

NEPAL BUDGET HIGHLIGHTS

FISCAL YEAR 2079/80 (2022/23)



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(ICAN)



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A Quick Insight of Nepal Budget 2079/80 (2022/23)

A. 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. The Budget for Fiscal Year 2079/80 was framed with the mission to increase in Stability, Productivity and Employment: Inclusive development, Self-dependency and Economic prosperity. Budget for Fiscal Year 2079/80 as presented by Hon'ble Finance Minister, Mr. Janardhan Sharma (*Prabhakar*) on 29th May 2021(2079/02/15) has been summarized below:

1. Objectives of Budget

To attain High and Sustainable Economic Growth through developing Production based Economy.

To create Employment and Alleviate Poverty through unified mobilization of Available Resources, Labor Forces, Capital and Technology.

To maintain Financial Discipline and to maintain unified Economic Stability through maintaining appropriate limit of Inflation Level.

To establish Federalism as the carrier of Prosperity through transferring the Resources to State and Local Level.

To create the base of Balanced, Inclusive, Self-dependent and Socialism-oriented Economy through Economic and Social transformation.

2. Priorities of Budget

Transformation of Agriculture Sector,

Increase in Production and Productivity, creation of Employment and Alleviation of Poverty through collaboration of Governmental, Private and Cooperative sector,

Neo-enforcement based Local Economic Development,

Human Resource Development,

Infrastructure Development and Capital Formation,

Electricity Production, Expansion of Extension Line and Rural Electrification,

Industrial Development, Investment Promotion and Revival of Tourism Sector,

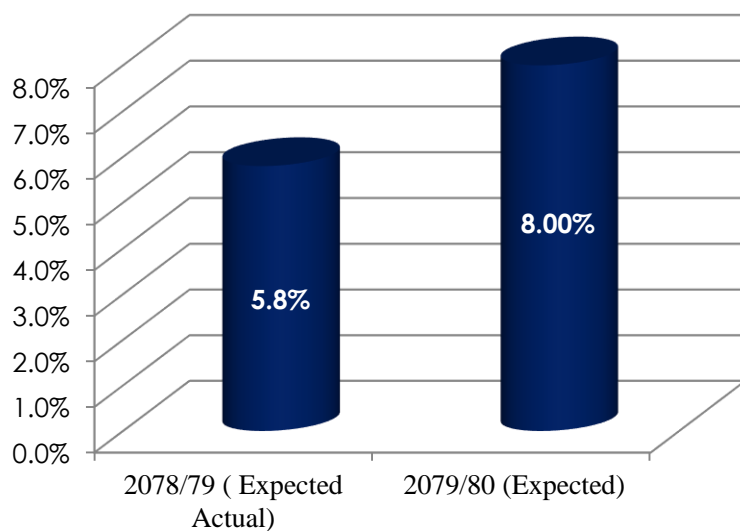
Environment Protection, Disaster Management and Reduction of Risk relating to Climate Change,

Effective Public Service, Governance Promotion and Periodic Election,

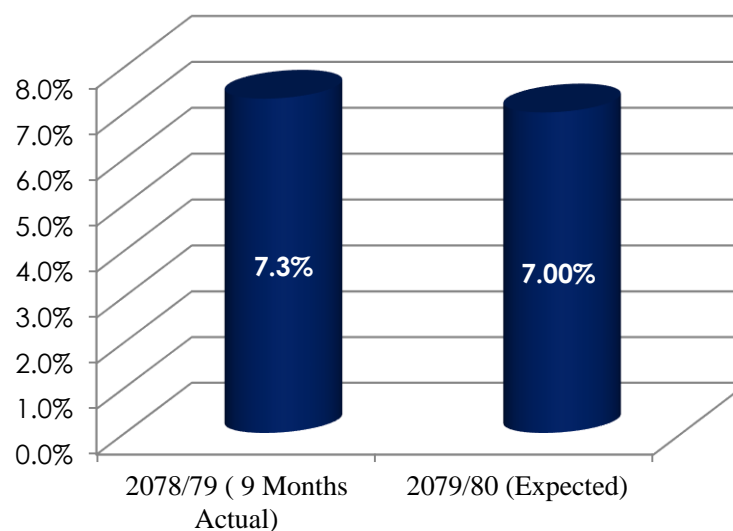
Scientific Research and Development.

3. Economic Growth Rate and Inflation

Expected Economic Growth Rate



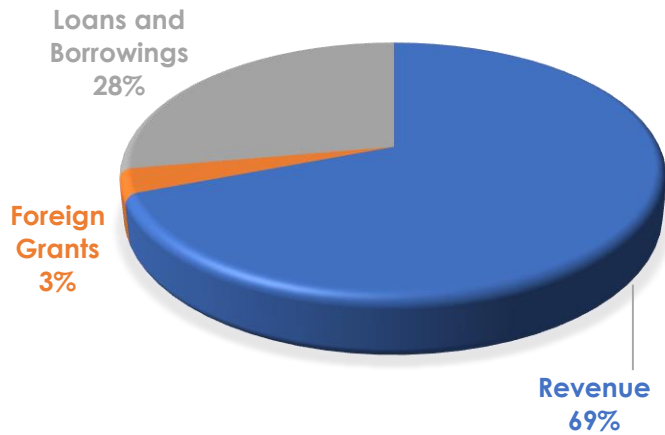
Expected Inflation



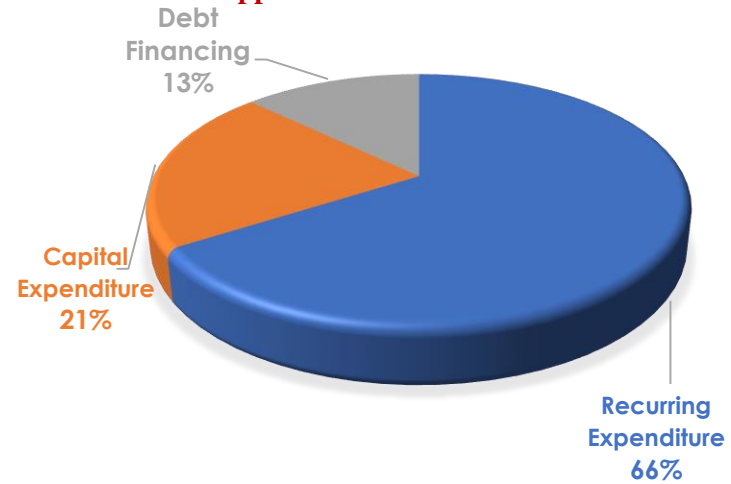
4. Comparison of Budget Size

SN	Source of Fund	NPR (Billion)- 2079/80	Revised NPR (Billion)-2078/79	Application of Fund	NPR (Billion)- 2079/80	Revised NPR (Billion)-2078/79
1	Revenue	1,240.11	1,018.52	Recurring expenditures	1,183.25	971.86
2	Foreign Grants	55.46	24.81	Capital expenditures	380.38	300.09
3	Loans and borrowing	498.26	404.18	Debt Financing	230.20	175.56
	Total	1,793.83	1,447.51	Total	1,793.83	1,447.51

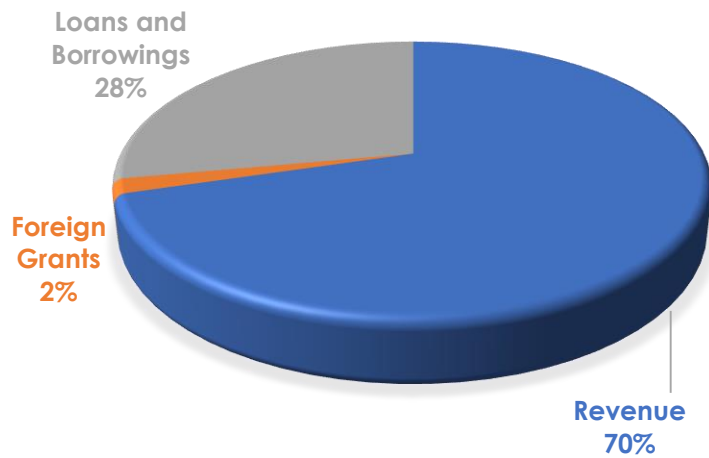
Source of Fund -2079/80



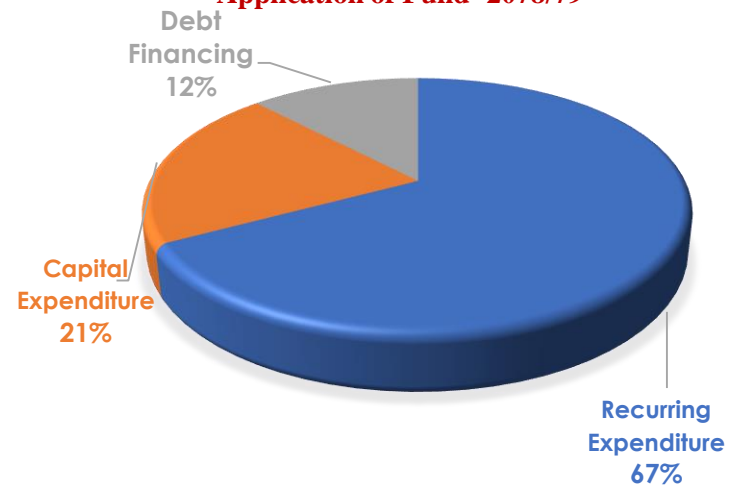
Application of Fund -2079/80



Source of Fund -2078/79



Application of Fund -2078/79

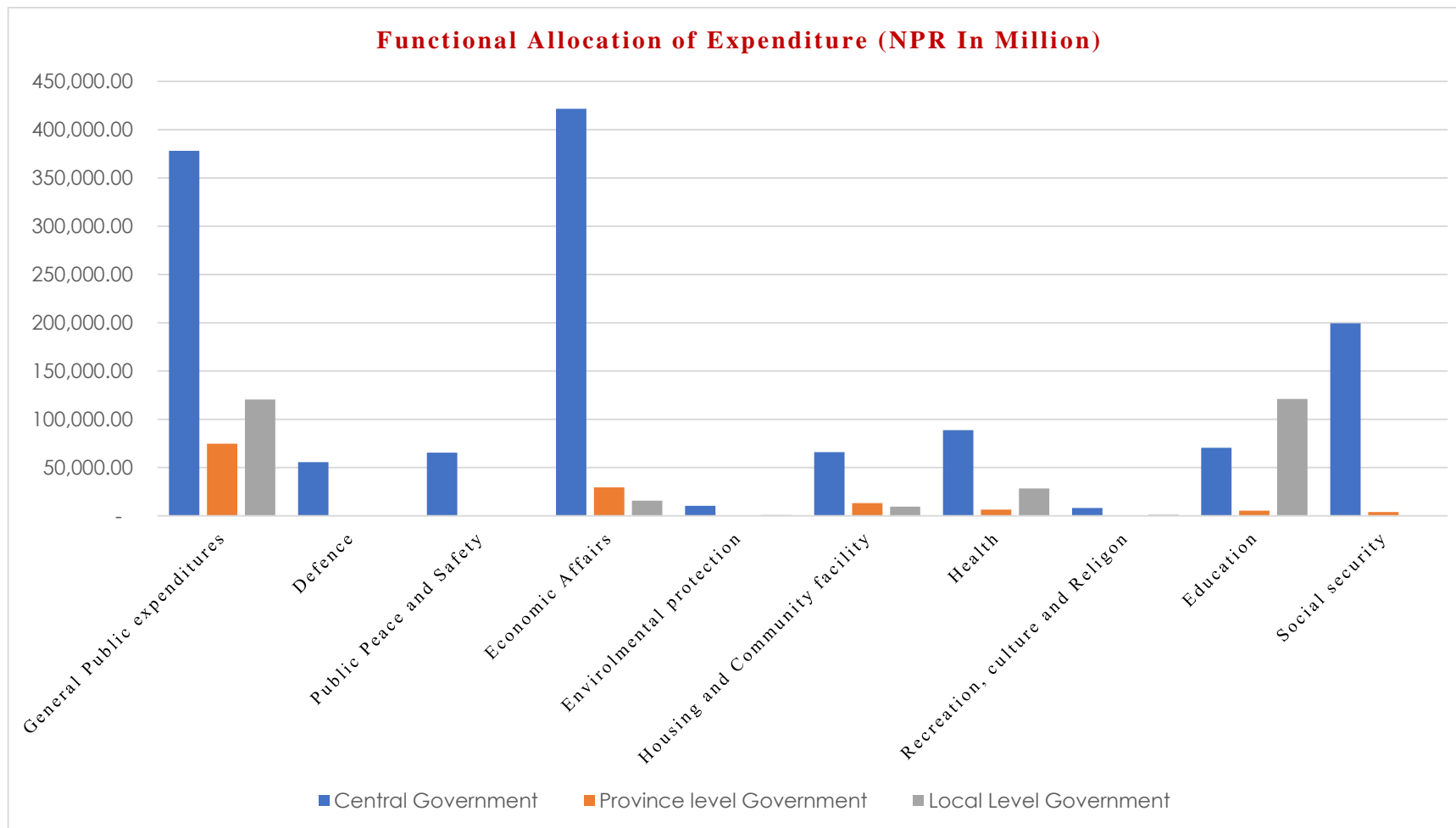


5. Ministry Wise Budget Allocation

(NPR in Millon)

Ministry	Central	Province	Local Level	Total Budget	% of Total
Office of the Prime Minister and Council of Ministers	4,607.80	-	-	4,607.80	0.26%
Ministry of Finance	41,668.00	-	-	41,668.00	2.32%
Ministry of Industry, Commerce and Supplies	10,774.00	18.20	2,292.30	13,084.50	0.73%
Ministry of Energy, Water Resources and Irrigation	100,396.80	7,553.70	668.20	108,618.70	6.06%
Ministry of Law, Justice and Parliamentary Affairs	886.70			886.70	0.05%
Ministry of Agriculture and Livestock Development	52,160.30	1,645.20	6,093.20	59,898.70	3.34%
Ministry of Water Supply	30,135.30	5,425.60	1,893.10	37,454.00	2.09%
Ministry of Home Affairs	185,034.50		911.90	185,946.40	10.37%
Ministry of Culture, Tourism and Civil Aviation	20,320.30	168.00	1,143.40	21,631.70	1.21%
Ministry of Foreign Affairs	5,833.50			5,833.50	0.33%
Ministry of Forests and Environment	13,006.80	2,270.20	859.80	16,136.80	0.90%
Ministry of Land Management, Cooperatives and Poverty Alleviation	7,150.60		59.60	7,210.20	0.40%
Ministry of Physical Infrastructure and Transport	161,567.40	14,768.40		176,335.80	9.83%
Ministry of Women, Children and Senior Citizen	1,469.30		315.00	1,784.30	0.10%
Ministry of Youth and Sports	2,455.00	395.20	402.30	3,252.50	0.18%
Ministry of Defense	55,039.50			55,039.50	3.07%
Ministry of Urban Development	40,053.10	6,965.60	7,993.20	55,011.90	3.07%
Ministry of Education, Science and Technology	70,053.30	5,323.60	121,016.20	196,393.10	10.95%
Ministry of Information and Communications	9,089.00			9,089.00	0.51%
Ministry of Federal Affairs and General Administration	25,034.40	6,357.70	5,602.90	36,995.00	2.06%
Ministry of Health and Population	69,380.20	6,266.80	27,444.30	103,091.30	5.75%
Ministry of Labor, Employment and Social Security	2,080.30	10.00	7,030.90	9,121.20	0.51%
Others than above-including committees, commission	455,809.00	72,292.40	116,645.30	644,746.70	35.94%
Total Budget	1,364,005.10	129,460.60	300,371.60	1,793,837.30	100.00%
% of Total Budget Level Wise	76.53%	6.29%	17.18%	100%	

6. Function Wise Budget Allocation



7. Major Highlights of Budget 2079/80

- The Government shall establish Farmer Welfare Fund to introduce contribution-based Farmer Pension Plan under the Government with Farmer Program and the Government will deposit 10 percent of the amount deposited by the Farmers in this Fund. NPR 1 Billion has been allocated as seed money to establish the Fund.
- Free health check-up once a year for people over age of 40 years.
- Only licensed persons and companies to be allowed to deal with the real estate business, to begin with, in metropolitan and sub-metropolitan cities this year.
- Up to 8 percent cash subsidy on Cement, Steel, Footwear and Mineral Water exports
- Government land leased facility for 50 years for setting up industries
- Each branch of commercial banks will have to provide loan to at least 5 agricultural production and processing industries.
- Commodity Exchange Market shall be operated. License shall be granted to operate Private Equity and Venture Capital.
- Hedging Fund shall be established to mitigate foreign investment risk arising from foreign exchange fluctuations.
- Reservation of 10% share in the Initial Public Offering (IPO) to the Nepalese on foreign employment.
- Government announces to operate sick and almost closed industries such as Janakpur Cigarette Factory, Krishi Aujar Karkhana Ltd., Biratnagar Jute Mill, Butwal Dhago Kharkhana Ltd., Hetauda Textile Industry etc.
- Ten thousand youths shall be imparted with entrepreneurship training through Business Incubation Centre.
- Insurance coverage shall be expanded through One Family One Insurance concept. Studies shall be conducted to issue Catastrophic Bond.
- Salaries of government employees increased by 15 percent.
- The government has lowered the minimum limit for foreign investment to NPR 2 Crore from existing limit is NPR 5 Crores
- Social Security allowance to Old age citizen in 68 years now. Previously, it was 70 years. People volunteering to not receive the social security allowances to be honored.
- One electric stove per family will be distributed through the local level.
- Government offices are encouraged to use domestic produces. Make in Nepal and Made in Nepal campaign shall be promoted.
- The government shall make arrangement for free kidney transplant.
- 2 to 15 percent concession on electricity bill to industries consuming electricity having the bill at least of NPR 10 crores monthly.
- Construction of Gautam Buddha International Cricket Stadium in Chitwan to be taken over by the government.
- Construction of Kathmandu-Chitwan fast track.
- Flyover at Satdobato, Gwarko and Ekantakuna and underpass in Koteshwar-Baneshwar in Kathmandu.
- Arrangements will be made for electronic payment in transportation in major cities
- Unbundling of the Civil Aviation Authority of Nepal into two bodies –service provide and regulator.
- Rs 1.5 billion allocated for allowances to people living with chronic diseases such as cancer and kidney problems.
- Day-meal program extended up to grade 6, to be upgraded up to grade 8 later.

- Melamchi Drinking Water Development Board and Rural Drinking Water and Cleaning Fund Development Board are dissolved, and the Department of Water Supply and Sewerage Management to take over.
- Singhadurbar to be free of gas cylinders to promote electric stove usage within next Shrawan.
- National ID card for all citizens in the next two years.
- Waiver on Annual Licensing and Renewal Fee for Fiscal Year 2079/80 to Tourism sector business including Hotel affected by COVID -19.
- Government will provide subsidies of 5% of Capital to cooperative establishing Agricultural Manufacturing Industry with at least NPR 20 Crore paid capital.
- Government will provide subsidies of 20% on procurement of necessary machinery to Local Level establishing the Agricultural Manufacturing Industries with own capital including at least 300 local farmers.
- Funds allocated for provincial and federal elections.

8. Major Highlights Relating to Tax as per Budget Speech

- PAN registration and e-TDS return to be made compulsory for Government offices under Federal Government, Province Government and Local Government.
- PAN registration to be made compulsory for all citizen including minor citizens engaged in investment or business
- PAN and tax clearance certificate to be made compulsory for foreign citizen working in Nepal while renewing VISA and Work Permit.
- PAN and tax clearance certificate to be made compulsory for professionals while renewing professional certificates and PAN to be made compulsory for buyer of four wheelers.
- First tax slab (1%) increased to NPR 5 lakhs for single natural person and NPR 6 lakhs for couple. Investment Insurance limit for deduction has increased to NPR 40 thousand.
- 40% tax waiver for industry established to manufacture or assemble electric 4 wheelers upto 5 years from the date of operation.
- Resident person earning foreign exchange by providing services based on information technology such as business process outsourcing, software programming, cloud computing shall be levied only 1 % tax as per Income Tax Act 2058 on income earned in foreign currency.
- COVID-19 affected small taxpayer with annual turnover of NPR 30 lakhs in 2078/79 to be provided 75% waiver in applicable tax rate and taxpayer with annual turnover of NPR 30 lakhs to NPR 1 crore in 2078/79 to be provided 50% waiver in applicable tax rate.
- For hotel, travel, trekking, film industries affected by COVID -19, 50 % waiver in applicable tax rate.
- Income tax of industries manufacturing agricultural equipment, instruments or spare parts to be waived off up to 5 years from date of operation.
- Special Industry established in Karnali Province and hilly districts of Sudur Paschim Province and providing direct employment to more than 100 citizens to be waived off from income tax upto to 15 years from date of operation.
- TDS @ 1.5% shall be deducted in case of royalty payment to a resident person for literary article and composition.
- Industry established for manufacturing or assembling of four wheelers shall be provided 25% waiver in applicable custom duty and 50% waiver in applicable excise rate while importing parts or raw materials on recommendation of Department of Industry. Only 1% custom duty shall be levied on raw materials or spare parts to be imported by industries producing electric rickshaw and electric motorcycle or scooter.



- 90% waiver in applicable custom duty for import of sanitary pad. 1% custom duty for import of raw materials for locally producing sanitary pad.
- 100% waiver in applicable custom duty for 1 agricultural ambulance or transport vehicle purchased by local level government. 50% custom duty waiver in transport vehicle purchased by agricultural co-operative for purpose of transporting agricultural goods.
- 75% waiver in applicable custom duty while importing up to 2 school buses by community or public schools.
- 100% waiver in applicable custom duty in recommendation of Department of Industry while importing raw materials by industries manufacturing assisting materials of disabled persons. No custom duty shall be imposed for urine bags to be used by disabled person.

B. MAJOR AMENDMENTS IN TAX LAWS

1. Special Amendments made by Finance Bill, 2079

Section	Particulars
Section 15	Entity providing telecommunication services like telephone, mobile, internet etc. shall collect 10 % amount of service fee as telecommunication service charge (which was 13% in previous income year).
Section 16	Entity or person licensed for operating casino in Nepal shall pay royalty Rs.5 crore on annual basis for operating casino (which was Rs. 4 crores in previous income year) and shall pay royalty of Rs. 1 crore 50 lakhs on annual basis for operating games entirely based on modern equipment or machine. 40 % such royalty amount shall be deposited within Poush end, another 30 % within Chaitra end and remaining 30 % within Ashadh end.
Section 20	Digital service tax of 2 % shall be levied on digital service provided by nonresidents to Nepalese Citizens. However, digital service tax shall not be levied up to the annual transaction of Rs. 20 lakhs of digital service.
Section 21	Exemption on COVID 19 affected transactions: <ul style="list-style-type: none"> ▪ 75 % exemption on income tax for fiscal year 2078/79 shall be provided to the taxpayer paying income tax as per section 4(4) of the Income Tax Act, 2058. ▪ 50 % exemption on income tax for fiscal year 2078/79 shall be provided to the taxpayer paying income tax as per section 4(4ka) of the Income Tax Act 2058. ▪ Resident person having Hotel, travels, trekking, motion picture business (production, distribution and screening), party palace, media house or transportation service conducting transaction more than 1 crore as per its objective in fiscal year 2078/79 shall be provided 50 % exemption in income earned as per its objective.
Section 22	Resident person earning foreign exchange by providing services based on information technology such as business process outsourcing, software programming, cloud computing shall be levied only 1 % tax as per Income Tax Act 2058 on income earned in foreign currency.
Section 23	If the transport business operator has taken service of transport vehicle on rent from a natural person not having PAN in IY 2077/78 and deposited TDS as per section 88(1)(8), such expenses will be allowed for deduction while calculating taxable income even though such expense is not supported by an invoice.
Section 24	Firms and companies established as per private firm registration act, 2014 and company act, 2063 and failing to submit the annual returns and renew the entity shall be allowed to submit returns and to renew business by paying 5 % of fines and charges applicable on such delay and remaining fines and charges shall be waived if paid within Poush end 2079.
Section 25	If any person who have earned taxable income but not paid any tax on such income obtains PAN and submits income tax and income tax return for Income Year 2075/76, 2076/77 and 2077/78 within Poush end 2079, applicable interest and charges shall be waived.



Section	Particulars
Section 26	Joint ventures registered as per Value Added Tax Act, 2052 and failing to pay VAT and submit tax returns up to 2078 Chaitra shall be waived applicable fines, additional charges and 50 % of interest if the joint venture submits the tax return along with tax as per tax return and 50 % interest within Poush end 2079. If any joint venture has submitted the tax return up to Chaitra 2078 but tax has not been paid, additional charge and 50 % interest shall be waived if due amount of tax and 50 % of interest is paid within Poush end 2079.
Section 27	Entities established as per Excise Act, 2058 and licensed under self-removal system failing to submit excise return and failing to pay excise duty up to 2078 Chaitra shall be waived applicable fines and 50 % of late fees if the entity submits the return along with payment of excise duty and 50 % of late fees within Poush end 2079. If excise return has been submitted by such entities up to Chaitra 2078 but excise duty has not been paid, applicable fine and 50 % of late fee shall be waived if due amount of excise duty and 50 % of late fee is paid within Poush end 2079.
Section 30	Custom duty, excise duty and value added tax shall be waived for IY 2079/80 on import of machine equipment for establishing vaccine factory as per the approved scheme.
Section 31	Custom duty, excise duty and value added tax shall be waived for IY 2079/80 on import of machine equipment falling under custom subhead 8421.39.10 for establishing liquid oxygen factory.

2. Amendments in Income Tax Act, 2058

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
Section 11(1)	<p>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).</p> <p>Provided, if any income is earned by carrying on agricultural business by being registered as any firm, company, partnership firm and other corporate body, 25 % tax on applicable income tax shall be exempted.</p>	<p>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).</p> <p>Provided, if any income is earned by carrying on agricultural business, business of dehydrating vegetables, and cold storage business by any firm, company, partnership firm, and other corporate body, 100 percent tax on applicable income tax shall be exempted.</p>	<p>Cent percent tax is exempted on income from agriculture business, the business of dehydrating vegetables, and cold storage business earned by any firm, company, partnership firm, and other corporate body.</p>
Section 11 (3) (Kha)	<p>Special Industry established in Karnali Province providing employment to more than 100 Nepali citizens shall be exempted from income tax for 15 years from the date of starting the transaction.</p>	<p>Special industries established in Karnali Province and hilly districts of Sudurpashchim Province providing employment to more than 100 Nepali citizens shall be exempted from income tax for 15 years from the date of starting the transaction.</p>	<p>Special industries established in hilly districts of Sudurpashchim Province providing employment to more than 100 Nepali citizens shall be exempted from income tax for 15 years from the date of starting the transaction.</p>
Section 11 (3) (Gha)	<p>Tax exemption shall be provided as below to a person engaged in commercial transactions of electricity:</p> <p>Ka) 100 % tax exemption for the first 10 years from the date of starting the commercial</p>	<p>Tax exemption shall be provided as below to a person engaged in commercial transactions of electricity:</p> <p>Ka) 100 % tax exemption for the first 10 years from the date of starting of commercial</p>	<p>Time to start production and distribution of electricity to get an exemption facility has been extended and reservoir-based and semi reservoir-based hydropower</p>

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
	<p>transaction and 50 % tax exemption for the next 5 years shall be provided to the licensed person starting commercial production and distribution of hydroelectricity, electricity from solar, electricity from wind, and bioelectricity within Chaitra 2082.</p> <p>Provided, 100 % tax exemption for the first 15 years and 50 % tax exemption for the next 6 years shall be provided to reservoir-based and semi reservoir-based hydropower projects with a capacity higher than 200 MW completing financial closure within Chaitra end, 2082.</p>	<p>transaction and 50 % tax exemption for next 5 years shall be provided to the licensed person starting commercial production and distribution of hydroelectricity, electricity from solar, electricity from wind, and bioelectricity within Chaitra 2083.</p> <p>Provided, 100 % tax exemption for the first 15 years and 50 % tax exemption for the next 6 years shall be provided to reservoir-based and semi reservoir-based hydropower projects with a capacity higher than 40 MW completing financial closure within Chaitra end, 2085.</p>	<p>with the capacity of a minimum of 40 MW can also get this facility.</p>
Section 11(3Nga) (Ga)	<p>Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows:</p> <p>(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,</p> <p>(b) twenty percent of tax leviable on the income of an entity,</p> <p>(c) additional thirty-five percent of the tax on income earned from the export of goods produced by a production-based industry,</p>	<p>Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows:</p> <p>(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,</p> <p>(b) twenty percent of tax leviable on the income of an entity,</p> <p>(c) additional fifty percent of the tax on income earned from the export of goods produced in Nepal after deduction of the exemption under clause (ka) or (Kha).</p>	<p>The rate of exemption on income earned from the export of goods produced in Nepal by any person/entity has been increased from thirty-five percent to fifty percent.</p>

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
	after deduction of the exemption under clause (ka) or (kha).		
Section 1(3Ba)	Industry producing medical vaccines, oxygen gas, and the sanitary pad shall be exempted from tax at 100 percent for the first 3 years from the date of starting production, and 50 percent tax shall be exempted for the next 2 years.	Industry producing medical vaccines, oxygen gas, and the sanitary pad shall be exempted from tax at 100 percent for the first 5 years from the date of starting production, and 50 percent tax shall be exempted for the next 2 years.	Industry producing medical vaccines, oxygen gas, and sanitary pad will get a 100 percent exemption facility for additional 2 years.
Section 1(3Bha)	No Provision	In the case of Industries established within Ashadh end 2082, with the objective of production and assembly of electric vehicles, 40 % income tax will be exempted for 5 years from the date of starting the transaction.	Newly added provision.
Section 1(3Ma)	No Provision	In the case of Industries established within Ashadh end 2082, with the objective of production of agricultural equipment, 100 percent income tax will be exempted for 5 years from the date of starting the transaction.	Newly added provision.
Section 11 Ga	In case of investment made up to Chaitra end 2080 in infrastructure development projects such as hydropower projects of national importance, international airports, underpass and roadways, railways, etc. cement industry, steel industry, industry based on agriculture, industry based on tourism, special industry providing employment to more than 300 Nepali citizens and utilizing more than 50 percent local raw materials, any source of investment will not be sought.	In case of investment made up to Chaitra end 2080 in infrastructure development projects such as hydropower projects of national importance, international airports, underpass and roadways, railways, etc. cement industry, steel industry, industry based on agriculture, industry based on tourism, special industry providing employment to more than 300 Nepali citizens and utilizing more than 50 percent local raw materials, any source of investment will not be sought.	Provision removed.

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
Section 21 (3)(Ga)	Explanation: c) “Cash Payment” means a payment except for payment by a letter of credit, account payee cheque, draft, money order, telegraphic transfer, money transfer (hundi) through a bank or financial institution, and a transfer made by any other means between banks or financial institutions.	Explanation: Ga) “Cash Payment” means a payment except for payment by a letter of credit, account payee cheque, draft, money order, telegraphic transfer, money transfer (hundi) through a bank or financial institution, payment through a digital wallet approved by Nepal Rastra Bank , and a transfer made by any other means between banks or financial institutions.	Payment made through digital wallet will not be considered as a cash payment.
Section 57 (1Ka)	For the purpose of calculation of change in ownership by fifty percent or more than fifty percent of an entity, only following ownership of such entity shall be taken into consideration. Ka) Ownership owned by shareholder having ownership of one percent or more than one percent of total ownership Kha) Ownership owned by a shareholder having ownership of less than one percent who is associated person of a shareholder holding ownership of more than one percent of total ownership	For the purpose of calculation of change in ownership by fifty percent or more than fifty percent of an entity, only following ownership of such entity shall be taken into consideration. Ka) Ownership owned by shareholder or partner having ownership of one percent or more than one percent of total ownership Kha) Ownership owned by shareholder or partner having ownership of less than one percent who is associated person of a shareholder or partner holding ownership of more than one percent of total ownership	The word “Partner” has been inserted due to which the related provision will be applicable to partnerships also.
Section 65(1)(Kha)	No Provision	Clarification: For the purpose of this section, “Contribution-based Interest” means interest related to the retirement contribution contributed within the limit as per section 63(3).	Newly added clarification.
Sec 88 (1) (12)	No Provision	TDS @ 1.5% shall be deducted in case of royalty payment to a resident person for literary article and composition.	Newly added provision

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes												
Sec 95ka (5)	<p>The Land Revenue Office shall collect advance tax as follows at the time of registration on capital gain earned from the disposal of land or private building of any individual:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Tax rate</th> </tr> </thead> <tbody> <tr> <td>Non-business taxable asset (land and building) having ownership of five years or more</td> <td>2.5 %</td> </tr> <tr> <td>Non-business taxable asset (land and building) having ownership of five years or more</td> <td>5%</td> </tr> </tbody> </table>	Particulars	Tax rate	Non-business taxable asset (land and building) having ownership of five years or more	2.5 %	Non-business taxable asset (land and building) having ownership of five years or more	5%	<p>The Land Revenue Office shall collect advance tax as follows at the time of registration on capital gain earned from the disposal of land or private building of any individual:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Tax rate</th> </tr> </thead> <tbody> <tr> <td>Non-business taxable asset (land and building) has the ownership of five years or more</td> <td>5%</td> </tr> <tr> <td>Non-business taxable asset (land and building) has the ownership of five years or more</td> <td>7.5%</td> </tr> </tbody> </table>	Particulars	Tax rate	Non-business taxable asset (land and building) has the ownership of five years or more	5%	Non-business taxable asset (land and building) has the ownership of five years or more	7.5%	<p>The advance tax rate on disposal of non-business taxable asset revised from previous 2.5 % to 5% and from 5% to 7.5%</p>
Particulars	Tax rate														
Non-business taxable asset (land and building) having ownership of five years or more	2.5 %														
Non-business taxable asset (land and building) having ownership of five years or more	5%														
Particulars	Tax rate														
Non-business taxable asset (land and building) has the ownership of five years or more	5%														
Non-business taxable asset (land and building) has the ownership of five years or more	7.5%														
Sec 97 (1)(Ga1)	No Provision	Resident natural person having income only as mentioned in sub section (6kha), (6 Ga) (6 Gha) of Sec (95Ka).	Newly added provision. Resident natural person having income only as mentioned in sub section (6kha), (6 Ga) (6 Gha) of Sec (95Ka) don't have to file income tax return under section 96.												
Schedule 1 sec 1(3)	<p>The provision contained in sub-section (4) of this Schedule shall apply in the following circumstances:</p> <p>Ka) In the case of a resident individual, where the income is more than four hundred thousand rupees in any income year or in the case of a resident couple who has made choice referred to in Section 50, where the income is more than four hundred fifty thousand rupees in any income year, and Kha) Where the net profit derived from the disposal of non-business taxable assets is included in the computation of the income</p>	<p>The provision contained in sub-section (4) of this Schedule shall apply in the following circumstances:</p> <p>Ka) In the case of a resident individual, where the income is more than five hundred thousand rupees in any income year or in the case of a resident couple who has made choice referred to in Section 50, where the income is more than six hundred thousand rupees in any income year, and Kha) Where the net profit derived from the disposal of non-business taxable assets is included in the computation of the income</p>	Replaced the existing provision with new provision												

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes																																				
	and corresponding taxable income of that individual or couple.	and corresponding taxable income of that individual or couple.																																					
Schedule 1 Sec (1)(2)	<p>Tax rate to be levied on taxable income of resident individuals and couple elected under section 50 shall be as follows.</p> <table border="1"> <thead> <tr> <th>Taxable Income of Resident Individual (NPR)</th> <th>Taxable Income of Couple U/S 50 ((NPR)</th> <th>Tax rates</th> </tr> </thead> <tbody> <tr> <td>First 400,000</td> <td>First 450,000</td> <td>1%</td> </tr> <tr> <td>400,000 – 500,000</td> <td>450,000 – 550,000</td> <td>10%</td> </tr> <tr> <td>500,000 – 700,000</td> <td>550,000 – 750,000</td> <td>20%</td> </tr> <tr> <td>700,000 – 2,000,000</td> <td>750,000 – 2,000,000</td> <td>30%</td> </tr> <tr> <td>More than 2,000,000</td> <td>More than 2,000,000</td> <td>36%</td> </tr> </tbody> </table>	Taxable Income of Resident Individual (NPR)	Taxable Income of Couple U/S 50 ((NPR)	Tax rates	First 400,000	First 450,000	1%	400,000 – 500,000	450,000 – 550,000	10%	500,000 – 700,000	550,000 – 750,000	20%	700,000 – 2,000,000	750,000 – 2,000,000	30%	More than 2,000,000	More than 2,000,000	36%	<p>Tax rate to be levied on taxable income of resident individual and couple elected under section 50 shall be as follows.</p> <table border="1"> <thead> <tr> <th>Taxable Income of Resident Individual (NPR)</th> <th>Taxable Income of Couple U/S 50 ((NPR)</th> <th>Tax rates</th> </tr> </thead> <tbody> <tr> <td>First 500,000</td> <td>First 600,000</td> <td>1%</td> </tr> <tr> <td>500,000 – 700,000</td> <td>600,000 – 800,000</td> <td>10%</td> </tr> <tr> <td>700,000 – 1000,000</td> <td>800,000 – 1100,000</td> <td>20%</td> </tr> <tr> <td>1000,000 – 2000,000</td> <td>1100,000 – 2000,000</td> <td>30%</td> </tr> <tr> <td>More than 2000,000</td> <td>More than 2000,000</td> <td>36%</td> </tr> </tbody> </table>	Taxable Income of Resident Individual (NPR)	Taxable Income of Couple U/S 50 ((NPR)	Tax rates	First 500,000	First 600,000	1%	500,000 – 700,000	600,000 – 800,000	10%	700,000 – 1000,000	800,000 – 1100,000	20%	1000,000 – 2000,000	1100,000 – 2000,000	30%	More than 2000,000	More than 2000,000	36%	Changes in slab rate for calculation of income from employment of individual and couple
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Schedule 1 sec (4)	<p>As per Sec 4 (Ka), Tax shall be levied at the rate referred to in sub-section (1) or (2) of this Schedule on the amount whichever is higher of the following amounts, as if only it were the taxable income of that individual or couple:</p> <p>(1) The amount remaining after subtracting the amount of profits from the total taxable income of that individual or couple,</p> <p>(2) Four hundred thousand rupees, in the case of that individual, or four hundred fifty thousand rupees, in the case of that couple.</p> <p>As per Sec 4(Kha), tax shall be levied @ 10% on remaining amount of taxable income. Provided that, tax @ 2.5% shall be levied if</p>	<p>Tax shall be levied at the rate referred to in sub-section (1) or (2) of this Schedule on the amount whichever is higher of the following amounts, as if only it were the taxable income of that individual or couple:</p> <p>(1) The amount remaining balance after subtracting the amount of profits from the total taxable income of that individual or couple,</p> <p>(2) Five hundred thousand rupees, in the case of that individual, or Six hundred thousand rupees, in the case of that couple.</p> <p>As per Sec 4(Kha), tax shall be levied @ 10% on remaining amount of taxable income.</p>																																					

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes																
	the ownership of disposed non-business taxable asset (land and house) is of five years or more, otherwise tax @ 5% shall be levied for ownership of less than 5 years.	Provided that, tax @ 5% shall be levied if the ownership of disposed non-business taxable asset (land and house) is of five years or more, otherwise tax @ 7.5% shall be levied for ownership of less than 5 years.																	
Schedule 1 Sec (1)(4 (Ka))	No provision	Notwithstanding anything contained elsewhere in the section, tax shall be levied @1 % on income under sub-section 6Kha, 6 Ga and 6Gha of section 95K of a resident natural person not engaged in any business.	Newly added provision.																
Schedule 1 Sec (1)(12)	Notwithstanding anything contained elsewhere in this Section, where any resident individual has made investment insurance, tax shall be computed only in the amount that remains after deduction of the annual premium or twenty-five thousand rupees , whichever is lesser, from the taxable income.	Notwithstanding anything contained elsewhere in this Section, where any resident individual has made investment insurance, tax shall be computed only in the amount that remains after deduction of the annual premium or forty thousand rupees , whichever is lesser, from the taxable income.	Increase in deduction amount of investment insurance of resident natural person.																
Schedule 1 Sec (2)	Tax shall be levied at the following rate on the transaction, except tax-exempt transaction, of a cooperative registered under the Cooperatives Act, 2074 (2017): <table border="1" data-bbox="344 1029 858 1166"> <thead> <tr> <th>Area</th> <th>Tax Rate</th> </tr> </thead> <tbody> <tr> <td>Municipality</td> <td>5 %</td> </tr> <tr> <td>Sub-Metropolitan City</td> <td>7 %</td> </tr> <tr> <td>Metropolitan city</td> <td>10 %</td> </tr> </tbody> </table>	Area	Tax Rate	Municipality	5 %	Sub-Metropolitan City	7 %	Metropolitan city	10 %	Tax shall be levied at the following rate on the turnover, except tax exempt turnover, of a cooperative registered under the Cooperatives Act, 2074 (2017): <table border="1" data-bbox="907 1029 1430 1166"> <thead> <tr> <th>Area</th> <th>Tax Rate</th> </tr> </thead> <tbody> <tr> <td>Municipality</td> <td>7.5 %</td> </tr> <tr> <td>Sub-Metropolitan City</td> <td>10 %</td> </tr> <tr> <td>Metropolitan city</td> <td>15 %</td> </tr> </tbody> </table>	Area	Tax Rate	Municipality	7.5 %	Sub-Metropolitan City	10 %	Metropolitan city	15 %	Change in tax rates levied in Cooperative registered under Cooperatives Act.
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3. Amendments in Value Added Tax Act, 2052

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
Section 2(Da)	“Registered person” means person registered for doing transaction as per Sec. 10, 10 (ka) and 10 (kha)	“Registered person” means person registered for doing transaction as per Sec. 10, 10 (ka), 10 (kha) and 10 (kha1)	Sec. 10 (kha1) has been added in the definition
Section 2 (Dha)	“Registered number” means registered number provided as per Sec. 10, 10 (ka) and 10 (kha)	“Registered number” means registered number provided as per Sec. 10, 10 (ka), 10 (kha) and 10 (kha1)	Sec. 10 (kha1) has been added in the definition
Section 2 (Ta2)	No Provision	<p>“Electronic services” means following services provided through Internet to consumers requiring Information Technology and minimum manual intervention:</p> <p>Ka) Advertisement service Kha) Movies, television, music, OTT and other similar membership-based services Ga) Statistics collection related service Gha) Cloud service Nga) Gaming service Cha) Mobile Application related service Chha) Online market place service and service to be provided from this medium Ja) Software supply and update Jha) Download service like statistics, image Yna) Consultancy, skill development and training service Ta) Other services of similar nature</p>	Definition of Electronic Service has been added.
Section 2 (da1)	No Provision	“Nonresident person” means person out of Nepal not having permanent place of transaction in Nepal, not having a business representative or legally acceptable representative	Definition of Nonresident person has been added.
Section 10 (kha1)	No Provision	<p>Registration related provision for nonresident person providing electronic services:</p> <p>1) Notwithstanding anything mentioned in the Act, nonresident person providing</p>	Provision related to registration of nonresident person providing electronic services has been added.

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
		<p>electronic service business of more than 20 lakhs in last 12 months shall register in VAT.</p> <p>2) Registration procedure for nonresident person involved in electronic service business shall be as decided by the Department.</p> <p>3) Nonresident person involved in electronic service business and registered as per sub sec. (1) shall deregister as decided by the Department in case business is closed or stop doing business</p>	
Section 18 (1kha)	The procedure for submitting and sending the tax return pursuant to Sub sec. (1) and (1ka) shall be as determined by the Department.	The procedure for submitting and sending the tax return pursuant to Sec. 10 (kha1) , Sub sec. (1) and (1ka) shall be as determined by the Department.	Provision for tax return by nonresident person providing electronic services has been added.
Section 19 (7kha)	No Provision	Notwithstanding anything mentioned in this Section, tax payment procedure of registered person as per Sec. 10 (kha 1) shall be as decided by the Department.	Tax payment procedure for nonresident person providing electronic services has been added.
Section 29 (1ka)	Tax officer may impose a fine of Rs. 20,000 each time if any person is not registered as per the registration order given by tax officer as per Sec. 5 (kha) or Sec 10 (1) and (2) or not registered as per Sec. 10ka (1), Sec. 10 kha (1)	Tax officer may impose a fine of Rs. 20,000 each time if any person is not registered as per registration order given by tax officer as per Sec. 5 (kha) or Sec 10 (1) and (2) or not registered as per Sec. 10ka (1), Sec. 10 kha (1) and Sec. 10kha1 (1)	Punishment for Sec. 10kha1 (1) has been added.
Section 33 (3)	No Provision	Bank voucher of amount, as per subsection 1, deposited in the security deposit account of related office in Financial Comptroller General Office or bank guarantee equal to such amount shall be submitted along with appeal letter.	New provision for deposit of security amount has been added.

4. Amendments in Excise Duty Act, 2058

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
Section 10Gha (1)	(1) The excise duty officer may assess excise duty in any of the following circumstances: Jha) if any person carries out transaction of goods subject to excise duty without obtaining the license.	(1) The excise duty officer may assess excise duty in any of the following circumstances: - Jha) if any person carries out transaction of goods or service subject to excise duty without obtaining the license. Yna) if stock of excise duty ticket is found higher or lesser than the stock as per book.	Service has been added and the circumstances on which duty officer may assess exercise duty is added.
Section 16 (1)	(1) If a person commits the following offence, the person shall be punished with imprisonment for a term not exceeding one year or a fine in a sum equivalent to the claimed amount or with both for such offence, and the claimed amount shall also be seized: Kha) to produce or import goods subject to excise duty without obtaining license,	(1) If a person commits the following offence, the person shall be punished with imprisonment for a term not exceeding one year or a fine in a sum equivalent to the claimed amount or with both for such offence, and the claimed amount shall also be seized: kha) to produce or import goods or provide service subject to excise duty without obtaining license,	Service has been added.
Section 16 (2)	(2) If a licensee who produces or imports liquor, cigarette and tobacco product conceals, hides or evades excise duty by committing the following offence, the licensee shall be punished, for such offence, with a fine of two hundred percent of the claimed amount or one hundred thousand rupees, whichever is higher, with confiscation of the claimed amount, or imprisonment for a term not exceeding one year or both: (Kha) to produce, release, sell, distribute, store or import liquor, cigarette and tobacco products by using a fake excise duty ticket	(2) If a licensee who produces or imports liquor, cigarette and tobacco product conceals, hides or evades excise duty by committing the following offence, the licensee shall be punished, for such offence, with a fine of two hundred percent of the claimed amount or one hundred thousand rupees, whichever is higher, with confiscation of the claimed amount, or imprisonment for a term not exceeding one year or both: (Kha) to produce, release, sell, distribute, store or import liquor, cigarette and tobacco products by using a fake excise duty ticket or without using excise duty ticket.	Punishment for not using excise duty ticket has also been added.
Section 16 (4)	(4) The excise duty officer may impose a fine as follows on any person who commits any of the following offences:	(4) The excise duty officer may impose a fine as follows on any person who commits any of the following offences:	Punishment has been added for all provisions of Section 3Ka

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
	(Tha) in the case of claiming credit of excise duty in violation of sub-section (3) of Section 3Ka., hundred percent of the amount of excise duty claimed as credit.	(1) in the case of claiming credit of excise duty in violation of Section 3A., hundred percent of the amount of excise duty claimed as credit.	
Section 16 (4)	No Provision	(Dha2) If stock of excise duty ticket is found less, amount equal to hundred percent of applicable excise duty and if found more, one lakh rupees after getting the extra stock of ticket booked as income.	Provision for punishment has been added on mismatch of stock of excise duty ticket.
Section 19(6Ga)		6Ga)Bank voucher of amount, as per subsection 1, deposited in the security deposit account of related office in Financial Comptroller General Office or bank guarantee equal to such amount shall be submitted along with appeal letter.	New provision for deposit of security amount has been added.

5. Amendments in Custom Act, 2064

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
Section 2 (Da)	"Import" means the act of bringing of goods into Nepal from a foreign country.	"Import" means the act of bringing of goods into Nepal from a foreign country and this word also means work of examination of containers purchased in foreign country, which is not possible to be brought in Custom Office physically, by shipping company registered in Nepal for carrying out the container service	Inclusion of shipping containers present in foreign country purchased by shipping companies registered in Nepal
Section 2 (Ha)	No Provision	"Internal Transport" means the act of transporting goods from Custom Office in border point by making declaration there to another Custom Office for custom examination.	Transport of goods between two custom offices has been covered.
Section 57 (18)	Notwithstanding anything written elsewhere in this Section, if Authorized Officer, in the course of re-examination pursuant to this Act before or after removal the goods from the customs area, made clearance pursuant to clause (ka), (kha) or (ga) of the Sub-section (2) of Section 20, finds the name, nature, physical feature, characteristics, measurement, size and quality standard are difference than those declared by the importer, such Officer may release the goods by recovering an additional fine that is equal to three hundred percent of the value of such goods apart from the fine and duty mentioned in this Section or impose a fine that is equal to two hundred percent of value of such goods by confiscating such goods.	Notwithstanding anything written elsewhere in this Section, for the offences listed below, in addition to the fines and duties listed in this Section, additional fine that is equal to three hundred percent of the value of goods can be charged and goods can be released or additional fine that is equal to two hundred percent of the value of goods can be charged and goods can be confiscated: a. If Authorized Officer, in the course of re-examination pursuant to this Act before or after removal the goods from the customs area, made clearance pursuant to clause (ka), (kha) or (ga) of the Sub-section (2) of Section 20, finds the name, nature, physical feature, characteristics, measurement, size and quality standard are difference than those declared by the importer. b. If the GPS installed lock of container used for internal transport and serial number	Additional punishment provision for tampering GPS installed lock and seal of serial number.

Section	Existing Provision (2078/79)	Amended Provision (2079/80)	Changes
		fixed according to Section 89 (Cha) has been tampered with.	
Section 57 18(Ka)	No Provision	Other than the situation out of control, if route defined as per Section 89 (Cha) has not been used for internal transport and goods has not reached to defined Custom Office in defined time, fine of Rs 50,000 thousand to Rs 1 lakhs shall be levied.	Provision for punishment added for not using route defined for internal transport and not following the defined timeline.
Section 62 (2Ka)	No Provision	100% of undisputed custom duty shall be paid and 100% of disputed custom duty and fine shall be deposited as security or bank guarantee equal to custom duty and fine shall be provided, for making appeal to Revenue Tribunal.	Provision of deposit of disputed amount added for making appeal to Revenue Tribunal.
Section 62 (2Kha)	No Provision	Bank voucher of depositing amount pertaining to Subsection 2 (Ka) in the account of related office present in Treasury Controller Office or bank guarantee equal to such amount shall be present with appeal letter.	Provision of deposit of disputed amount added for making appeal to Revenue Tribunal.

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