

**NEPAL BUDGET HIGHLIGHTS**  
**FISCAL YEAR 2078/79 (2021/22)**



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL (ICAN)**



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## A Quick Insight of Nepal Budget 2078/79 (2021-22)

### BUDGET SUMMARY

The annual budget functions as leverage for economic development by providing policy guidance and facilitating through investment to bring effectiveness in economic, social and governance system of the country. Budget for Fiscal Year 2078/79 as presented by Hon'ble Finance Minister, Mr. Bishnu Prasad Poudel on 29 May 2021 has been summarized below:

#### Objectives of Budget

- 1 { •To protect the life of citizens from COVID-19 pandemic.
- 2 { •To expedite the pace of economic activities and development programs for reviving economy at the soonest.
- 3 { •To enhance the welfare role of state, to provide social security and protection and to attain the prosperity along with social justice.
- 4 { •To uplift economy through mobilization of means and resources available with public, private and co-operative sector in productive sector.



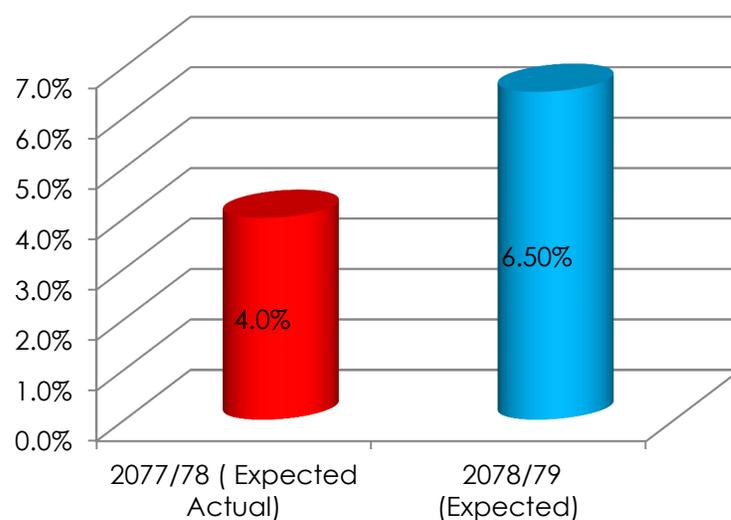
### Priorities of Budget

- Extension of testing, provision for treatment, supply of health equipment and materials, assurance of free vaccination, development of health infrastructure and effective mobilization of health workers to prevent, control and cure of COVID-19.
- Uplifting the economic activities through relief packages to affected families from COVID-19 and providing incentive, subsidies and reviving packages to private sectors,
- Assurance of job and employment to the entrants in labor market and laborer's who lost the Jobs,
- Social security and protection based on life cycle to all Nepalese Citizens,
- Increment in agricultural production and productivity and assurance of food protection,
- Investment in infrastructure for skillful and practical education,
- Construction of infrastructure having strategic importance which helps in rapid industrialization and provides earlier returns,
- Balanced development through coordination and cooperation between Federal, Provincial and Local level structure,
- Ending all types of discrimination and inequality, equitable development and justified access on the returns of development, and
- Provision of responsible governance, assurance of peace and security, corruption control, effectiveness on governance and services

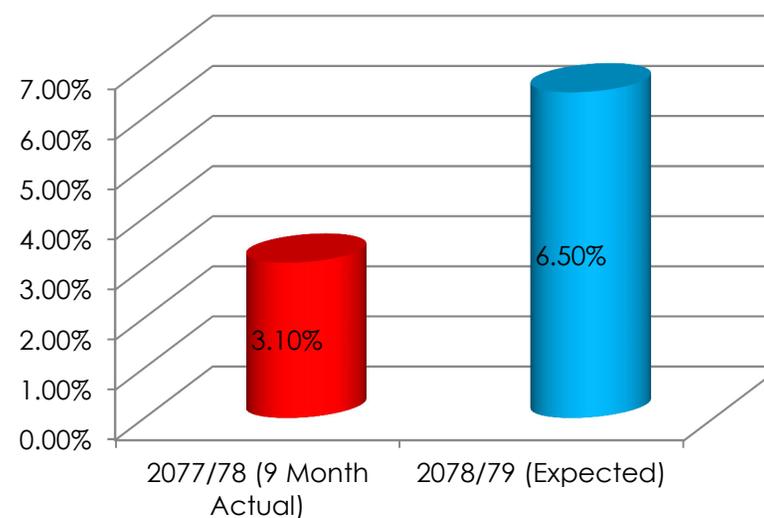


## Economic Growth Rate and Inflation

### Expected Economic Growth Rate



### Expected Inflation Rate

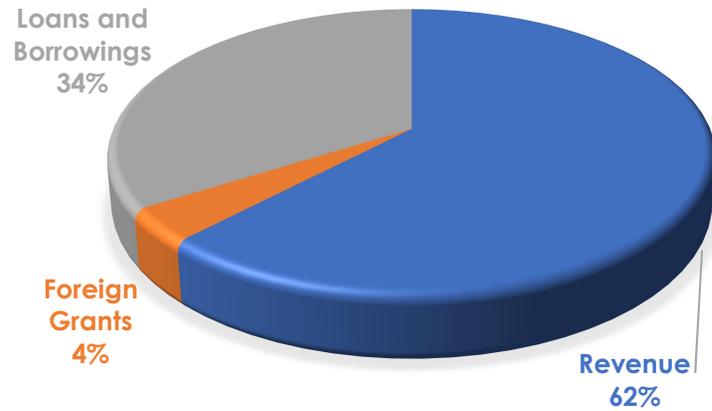


## Comparison of Budget Size

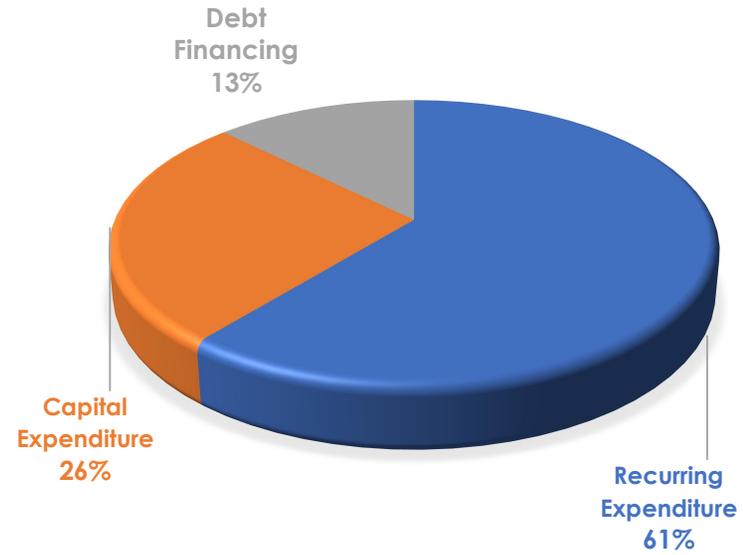
SN	Source of Fund	NPR (Billion)- 2078/79	NPR (Billion)- 2077/78	Application of Fund	NPR (Billion)- 2078/79	NPR (Billion)- 2077/78
1	Revenue	1024.90	889.62	Recurring expenditures	1004.36	948.94
2	Foreign Grants	63.38	60.52	Capital expenditures	435.24	352.91
3	Loans and borrowing	559.29	524.5	Debt Financing	207.97	172.79
	<b>Total</b>	<b>1,647.57</b>	<b>1,474.64</b>	<b>Total</b>	<b>1,647.57</b>	<b>1,474.64</b>



### SOURCE OF FUND -2078/79



### APPLICATION OF FUND -2078/79





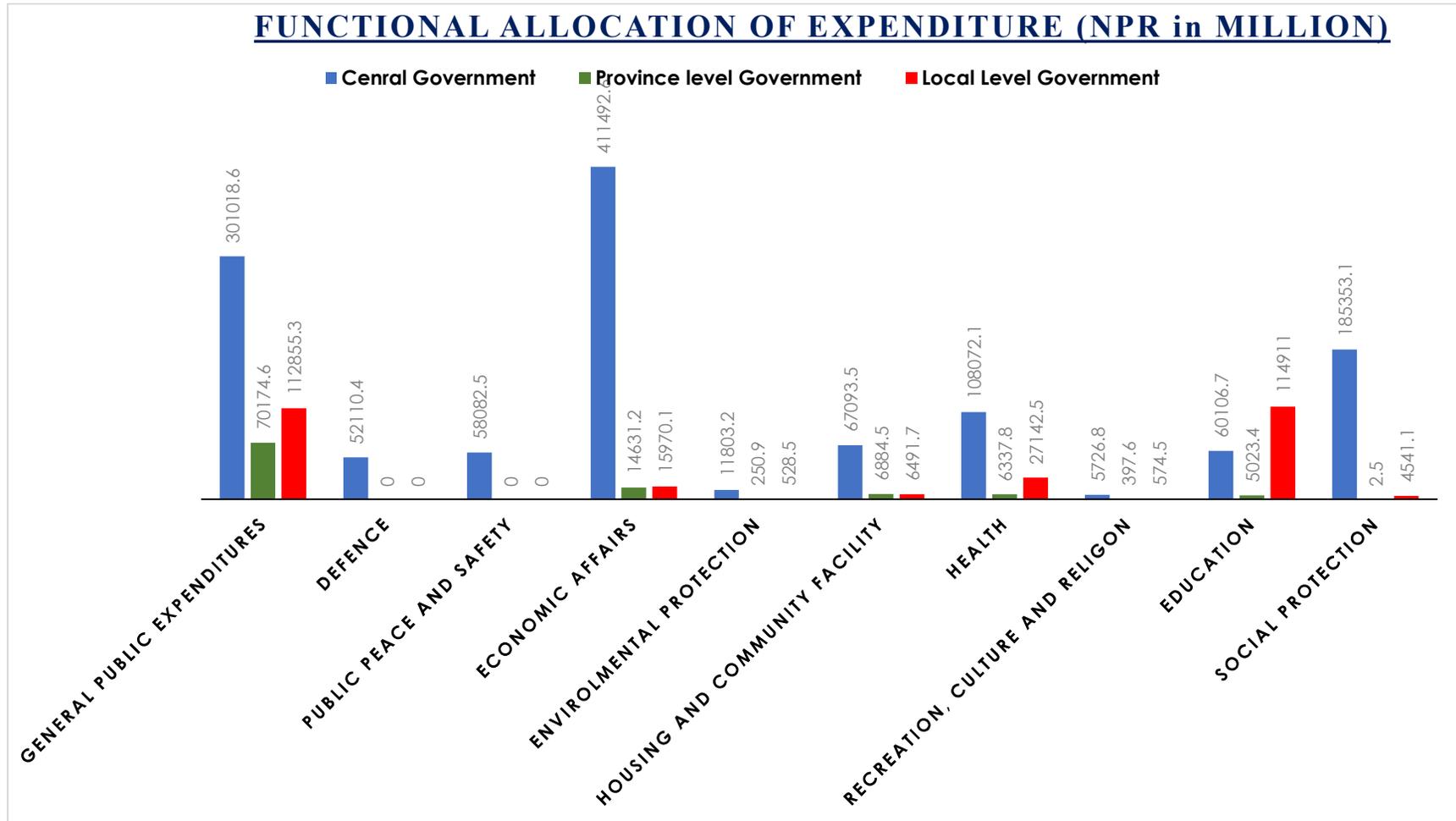
## Ministry Wise Budget Allocation

(NPR in Million)

Ministry	Federal	Province	Local Level	Total Budget	% of Total
Office of the Prime Minister and Council of Ministers	4178.7	-	-	4178.7	0.25%
Ministry of Finance	46657.5	60	140	46857.5	2.84%
Ministry of Industry, Commerce and Supplies	11315.6	-	2262.6	13578.2	0.82%
Ministry of Energy, Water Resources and Irrigation	116404.3	4923.6	650.2	121978.1	7.40%
Ministry of Law, Justice and Parliamentary Affairs	515.6	-	-	515.6	0.03%
Ministry of Agriculture and Livestock Development	36313.7	2476.6	6308.6	45098.9	2.74%
Ministry of Water Supply	39140.6	4401.8	0.000	43542.4	2.64%
Ministry of Home Affairs	165561.9	-	1341.6	166903.5	10.13%
Ministry of Culture, Tourism and Civil Aviation	26625.9	6.4	836.9	27469.2	1.67%
Ministry of Foreign Affairs	7130.5	-	-	7130.5	0.43%
Ministry of Forests and Environment	12168.4	1432.4	531.0	14131.8	0.86%
Ministry of Land Mgmt, Cooperatives and Poverty Alleviation	7686.7	-	526.2	8212.9	0.50%
Ministry of Physical Infrastructure and Transport	163007.9	4181.5	-	167189.4	10.15%
Ministry of Women, Children and Senior Citizen	907.9	2.5	290.1	1200.5	0.07%
Ministry of Youth and Sports	2199.3	395.2	152.3	2746.8	0.17%
Ministry of Defense	51044.0	-	-	51044.0	3.10%
Ministry of Urban Development	33434.5	2500.0	5268.0	41202.5	2.5%
Ministry of Education, Science and Technology	60106.7	5023.4	114911.0	180041.1	10.93%
Ministry of Information and Communications	7738.5	-	-	7738.5	0.47%
Ministry of Federal Affairs and General Administration	20036.7	4126.9	6668.9	30832.5	1.87%
Ministry of Health and Population	90754.5	6337.8	25697.6	122789.9	7.45%
Ministry of Labor, Employment and Social Security	6086.1	5.0	7913.5	14004.6	0.85%
Others than above-including committees, commission	351844.00	67829.4	109516.2	529189.6	32.12%
<b>Total Budget</b>	<b>1260859.5</b>	<b>103702.5</b>	<b>283014.7</b>	<b>1647576.70</b>	<b>100.00%</b>
<b>% of Total Budget Level Wise</b>	<b>76.53%</b>	<b>6.29%</b>	<b>17.18%</b>	<b>100%</b>	



Function Wise Budget Allocation



**Major Highlights of Budget 2078/79**

- Free COVID-19 vaccines will be provided to all citizens.
- 20% waiver on purchase of rice, sugar, gas, salt, flour, lentils, cooking oil from Food Management and Trading Company Limited or Salt Trading Corporation (STC) during prohibitory period.
- 100% waiver of electricity charges for households consuming up to 20 units, 50% waiver on households using up to 120 units and 25% off on using up to 240 units.
- 100% waiver on the drinking water bill for consumers consuming only 20,000 liters per month during the prohibitory period.
- Income tax exemption for 5 years for a startup company.
- Loan at 1% interest rate for students buying a laptop.
- Free Internet in all public schools.
- Up to Rs. 2.5 million loans for undergraduate degree holders with education degrees (Certificates) as collateral.
- Hotels that have shut down can be used as isolation centers, with government incentives as per rules.
- Senior citizens allowance increased from Rs. 3,000 to Rs. 4,000 and all social security allowances increased by 33 percent.
- Increment in salary of Civil servant amounting Rs 2,000 p.m. Increment of salary of school's workers including basic level teachers up to Rs 15000 p.m. Tourism leave with amount equal to 10 day's salary will be granted to the civil servants.
- Prime Minister Employment program will be continued and 200,000 jobs to be created.
- Children's paradise in Damak, Jhapa and senior citizens home will be set up in Gothatar, Kathmandu.
- Targeted programs will be launched for income generation for women belonging to deprived communities.
- Government will buy agricultural produce of farmers, budget allocated for concessional farmer-loans.
- Free visa to tourists for a month in a bid to promote tourism in Nepal.
- GPS tracking system in all trekking routes.
- Integrated Tourism Promotion Program will be launched.
- Mero Kitta will be used across the country for digital land registration and transfer of land ownership.
- Light petrol vehicles will be displaced by electric vehicles by 2088.
- 'Made in Nepal, Make in Nepal' campaign will be launched.
- Water from Himalayan region will be exported.
- Modern Park from Narayanhiti Durbar to Dasharath Rangasala in Kathmandu (Greater Tundikhel).
- Madan Bhandari Technical University will start from next financial year.
- National identity card for Nepalese citizens within 2 years.
- Plastic bags less than 40 microns to be banned from next fiscal year.



### Major Highlights Relating to Tax

- Compulsory Registration requirement in VAT based on the nature of business has been removed.
- Provision for certification of Purchase Books and Sales Books by tax officer has been removed.
- Taxpayer having pending case in IRD or Revenue Tribunal against the tax assessment done of till 2077 Asadh end if pays assessed tax amount and 50% of interest of such tax amount till Mangsir end 2078 need not pay additional interest, charge, penalty and fee.
- Fee, penalty and charge shall be waived off if 75% of overdue excise duty assessed as per Excise Duty Act, 2015 and 100 % of excise duty assessed as per Excise Duty Act, 2058 if amount is paid till 2078, Poush end.
- 6<sup>th</sup> Custom Reform and Modernization Plan to be started from Shrawan 1 and One Door System to be implemented thoroughly.
- Electronic payment system for payment of all taxes and charges to be paid in custom point. Import /export number can be renewed once in 5 years.
- Equipment like container scanners, weighing machines and other modern equipment to be installed in Mechi, Biratnagar, Birgunj, Bhairahawa, Nepalgunj, Rasuwa and Tatopani and new custom office to be opened in Gautam Budhha International Airport, Pokhara International Airport and Janakpur Railway Station.
- Integrated laboratory shall be opened on the basis of priority in custom offices for controlling import of materials imposing threat on national security, human health, and nature.
- Integration of QR code of excise sticker in system of IRD.
- License holder of excise duty not renewing license can renew by paying renewal charge for each year till 2078 Shrawan end. No extra charges shall be levied on such renewal.



## MAJOR AMENDMENTS IN TAX LAWS

### Special Amendments made by Finance Ordinance, 2078

Section	Particulars
<b>Special provisions on waiver of tax, fees, interest and penalties by Finance Ordinance, 2078</b>	
Section 20	If a tax payer applies for the withdrawal of ongoing administrative appeals or of cases ongoing in the Revenue Tribunal or Court by dissenting to the decision of Department under this section for assessment or amended assessment carried out upto 2077 Ashadh end pursuant to VAT Act, Excise Act and Income Tax Act by making payment of assessed amount of tax, vat or excise duty and 50 % of interest applicable up to the date of such application within 2078 Mangsir end, then accumulated fees, additional fines and remaining interest shall be waived. This provision is not applicable for cases relating to assessments carried out in respect of false and duplicate invoices.
Section 21	<p>(1) If 75 % of overdue amount that could not be recovered till date relating to assessments carried out as per the Excise Duty Act 2015, Income Tax Act 2031, Acts repealed by Value Added Tax Act 2052 (Hotel Tax, Entertainment Tax, Contract Tax, Sales Tax Act) is paid within 2078 Poush End then accumulated fines, fees, interest and remaining excise duty or tax shall be waived.</p> <p>(2) If applicable tax or duty along with 50% of interest applicable up to the date submitting of applications is paid within 2078 Poush end for assessments or amended assessments carried out in respect of tax or excise duty as per VAT Act 2052, Excise Duty Act 2058 and Income Tax Act 2058 within 2076 Ashad end then, applicable fees, fines and penalty shall be waived. This provision is not applicable for cases relating to assessments carried out in respect of false and duplicate invoices.</p> <p>(3) Non-profit motive community hospital or health organization and transport service provider providing transport service through electronic network shall be provided waiver of overdue of tax assessment or reassessment as per VAT Act 2052 and Income Tax Act 2058 by IRO conducted before 15 Jestha, 2078 and if they are not under the legal proceeding for this matter, if applied within Poush End 2078 for waiver of such an overdue.</p>
Section 22	Unpaid applicable VAT and interest, additional fees and fines on VAT for certificate of origin issued up to 2078 Jestha 14 for goods to be exported shall be exempted.
Section 23	Travel and Trekking agencies' operators shall be exempted from additional fees, interest and fines if VAT on trekking and tour package for transactions up to 14 Jestha 2078 is paid within Poush end 2078.
Section 25	Carriage Operators can claim deduction on payment made for transportation service to natural person for FY 2076-77 after deduction of withholding taxes even without PAN and invoice.
Section 26	Excise duty license holders paying the unpaid renewal charges within Shrawan end 2078 shall be exempted from fines. If such license is not renewed within the date, the license shall be cancelled.



Section	Particulars
<b>Special Provision of relaxation on tax to the person affected by COVID-19</b>	
Section 28	<p><b><u>Tax exemption on transactions affected by COVID-19</u></b></p> <ol style="list-style-type: none"> <li>a. Taxpayers having annual turnover of 20 lakh per annum and having income of NPR 2 lakh and paying tax as per Section 4 (4) of Income Tax Act are provided 90 % exemption in applicable tax.</li> <li>b. Taxpayers having transactions from 20 lakh to 50 lakh and paying tax as per Section 4(4Ka) of Income Tax Act are provided with 75 % exemption in tax.</li> <li>c. Person having business transactions up to 1 crore shall be provided 50 % exemption on tax applicable as per income tax act.</li> <li>d. Hotel, Travel, Trekking, Film Business (Production, distribution and screening), party palace, media house, transportation and aviation business having transaction above NPR. 1 crore shall be subject to 1 % tax in fiscal year 2077/78.</li> <li>e. If there is loss for business mentioned in (d) above, the claimable period shall be extended by 3 years.</li> </ol>
Section 29	Amount contributed to Corona prevention, control and treatment fund established by Nepal Government, Provincial Government or local level shall be eligible for deduction for FY 2077-78.
Section 30	Custom duty, excise duty and VAT applicable on import, production and distribution of various medical equipment necessary for management of treatment of patients infected by COVID-19 is exempted until 2078 Poush end.
Section 31	Expenditure out of amount allocated for corporate social responsibility in equipment and materials necessary for construction of COVID-19 specialized hospital as prescribed by MOHP shall be allowed for deduction for FY 2077-78.
<b>Other Special Provision</b>	
Section 32	If amount deposited in approved retirement fund is transferred to social security fund by Chaitra end 2078, tax applicable as per section 88 of Income Tax Act on retirement payment shall be exempted.
Section 33	If private firms registered pursuant to Private Firms Registration Act 2014 and companies registered pursuant to Companies Act 2063 failing to submit annual returns and have their renewal, such private firms and companies will be waived of the remaining fees and penalties if they submit the returns and 10% of such fees and penalties.



## Amendments in Income Tax Act, 2058

Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
Section 2Da (2)	Explanation: For the purpose of this clause, "private building" means <b>building and the land occupied by the building</b> or one Ropani of land whichever is lesser.	Explanation: For the purpose of this clause, "private building" means <b>building, the land occupied by the building and additional land equal to area of land occupied by building</b> or one Ropani of land whichever is lesser.	In addition to building and the land occupied by the building, additional land equal to area of land occupied by building is defined as private building.
Section 4(4Kha)	<p>The tax payable in any income year by a resident natural person referred to in clause (ka) of Section 3, who has fulfilled all of the following requirements, shall be equal to the amount mentioned u/s 1(7) of Schedule -1:</p> <p>(Ka) That person has only income earned from his business having source in Nepal in that income year</p> <p>(Ka1) Not claimed for medical tax credit u/s 51 and for advance tax deduction u/s 93,</p> <p>(Kha)The income earned from the business that does not exceed <b>two lakh rupees</b> and turnover of the business that does not exceed <b>twenty lakh rupees,</b></p> <p>(Ga) That person has so opted that this provision is applicable in that income year,</p> <p>(Gha) Not registered in value-added tax.</p>	<p>The tax payable in any income year by a resident natural person referred to in clause (ka) of Section 3, who has fulfilled all of the following requirements, shall be equal to the amount mentioned u/s 1(7) of Schedule -1:</p> <p>(Ka) That person has only income earned from his business having source in Nepal in that income year</p> <p>(Ka1) Not claimed for medical tax credit u/s 51 and for advance tax deduction u/s 93,</p> <p>(Kha)The income earned from the business that does not exceed <b>three lakh rupees</b> and turnover of the business that does not exceed <b>thirty lakh rupees,</b></p> <p><del>(Ga) That person has so opted that this provision is applicable in that income year,</del></p> <p><del>(Gha) Not registered in value-added tax.</del></p>	<p>The threshold limit to pay tax u/s 1(7) of Schedule-1, increased from Rs. two lakhs to three lakhs in case of income from business and increased from twenty lakhs to thirty lakhs in case of business turnover.</p> <p>The resident natural person fulfilling the condition mentioned under sub section ka, ka1 and kha shall compulsorily pay tax u/s 1(7) of Schedule-1, whether they are registered in VAT or not they can't opt not to pay tax u/s 1(7) of Schedule-1.</p>
Section 4(4Ka)	The tax to be paid by resident natural person referred to in clause (ka) of Section 3 who	The tax to be paid by resident natural person referred to in clause (ka) of Section 3 who has	The threshold limit to pay tax u/s 1(17) of Schedule-1, changed



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
(Kha)	<p>has fulfilled the following conditions on the basis of transaction in any income year shall be equal to the amount calculated according to the rate prescribed u/s 1(17) of Schedule-1:</p> <p>(Ka) that person has income only from the business having source in Nepal in that income year,</p> <p>(Kha) the annual turnover of the business is more than twenty lakh rupees and less than fifty lakh rupees,</p> <p>(Ga) not registered in value added tax, and</p> <p>(Gha) income not for consultancy and expertise service to be provided by doctor, engineer, auditor, legal professional, sportsperson, actor, consulting and expertise service provided by natural person.</p>	<p>fulfilled the following conditions on the basis of transaction in any income year shall be equal to the amount calculated according to the rate prescribed u/s 1(17) of Schedule- 1:</p> <p>(Ka) that person has income only from the business having source in Nepal in that income year,</p> <p>(Kha) The taxable income from business is ten lakh rupees and the annual turnover of the business is more than thirty lakh rupees and less than one crore rupees,</p> <p><del>(Ga) not registered in value added tax, and</del></p> <p>(Gha) income not for consultancy and expertise service to be provided by doctor, engineer, auditor, legal professional, sportsperson, actor, consulting and expertise service provided by natural person.</p>	<p>from (annual business turnover exceeding twenty lakh rupees and less than fifty lakh rupees) to (annual business turnover exceeding thirty lakh rupees and less than one crore rupees) and having annual taxable income from business of ten lakh rupees.</p> <p>The resident natural person fulfilling the condition mentioned under sub section ka and kha shall compulsorily pay tax u/s 1(17) of Schedule-1, whether they are registered in VAT or not.</p>
Section 10 (Tha)	No provision	Income earned as per its objectives by Mutual Funds approved from Securities Board of Nepal is exempt from Income Tax.	Newly Added provision
Section 10 (Da)	No provision	Income earned as per its objectives by Educational Institute established with the objective of not for earning and distributing profit as per the agreement with Government of Nepal (GON) or concerned entity of GON is exempt from Income Tax.	Newly Added provision



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
Section 11(1)	No tax shall be levied on an income earned by carrying on agricultural business other than income earned by carrying on an agricultural business by getting registered as a firm, company, partnership and corporate body and other than on agricultural income earned from an agricultural business in the land as referred to in clauses (gha) and (nga) of Section 12 of the Act Relating to Land, 2021(1964).	No tax shall be levied on an income earned by carrying on agricultural business other than income earned by carrying on an agricultural business by getting registered as a firm, company, partnership and corporate body and other than on agricultural income earned from an agricultural business in the land as referred to in clauses (gha) and (nga) of Section 12 of the Act Relating to Land, 2021(1964).  <b>Provided, if any income is earned by carrying on agricultural business by being registered as any firm, company, partnership firm and other corporate body, 50 % tax on applicable income tax shall be exempted.</b>	50 % tax is exempted on income from agriculture business earned by any firm, company, partnership firm and other corporate body.
Section 11(3Nga) (Ga)	Tax exemption on income earned from export in any income year having source in Nepal shall be as follows:  (a) if tax is chargeable at the rate of twenty percent on an income of a resident natural person, twenty-five percent of that tax and if thirty percent is taxable, fifty percent of that tax,  (b) twenty percent of tax leviable on the income of an entity,  (c) <b>additional twenty-five percent</b> of the tax on income earned from export of goods produced by a production-based industry,	Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows:  (a) if tax is chargeable at the rate of twenty percent on an income of a resident natural person, twenty-five percent of that tax and if thirty percent is taxable, fifty percent of that tax  (b) twenty percent of tax leviable on the income of an entity,  (c) <b>additional thirty-five percent</b> of the tax on	Additional ten percent tax exemption provided to production-based industry on income earned from export of goods produced by it.



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
	after deduction of the exemption under clause (ka) or (kha).	income earned from export of goods produced by a production-based industry, after deduction of the exemption under clause (ka) or (kha).	
Section 1(3Da)	Special industry established and operated on industrial region or industrial village shall have 25 percent exemption from chargeable income tax for 5 years from the date of commencement.	Special industry established and operated on industrial region or industrial village shall have 50 percent exemption from chargeable income tax for 3 years from the date of commencement and 25 percent exemption from chargeable income tax for next 5 years.	Additional tax exemption provided to special industry established and operated on industrial region of industrial village.
Section 1(3Dha)	No Provision	20 % tax is exempted on the income earned from sale of raw material or subsidiary raw material, produced within country, to Special Industry.	Additional tax exemption provided.
Section 1(1Na)	No Provision	100 % tax exemption is provided up to 5 years from date of commencement to the startup business as prescribed by department established by utilizing innovative knowledge, concept, skill, technology, system having annual transaction up to 1 crore rupees.	Additional tax exemption provided.
Section 1(1Pa)	No Provision	If the special industry which is in operation in Kathmandu valley is shifted and operated outside Kathmandu valley, 100 % tax exemption is provided up to 3 years of shifting and operation of business and 50 % tax exemption is provided up to additional 2 years.	Additional tax exemption provided.
Section 1(1Pha)	No Provision	If an industry produces a new product by utilizing only used materials that directly affects the environment as raw material, 50 % tax exemption is provided up to 3 years from date of operation and 25 % tax exemption is provided up to next 2 years.	Additional tax exemption provided.



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
Section 12Ga	No Provision	Seed capital provided by any person up to 1 lakh rupees to maximum 5 startup business other than the associated person, is allowed for deduction at the time of calculation of taxable income.	Additional reduction on taxable income provided.
Sec 47Ka (6)	The entity desirous of disposal through merger pursuant to section 47(1) shall register the memorandum of intent to IRD within 2078 Ashar end.	The entity of same class desirous of disposal through merger pursuant to section 47(1) shall register the memorandum of intent to IRD within 2079 Ashar end.	Provision mentioned under clause ka, kha, gha, nga, cha and chha of Section 57(2) and section 57(3) will not be applicable only in case of merger or acquisition of entities of the same nature and same class carrying on banking and financial transaction or insurance business.  The time limit to register memorandum of intent has been extended for one year.
Sec 47Ka (7)	The entity desirous of disposal through merger pursuant to section 47(1) shall complete the merger and acquisition process within 2079 Ashar end.	The entity desirous of disposal through merger pursuant to section 47(1) shall complete the merger and acquisition process within 2080 Ashar end.	Time extended for one year.
Section 88(1)(8)	TDS is deducted at the rate of 2.5 % on payment for carriage service and vehicle provided in rent. Provided TDS is deducted at the rate of 2.5 % on payment for carriage service and vehicle provided in rent by a person registered in VAT.	TDS is deducted at the rate of 2.5 % on payment for carriage service and vehicle provided in rent. <del>Provided TDS is deducted at the rate of 2.5 % on payment for carriage service and vehicle provided in rent by a person registered in VAT.</del>	TDS is deducted at the rate of 2.5 % on payment for carriage service and vehicle provided in rent whether registered in VAT or not.
Section 88(1)(9)	TDS at the rate of 10 % is deducted on payment of interest by resident bank and	TDS at the rate of 10 % is deducted on payment of interest by resident bank and	The word changed from foreign banks to foreign banks or other



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
	financial institutions on the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta Bank.	financial institutions on the loan received in foreign currency from foreign banks or other financial institutions to invest in the areas as specified by Nepal Rasta Bank.	financial institutions.
Section 88(1) (11)	New Proviso	TDS is deducted at the rate of 5 % on payment of registration fee, education fee, and exam fee to foreign university or school.	Newly Added provision
Section 88(1) (12)	No Proviso	TDS is deducted at the rate of 5 % on payment of interest on deposit to Life Insurance Company by resident Bank and Financial Institutions.	Newly added provision. But TDS was applicable at the rate of 15% through other provisions which is now changed.
Section 88(4) (Kha1)	No Provision	TDS shall not be deducted on payment of interest on loan provided to each other by Co-operative bank and Co-operatives.	Newly added provision
Section 88(4) (Nga)	TDS shall not be deducted on payment of dividend and interest paid to a mutual fund.	<del>TDS shall not be paid on dividend and interest paid to a mutual fund.</del>	Provision removed
Section 92 (1) (Ta)	Payment for rent of vehicle or carriage service of a natural person except of sole proprietorship firm shall be treated as payment from which tax is withheld finally.	Payment for rent of vehicle or transport vehicle and payment for carriage service of a natural person except of sole proprietorship firm shall be treated as payment from which tax is withheld finally.	TDS deducted on payment of rent of transport vehicle shall also be treated as payment from which tax is withheld finally.
Section 95Ka (2) (ka)	In the case of income derived from the disposal of interest of an entity listed in the Securities Board of Nepal, advance tax will be deducted at the rate of five percent of the profit for a resident natural person, ten percent of the profit for a resident entity and twenty-five percent of the profit for others,	In the case of income derived from the disposal of interest of an entity listed in the Securities Board of Nepal (SEBON), for a resident natural person advance tax will be deducted at the rate of five percent of the profit in case of disposal of interest in an entity having ownership of more than 365 days and advance	The rate of advance tax increased from 5 percent to 7.5 percent on profit in case of disposal of interest in an entity listed in SEBON by resident natural person, having ownership of less than 365 days.



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
	by the entity working for securities exchange market,	tax will be deducted at the rate of 7.5 percent of the profit in case of disposal of interest in an entity having ownership of less than 365 days, ten percent of the profit for a resident entity and twenty-five percent of the profit for others, by the entity working for securities exchange market,	
Section 95Ka (4)	No advance tax shall be collected in case of disposal of interest invested through a mutual fund.	<del>No advance tax shall be collected in case of disposal of interest invested through a mutual fund.</del>	Provision removed
Section 95Ka (6Kha)	No Provision	If any person receives payment in foreign currency by providing software or similar electronic service outside Nepal, the bank, financial institution or money transfer entity shall deduct tax at the rate of 1 % on payment received.	New provision added
Section 116(5)	No Provision	While making appeal to the Revenue Tribunal u/s 116(1), 100 % of undisputed tax and 50 % of disputed tax, charges and interest shall be provided as deposit or bank guarantee of such amount shall be provided.	New provision added
Section 116(6)	No Provision	While calculating amount of deposit or bank guarantee u/s 116(5), the amount deposited for administrative review in Inland Revenue Department shall also be considered.	New provision added
Schedule 1 Section 1(4) (Kha) (3)	Tax shall be levied at the rate of five percent on the profit earned from the disposal of interest in entity listed in the Securities Board of Nepal.	Tax shall be levied at the rate of five percent on the profit earned from the disposal of interest in entity listed in the Securities Board of Nepal and having ownership of more than 365 days and tax shall be levied at the rate of 7.5 percent on the profit earned from the	The rate of advance tax increased from 5 percent to 7.5 percent on profit in case of disposal of interest in an entity listed in SEBON by resident natural person, having ownership of less



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
		disposal of interest in entity listed in the Securities Board of Nepal and <b>having ownership of less than 365 days.</b>	than 365 days.
Schedule 1 Section 1(9Ka)	No Provision	<b>If case of resident natural person having pension income, 25 percent of the exemption limit shall be deducted while calculating taxable income. However, the amount to be deducted as such shall not be more than as prescribed.</b>	New provision added
Schedule 1 Section 1(16Ka)	No Provision	<b>If any resident natural person insures the private building, which is in his/her ownership, in resident insurance company, lower of annual insurance premium amount or 5000 rupees shall be deducted on calculation of taxable income.</b>	New provision added
Schedule 1 Section 1(17)	In computing tax as per <b>section 4(4ka)</b> , tax shall be levied as per section 4(4) on <b>transaction up to 20 lakh rupees</b> , and tax shall be levied at the following rate on the transaction turnover exceeding that:  (a) for a person conducting transaction of goods including gas, cigarette by adding up to three percent commission or price, 0.25 percent of the transaction,  (b) for a person conducting a business other than that mentioned in clause (a), 0.75 percent of the transaction turnover,  (c) for a person conducting a service	In computing tax as per section 4 (4ka), tax shall be levied as per section 4(4) on <b>transaction up to 30 lakh rupees.</b> <b>In case of transaction exceeding 30 lakh rupees, tax shall be levied as below:</b>  (a) for a person conducting transaction of goods including gas, cigarette by adding up to three percent commission and having <b>transaction exceeding 30 lakh rupees up to 50 lakh 0.25 percent of transaction, and in case of transaction exceeding 50 lakh rupees up to 1 crore rupees, 0.3 percent of the transaction turnover,</b>  (b) for a person conducting a business other	The tax rate and applicable slab is revised.



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
	business, two percent of the transaction amount.	than that mentioned in clause (ka), Transaction exceeding 30 lakh rupees up to 50 lakh rupees- 1 percent of the transaction, Transaction exceeding 50 lakh rupees up to 1 crore rupees- 0.8 percent of the transaction,  (c) for a person conducting a service business, 2 percent of the transaction amount.	



## Amendments in Value Added Tax Act, 2052

Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
Section 10 (2)	<p>If any goods or services transacted by a person is declared taxable or if any person operates following transaction, such a person shall file an application for registration, in the prescribed format to the Tax Officer, within thirty days from the date of imposition of such tax of the date of commencement of such transaction:</p> <p>(a) Transaction upon production of brick, business from operation of industry relating to liquor, wine, health club, discotheque, massage, therapy, motor parts, electronic software, custom agent, toy business, trekking, rafting, ultralight flight, paragliding, tourist transportation, crusher, sand mine, slate and stone,</p> <p>(b) If any person operates hardware, sanitary, furniture, fixture, furnishing, automobiles, electronics, marble, educational consultancy, account and audit related services, catering services, party palaces business, parking services, dry cleaning using machine equipment, restaurants with bar, ice cream industry, color lab, boutique, delivery of uniform for educational institutes or health institutes or other entity metropolitan, sub-metropolitan or within an area specified by the Department.</p>	<p>If any goods or services transacted by a person is declared taxable, such a person shall file an application for registration, in the prescribed format to the Tax Officer, within thirty days from the date of imposition of such tax of the date of commencement of such transaction:</p>	<p>Compulsory registration based on the nature of business, regardless of turnover threshold has been removed.</p>
Section 10 (Ga)	<p>Person registered under this Act shall update such information and records regarding registration as prescribed by the department in the biometric registration system of the Department within the prescribed time.</p>	<p>Person registered under this Act shall update such information and records regarding registration as prescribed by the department in the biometric registration system of the Department.</p>	<p>Within a prescribed time has been removed.</p>



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
Section 16 (3)	A registered person shall use, for the purpose of keeping accounts, the purchase book and sales book certified by the concerned Tax Officer.	A registered or unregistered person with transaction of taxable goods or services shall use for the purpose of keeping accounts, purchase book and sales book for every financial year verified by himself/herself. Tax Officer may inspect such book at any time.	Provision for certifying purchase book and sales book by Concerned Tax Officer has been removed. Now any registered or unregistered person transacting in taxable goods or services can verify their purchase and sales books by themselves.
Section 16 (3Ka)	An unregistered person with transaction of taxable goods or services shall keep purchase book and sales book for every financial year verified by himself/herself. Tax Officer may inspect such book at any time.	Removed	This Provision has been removed as already covered by Section 16(3).
Section 16 (Kha)	In the event of loss and damage of goods due to arson, theft, accident, wear and tear or disruptive activities, value added tax paid on such goods may be deducted as prescribed.	In the event of loss and damage of goods due to arson, theft, accident, wear and tear or disruptive activities or expiry of consumption date, value added tax paid on such goods may be deducted as prescribed.	Provision to claim input VAT on goods whose consumption date has been expired has been added.
Section 20 (4Kha)	No Provision	Notwithstanding, anything written in sub-sec 4(Ka), tax officer shall not conduct reassessment of tax where, the revenue tribunal or other authorized court has already amended or reduced the determined tax. However, such bodies may order for reassessment of tax, and tax officer may determine the tax.	Tax officer shall not reassess the tax already decided by the revenue tribunal or any other authorized court unless order by such entity.
Section 21 (1Jha)	No Provision	By publishing or broadcasting or displaying in the website of Department, the name of taxpayers failing to pay tax dues within the time limit.	Name of taxpayers failing to pay tax within the time limit shall now be displayed publicly for recovery of tax.
Section 29 (1) Cha1	In the event of breach of Sub-section (3Ka) of Section 16, a fine of One Thousand Rupees for each breach.	Removed	Provision of Section 16 Sub-section 3(Ka) has been amended. So, penalty for the same has been removed.
Section	The Circular issued pursuant to Sub-section	The Circular issued pursuant to Sub-section (1)	Other Electronic Means has been



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
32Kha (2)	(1) may be published on the website of the Department or in the national newspaper for the information to the public.	may be published on the website of the Department or in the national newspaper <b>or other electronic means</b> for the information to the public.	added for issuing public circular.
Section 33	While making an appeal to the Revenue Tribunal pursuant to this Act, entire of the undisputed amount of tax has to be paid out of the amount of tax assessed, and a deposit equivalent to fifty percent of the disputed amount of tax and fine or a bank guarantee for such amount has to be furnished.	(1) While making an appeal to the Revenue Tribunal pursuant to this Act, entire of the undisputed amount of tax has to be paid out of the amount of tax assessed, and a deposit equivalent to fifty percent of the disputed amount of tax and fine or a bank guarantee for such amount has to be furnished.  (2) While calculating the amount of security deposit and bank guarantee as per sub-section (1) above, 25% amount deposited in Department for administrative review shall also be considered.	Amount deposited for administrative review shall also be considered for calculating the amount to be deposited for revenue tribunal.



## Amendments in Excise Duty Act, 2058

Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
Section 4Gha (2)	A businessperson, other than hotel and restaurants, carrying out transaction of liquor shall only transact liquors and tobacco.	A businessperson, other than hotel, restaurants and <b>party palaces</b> , carrying out transaction of liquor shall only transact liquors and tobacco.	Party palace has been added.
Section 9 (6Ka)	The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5), shall, for renewal of license, deposit the fine equivalent of fifty percent of the renewal fees in the first three months after the expiry of time limit and a fine of hundred percent of renewal fees in the next three months.  However, the producers and importers obtaining license pursuant to Sub-section (3) if fails to renew the license within the time limit as set forth in Sub-section (5), may renew their license within 14 Jan 2020 (end of Poush 2076), if intended, by depositing the renewal fees payable for each year and fine equivalent to hundred per cent of such fees.	The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5), shall, for renewal of license, deposit the fine equivalent of fifty percent of the renewal fees in the first three months after the expiry of time limit and a fine of hundred percent of renewal fees in the next three months.  <del>However, the producers and importers obtaining license pursuant to Sub-section (3) if fails to renew the license within the time limit as set forth in Sub-section (5), may renew their license within 14 Jan 2020 (end of Poush 2076), if intended, by depositing the renewal fees payable for each year and fine equivalent to hundred per cent of such fees.</del>	Conditional provision removed.
Section 9 (6Kha)	No Provision	<del>License of such license holder failing to renew as according to Subsection 5 and 6 shall be suspended.</del>	Provision for suspension of license added.
Section 16 (2)(Ga1)	No Provision	Section 16: In case licensee producing or importing liquor, beer, cigarette or tobacco products commits the following offence to conceal, hide or evade excise duty, such a person shall be punished with a fine in a sum equivalent to two hundred percent of the claimed amount or One Lakh	New addition for usage of other's brand name



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
		Rupees, whichever is higher or with imprisonment for a term not exceeding one year or with both punishments for such offence and the claimed amount shall also be seized. <b>(2) (Ga1)</b> <b>Produces, issuance, stores, sells and distributes using other's brand name with or without disclosing brand name.</b>	
Section 16 (3)	The claimed amount pursuant to Clause (e) of Sub-section (1) and Sub-section (2) shall be fixed by adding the value of the excisable goods determined based on the strength, quantity and shape of goods wherein the excise duty sticker has been used or may be used, and the excise duty charged on such excisable goods. If the goods and services whose claimed amount is to be fixed has already been sold, their claimed amount shall be fixed based on the selling price of such goods and services.	The claimed amount pursuant to Clause (e) of Sub-section (1) and Sub-section (2) shall be fixed by adding the value of the excisable goods or unbranded 70 UP liquor determined based on the strength, quantity and shape of goods wherein the excise duty sticker has been used or may be used, and the excise duty charged on such excisable goods. If the goods and services whose claimed amount is to be fixed has already been sold, their claimed amount shall be fixed based on the selling price of such goods and services.	Provision added for 70 U.P liquor.
Section 16 (6)	Notwithstanding anything contained in Sub-section (4), in cases where a motor vehicle is registered as on hire and used by its owner himself/herself, such vehicle shall be seized.	Notwithstanding anything contained in <b>Sub-section (5)</b> , in cases where a motor vehicle is registered as on hire and used by its owner himself/herself, such vehicle shall be seized.	Provision number changed.
Section 19 (6Ka) and (6kha)	No Provision	Section 19 : Provisions relating to administrative review and appeal Anybody dissenting to the decision of the Excise officer relating to assessment and recovery of the excise duty, he/she may submit an application for administrative review to the Director General within 30 days of receipt of such information. After subsection 6: <b>(6ka) 100% of undisputed excise duty amount</b>	Two new subsections added regarding deposit of amount for appeal in Revenue Tribunal.



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
		<p>and 50% of disputed excise duty amount and penalty shall be provided as security or as bank guarantee to make appeal to Revenue Tribunal.</p> <p>(6kha) While calculating the amount of security deposit or bank guarantee pursuant to (6ka) above, the amount of 25% of excise duty deposited in the Inland Revenue Department for administrative review shall also be considered.</p>	

Some Changes in Excise Duty Rates	
Particulars	Amendments for 2078/79
Life saving materials and equipment like oxygen gas, liquid oxygen, oxygen cylinder, oxygen concentrator and medicines	Suspension of excise duty till Poush end 2078
Electronic Vehicles	Excise duty suspended
Refrigerator, grinder, rice cooker, fan and similar electronic items	Excise duty suspended
Liquors, cigarettes and soft drinks	Excise duty increased



## Amendments in Custom Act, 2064

Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
Section 18 (7)	No provision	Matters like nature, brand, model, shape, size, unit, producer and other related information for identification of goods to be imported as per this section shall be declared in declaration form.	Newly Added Provision.
Section 34	Whole section replaced	<p><b>Power to make post clearance audit:</b></p> <ol style="list-style-type: none"> <li>1. Director General or Custom Examiner shall have power to examine books of accounts and records related to export and import and likewise: banking statements, computer systems of exporter or importer to ascertain:               <ol style="list-style-type: none"> <li>a. Declaration if done or not as according to Section 18 (7)</li> <li>b. If goods are as declared or not</li> <li>c. Custom duty of goods is correct or not</li> <li>d. Classification of goods and subheadings if proper or not</li> <li>e. Applicable fees and charges as per other Acts paid or not</li> <li>f. Goods imported in subsidy imported by prescribed importer and used for the prescribed purpose or not.</li> <li>g. Uniformity of goods in terms of shape, weight, unit between import documents and importer's official documents.</li> </ol> </li> <li>2. In cases of difference in custom duty because of difference in valuation, classification of goods and missing of fees and charges as per other Acts: lessened custom duty to be recovered and 100 % of such amount to be imposed as fine.</li> <li>3. In case of less custom duty levied due to: difference in nature of goods, declaration of</li> </ol>	New Provision by replacing the existing provision



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
		<p>lesser quantity, lessened custom duty to be recovered and fine as per Section 57 to be imposed.</p> <p>4. 5% fine shall be levied if goods are imported without declaring as required by Subsection 1 (ka). However, if goods cannot be classified because of complex nature of goods above mentioned penalty shall not be levied.</p> <p>5. Penalty as per Section 57 (20) for violation of Subsection 1 Cha.</p> <p>6. 5% of applicable custom duty shall be imposed if uniformity cannot be established between import documents and importer's official documents.</p> <p>7. If exporter or importer is subject to additional duty or fines and penalties, he shall be informed accordingly and 15 days for justification shall be provided.</p> <p>8. In case information as per Subsection 7 has been obtained, concerned person shall provide justification within 15 days.</p> <p>9. If justification has been received after such recipient and if no justification has been received after end of 15 days, additional duty and charges shall be assessed and information regarding same shall be provided to concerned exporter or importer and if no additional duty and charges needs to be applied information shall be provided accordingly.</p> <p>10. When order for paying additional duty and charges has been obtained same should be paid within 35 days and 15 % interest p.a. shall be imposed from the date of such</p>	



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
		<p>order when additional duty and charges are not paid.</p> <p>11. If such amount is not paid, it can be recovered from movable or immovable property of concerned exporter or importer.</p> <p>12. If such amount cannot be recovered as per Section 11, it shall be recovered as government due.</p> <p>13. Bank statements, books of accounts, tax details, bills, and other documents related to business of exporter or importer can be requested by Director General or Custom Examiner from concerned bank and financial institution and other person or entity related to exporter or importer and it shall be duty of such person to provided requested information.</p> <p>14. Director General or Custom Examiner while examining as per Subsection 1 can summon and interrogate the concerned person and ask for justifications and obtain evidences in written form.</p> <p>15. Notice can be issued privately or publicly for purpose of Section 14.</p> <p>16. If cooperation is not provided by concerned person as required by Subsection 14 and 15, charges shall be levied as per Section 57 (15 ka) and inspection and examination of available documents shall be done.</p> <p>17. Re-examination can be done if additional information is obtained after carrying out examination as per Subsection 16.</p> <p>18. Examination as per this section can be done till 4 years after clearance of goods.</p>	



Section	Existing Provision (2077/78)	Amended Provision (2078/79)	Changes
		<p>However, no time limitation in case of import and export by using false documents.</p> <p>19. Communication required by this section shall be done through email of such concerned person.</p>	
Section 62 (1)	A person who is not satisfied with the customs duty determined by the Customs Officer or other employee under this Act or with any order or punishment or decision issued or made by the Customs Officer, except any decision or order referred to in Section 13, or with any decision made by the Valuation Review Committee formed pursuant to Section 61 may make an appeal to the Revenue Tribunal within thirty five days after the date of the determination of such customs duty or the imposition of punishment or the making of decision.	A person who is not satisfied with the customs duty determined by the Customs Officer or other employee under this Act or with any order or punishment or decision issued or made by the Customs Officer, except any decision or order referred to in Section 13, or with direction given by director general or custom examiner for paying custom and related charges, as per section 34 or with any decision made by the Valuation Review Committee formed pursuant to Section 61 may make an appeal to the Revenue Tribunal within thirty five days after the date of the determination of such customs duty or the imposition of punishment or the making of decision.	Addition of one more clause.
Section 89 Kha	Export/ Import number to be taken 1. Person doing business of export and import shall take export and import reference number for the purpose of export import.	<p>Subsection 1: No business of export and import shall be done without taking reference number.</p> <p>But person prescribed can do business of export and import without taking reference number.</p> <p>Subsection 7: Other provisions related to reference number shall be as prescribed.</p>	Change in subsection 1 by providing exemption to certain person and addition of subsection 7.



<b>Some Changes in Custom Rates</b>	
<b>Particulars</b>	<b>Amendments for 2078/79</b>
Life saving materials and equipment like oxygen gas, liquid oxygen, oxygen cylinder, oxygen concentrator and medicines	No custom duty to be levied till Poush end 2078 and after that 5% and 1% as per nature of equipment.
Electronic vehicles	10%
Induction stove	1%
Refrigerator	15%
Grinder, rice cooker	10%
Infant milk	Decrease in custom duty by 50%
Industrial raw materials	Custom duty to be levied at least one level below finished goods.
Liquors, cigarettes and soft drinks	Custom duty changed
Tea, jute, films, pashmina, hatcheries and equipment and spare parts to be used by agricultural and nursery firms.	Custom duty suspended
One transportation vehicle imported by agricultural cooperative society working collectively and commercially.	Decrease in custom duty by 50%

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