalty	100%	100%														
Annual Fees	100%	50%														
Additional Fess	100%	50%														



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