

HIGHLIGHTS OF FEDERAL BUDGET OF NEPAL

FISCAL YEAR 2080/81 (2023/24)



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

(Established under the Nepal Chartered Accountants Act 2053)



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A QUICK INSIGHT OF NEPAL'S FEDERAL BUDGET 2080/81 (2023/24)

1. 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 Federal Budget for the Fiscal Year 2080/81 was framed with a strong focus on the nation's prosperity and the eradication of poverty, encompasses various crucial sectors while placing significant emphasis on sustainability and inclusivity. Federal Budget for the Fiscal Year 2080/81 as presented by Hon'ble Finance Minister, Dr. Prakash Sharan Mahat on 29th May 2023(2080/02/15) has been summarized below:

1.1. OBJECTIVES OF BUDGET

- 1 To attain wider, sustainable and inclusive economic growth by mobilizing the economy
- 2 To assure high qualitative social development, security and justice
- 3 To boost the morale of private sector by developing investment friendly environment and reducing poverty by creating opportunity of income and employment
- 4 To maintain overall financial stability
- 5 To strengthen federalism and maintain good governance
- 6 To enhance the effectiveness of public expenditure by improving budget system

1.2. PRIORITIES OF BUDGET



**Development of Agriculture,
Energy and Tourism Sector**



**Investment Promotion,
Industrial Development and
Balance of Trade**



**Development of Social Sector
and Social Security**



**Development of Qualitative
Physical Infrastructure**



**Promotion of Digital and
Green Economy**



**Environmental Protection,
Climate Change and Disaster
Management**



**Development of Human
Resource and Employment
Generation**



**Improvement of Financial
Sector**

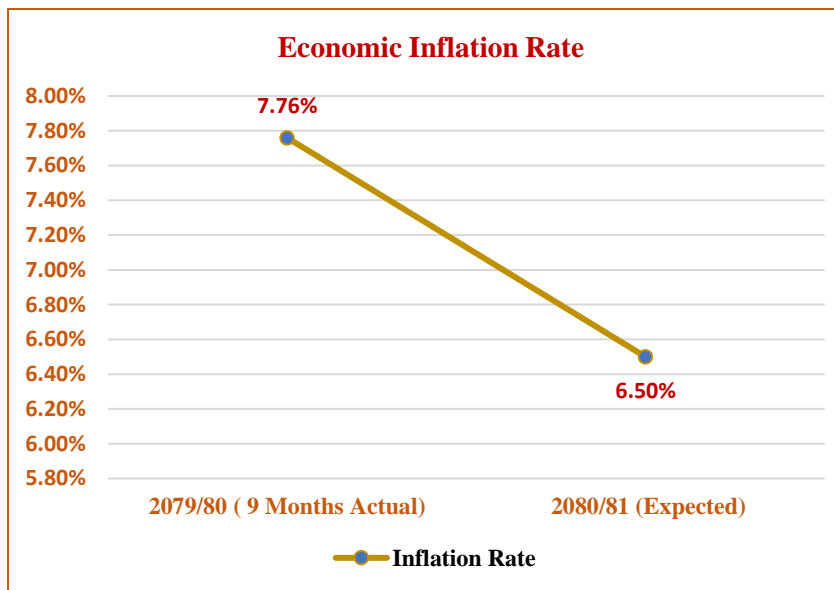
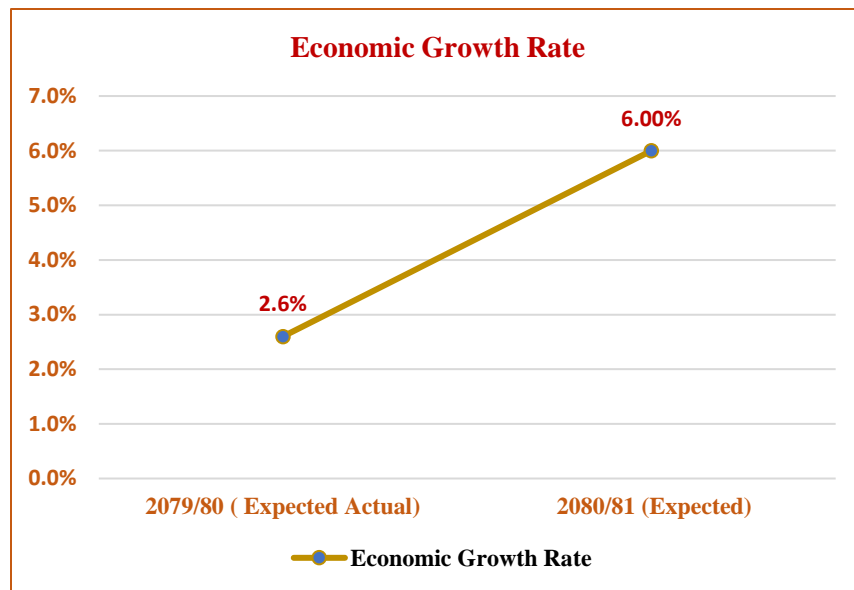


**Strengthening Financial
Federalism and Improvement
in Service Delivery**



**Improvement of Public
Financial System**

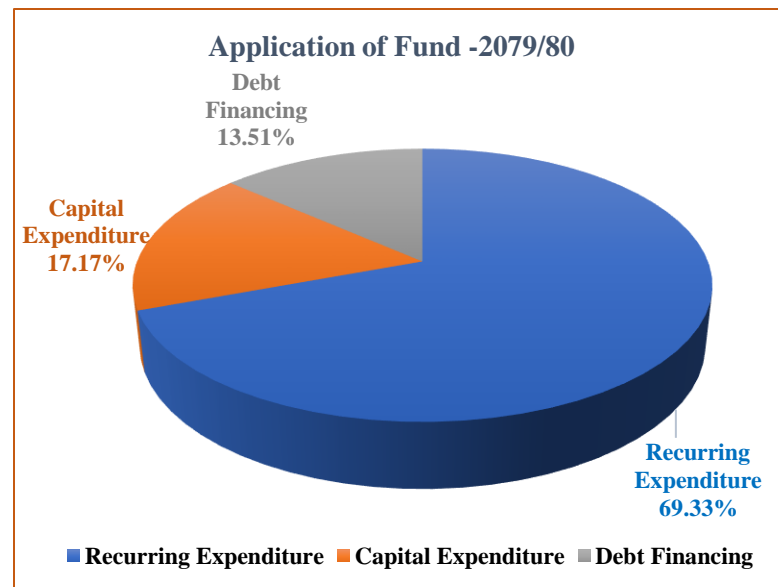
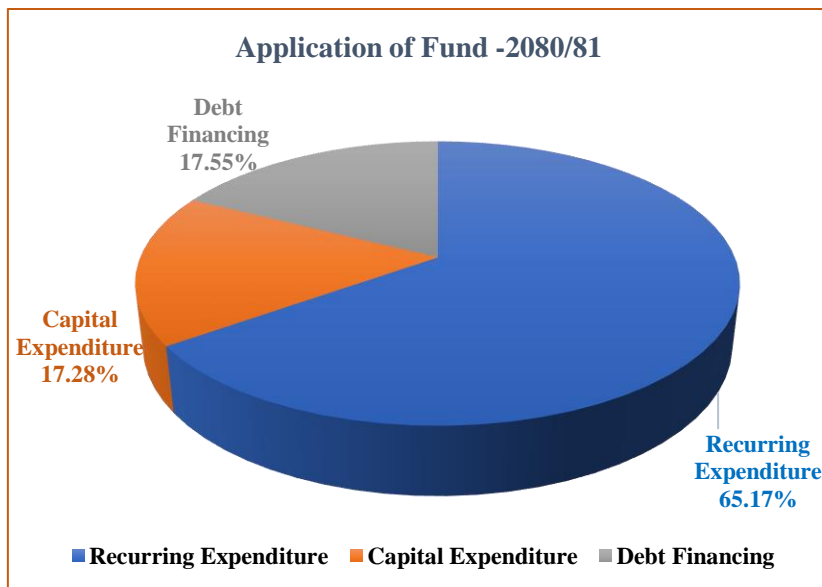
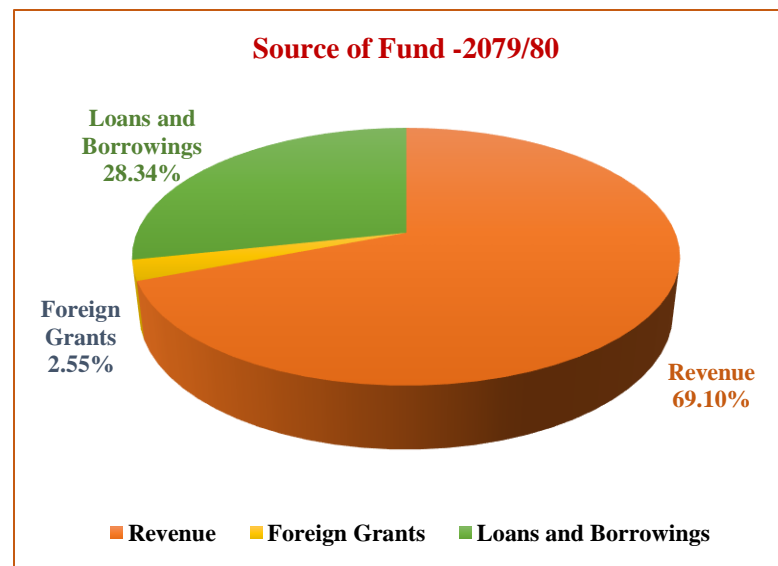
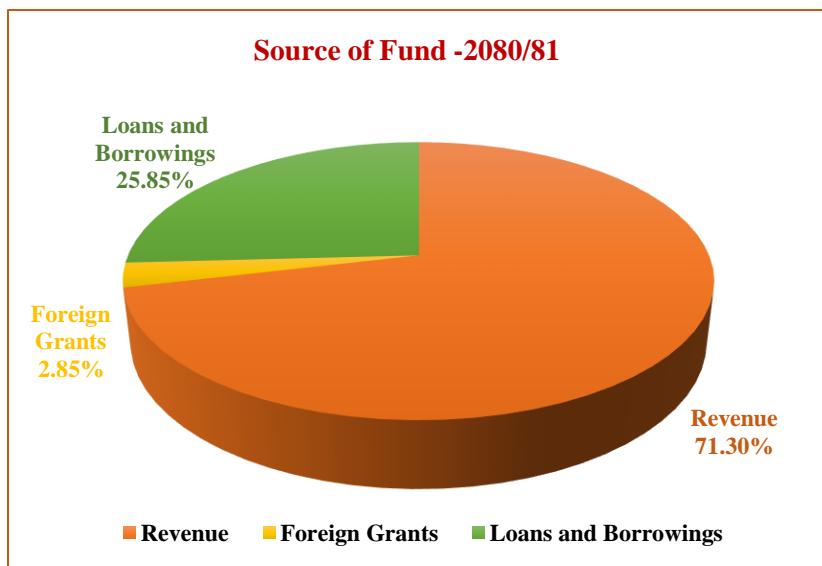
1.3. ECONOMIC GROWTH RATE AND INFLATION



1.4. COMPARISON OF BUDGET SIZE

SN	Source of Fund	NPR (Billion)- 2080/81	Revised NPR (Billion)-2079/80	Application of Fund	NPR (Billion)- 2080/81	Revised NPR (Billion)-2079/80
1	Revenue	1,248.62	1,040.00	Recurring expenditures	1,141.78	1,043.39
2	Foreign Grants	49.94	38.45	Capital expenditures	302.70	258.34
3	Loans and borrowing	452.75	426.54	Debt Financing	307.45	203.26
	Total	1,751.31	1,504.99	Total	1,751.31	1,504.99



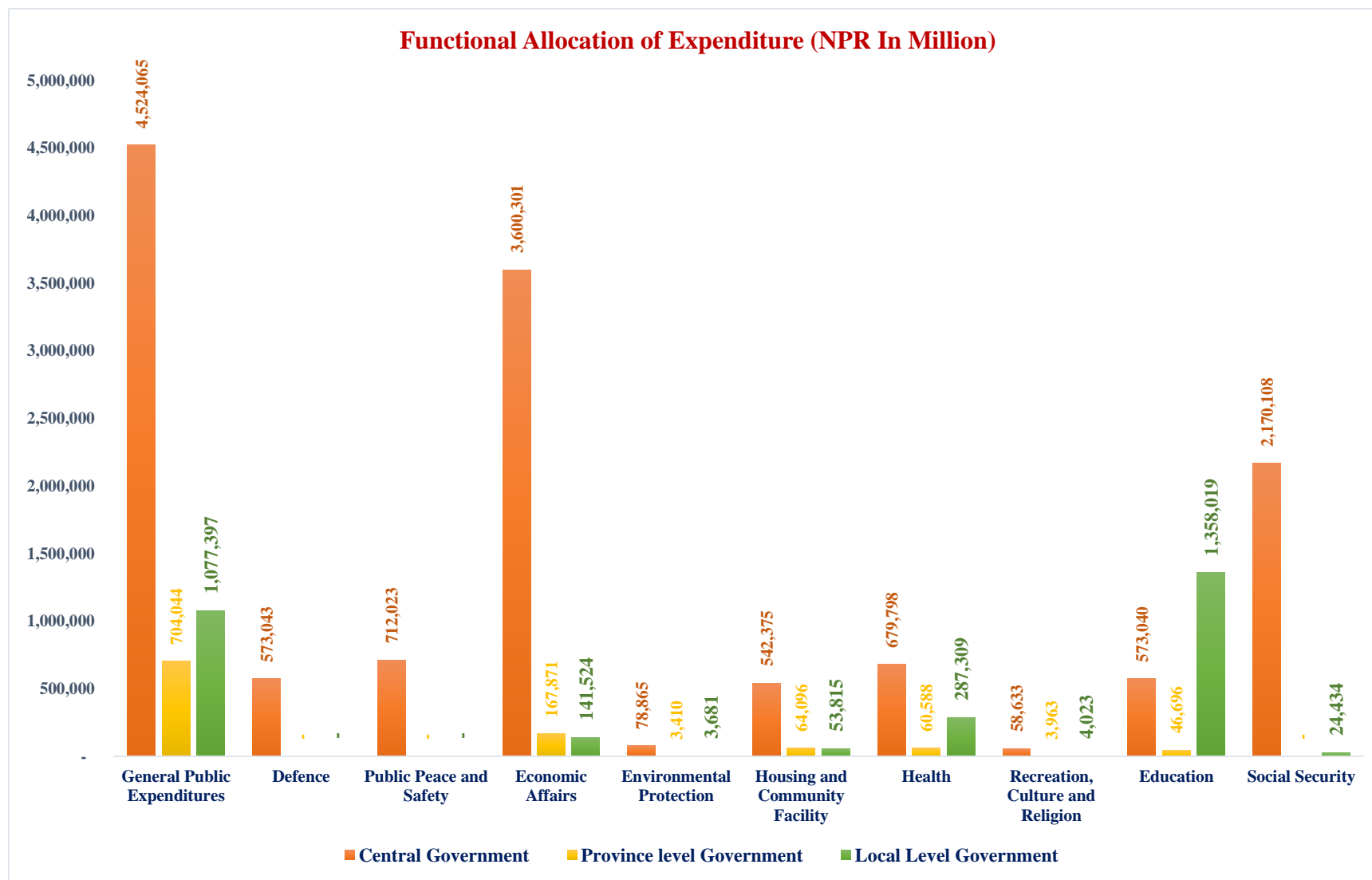


1.5. MINISTRY WISE BUDGET ALLOCATION

(NPR in Million)

S.N.	Ministry	Central	Province	Local Level	Total Budget	% of Total
1.	Office of the Prime Minister and Council of Ministers	5,602.00	-	-	5,602.00	0.32%
2.	Ministry of Finance	47,276.50	-	-	47,276.50	2.70%
3.	Ministry of Industry, Commerce and Supplies	8,433.00		1,026.60	9,459.60	0.54%
4.	Ministry of Energy, Water Resources and Irrigation	81,944.00	4,832.80	673.6	87,450.40	4.99%
5.	Ministry of Law, Justice and Parliamentary Affairs	886.70	-	-	775.60	0.04%
6.	Ministry of Agriculture and Livestock Development	54,091.10	1,032.20	3,858.80	58,982.10	3.37%
7.	Ministry of Water Supply	23,050.70	3,775.30	1,329.60	28,155.60	1.61%
8.	Ministry of Home Affairs	193,567.60	-	597.7	194,165.30	11.09%
9.	Ministry of Culture, Tourism and Civil Aviation	11,962.60	-	-	11,962.60	0.68%
10.	Ministry of Foreign Affairs	6,025.70	-	-	6,025.70	0.34%
11.	Ministry of Forests and Environment	12,231.30	2,736.80	590.6	15,558.70	0.89%
12.	Ministry of Land Management, Cooperatives and Poverty Alleviation	7,136.70		109.9	7,246.60	0.41%
13.	Ministry of Physical Infrastructure and Transport	131,796.80	2,602.80	-	134,399.60	7.67%
14.	Ministry of Women, Children and Senior Citizen	1,576.20	-	-	1,576.20	0.09%
15.	Ministry of Youth and Sports	2,077.30	396.3	402.3	2,875.90	0.16%
16.	Ministry of Defense	58,844.60	-	-	58,844.60	3.36%
17.	Ministry of Urban Development	47,702.00	8,465.90	10,007.60	66,175.50	3.78%
18.	Ministry of Education, Science and Technology	56,824.00	4,669.60	135,801.90	197,295.50	11.27%
19.	Ministry of Information and Communications	8,716.70	-	-	8,716.70	0.50%
20.	Ministry of Federal Affairs and General Administration	5,679.90	954.2	3,332.10	9,966.20	0.57%
21.	Ministry of Health and Population	49,805.40	6,058.80	28,127.60	83,991.80	4.80%
22.	Ministry of Labor, Employment and Social Security	2,039.40	23.5	6,019.80	8,082.70	0.46%
23.	Others than above-including committees, commission	534,066.00	69,518.60	103,142.10	706,726.70	40.35%
	Total Budget	1,351,225.10	105,066.80	295,020.20	1,751,312.10	100.00%
	% of Total Budget Level Wise	77.16%	6.00%	16.85%	100%	

1.6. FUNCTION WISE BUDGET ALLOCATION



1.7. MAJOR HIGHLIGHTS OF BUDGET 2080/81

20 entities having dual functions with permanent structure of government and whose existence is not required in current scenario to be abandoned and similar government bodies will be merged (No. 47)

All types of incentives and additional allowances for civil servants will be removed. No expenditure will be carried out on procurement of vehicles, furniture and fixture, and construction of building except necessary. (No. 48)

Promotion of digital economy through establishment of digital bank, development of infrastructure related to communication, increase use of mobile application, and e-Bidding in all government offices and ensuring transparency and efficiency in public procurement processes (No. 55)

Policy of spending minimum 1% of the capital budget in research, innovation and invention to be adopted. Promotion of entrepreneurship through development of startup eco system, establishment of incubation center in Kathmandu, and encouragement to private equity fund and venture capital for investment in startups (No. 68 & 69).

Removal of foreign investment cap in Information and Technology industry. (No. 75)

For promoting foreign investment in areas with comparative benefit, Investment Conference to be conducted in 2080. (No. 78)

Carry out feasibility study for cultivation of cannabis for medical purposes. (No. 105)

An allotment of land has been released to promote the business of housing and land development. (Kitta-kaat is open) (No. 128)

Infrastructure improvement and upgradation of 10 Industrial Areas to be conducted. (No. 136)

Corridor from Pathlaiya, Simara and Gandak upto Birgunj to be developed as Bara Parsa Industrial Corridor. (No. 139)

With “Water from the Himalaya” branding, export of mineral water and processed water from Himalayan Region of Nepal to be facilitated. (No. 156)

Provision of necessary policy will be made to mitigate the challenge arising from upgrading of Nepal status to developing country from least developed country in 2026. (No. 159)

Storage capacity of petroleum products to be increased to cover the demand of petroleum products of at least 3 months. (No. 165)

To enhance the reach of laborers in justice, service of labor court to be enhanced. Further, effort will be made to increase the effectiveness of provision of labor audit in government and private entities (No. 172)

2023 to 2032 to be celebrated as Tourism decade with a focus on promoting Nepal as a prime tourist destination. Further, the number of tourists visiting Nepal will be increased to 10 lakhs in 2023(No. 180)

Development of investment model for construction of Nijgad International Airport and conduct necessary preparation by Environmental Impact Assessment, relocation of the community and compensation distribution. (No. 195)

Students who have obtained higher education in technical field through scholarship shall compulsorily provide 2 years of service in community educational institute or local level administration. (No. 213)

Capacity of Shukraraj Tropical & Infectious Disease Hospital to be enhanced to 300 beds. (NO. 227)

98 types of Medicine, Vaccine and Basic Medical Service to be distributed free of cost from 6,743 Basic Medical Service Center. (No. 229)

2080/81 to be celebrated as “Youth Entrepreneurship Promotion Year”.(No. 269)

Upgradation of Tribhuvan University Cricket ground to International level and will be equipped with flood light. Completion of Mulpani Cricket ground and Budget to be disbursed to build and develop other cricket grounds. (No. 271)

Facilitation for airlift rescue via Helicopter in free of cost for Pregnant and Post natal women in critical conditions (No. 277)

Budget allocated for development of 165 person capacity oldage home in Gothatar and 45 Bed Senior Citizen Hospital (No. 280)

Unauthorized settlements along the banks of the Bagmati and Bishnumati rivers will be managed through identification and relocation of the residents. (No. 324)

For planned urbanization of Kathmandu Valley, Residential area with open spaces, park, and organized infrastructure to be established in Godawari, Sunakothi, Tarkeshwor, Inchangunarayan and Chandragiri. (No. 328)

Necessary infrastructure to be developed for waste management with technical assistance from Nepal Government and partnership of Federal and Local government. (No. 329)

To achieve access to electricity to 100% population, small hydropower, wind and solar energies shall be developed in areas where national grid line has not reached.(No. 356)

Rasuwadhi Hydropower (111mw), Madhya Bhotekoshi Hydropower (102mw), Sanjen Hydropower (42.5 mw) and other private hydropower and solar energy to be added to national grid which totals to 900 MW approximately making the total production 3600 MW (No. 357)

Alternative energy uses and production to be promoted to achieve the target of zero carbon emission within 2045 A.D. for which budget of 1 Arab 74 Crore has been allocated. (No. 361)

Information Technology Knowledge Park to be developed in Khumaltar, Lalitpur (No. 371)

Post office to be restructured and established as one Local level one post office. Additional tax office shall be dismissed by providing retirement with benefits to staff. Accounts maintained in Post office saving bank shall be transferred to A level Government and such Post office saving bank to be dismissed. (No. 374)

Non-Residential Nepalis (NRNs) will be permitted to invest in selected sectors of Nepal's share market such as hydroelectricity and others, contributing to the country's economic growth. (No. 417)



Policy to disinvest certain percentage of shares of Nepal Telecom, Nepal Airline Corporation and other public entities to be adopted. (No. 430)

Services to be provided in two shifts for facilitation for National Identity Card, Passport and License. Along with the Personal Event registration, social security and immigration services shall be interlinked and will be made technology friendly. These will be incorporated in Nagarik app too. (No. 441)

Investor Medical Program operated from Provident Fund to be expanded to provide service to husband or wife of investor too. (No. 444)

Allocation of NPR 5 crore for each electoral constituency for infrastructure development such as road, irrigation, water supply, education, health and sports. However, each project to be constructed from the fund shall be of NPR 1 crore in budget (No. 445)

E assessment procedure shall be adopted to increase the voluntary participation of taxpayers and avoid the tax leakage. (No. 470)

National Identity Card to be linked with PAN and for account operation in Bank and cooperatives, PAN shall be made compulsory in gradual way (No. 473)

Person returning from foreign employment of at least 6 months continuously after obtaining labor permit to be allowed to bring one more mobile set under charges facility and those who are involved in foreign employment and affiliated with social security fund to be allowed to bring television set of any size. (No. 483)

Mobile sets in use until 2080 Jetha 15 but not registered in Mobile Device Management System due to any reason may register such phone for one time by paying prescribed applicable charges within 2080 Ashar end (No. 486)

Economic Growth Rate is expected at 6% and Inflation Rate is expected at within 6.5% for next fiscal year (No. 494)

1.8. MAJOR HIGHLIGHTS RELATING TO TAX AS PER BUDGET SPEECH

High Level Committee to be formed for improvement in existing tax system. (No. 449)

Excise Duty imposed in one third of goods under self-removal system has been dismissed and schedules under VAT Act has been amended on timely basis. (No. 451)

Person registered in VAT and having annual transaction upto 1 crore to submit return on trimester basis instead on monthly basis (No. 452)

Taxpayer having transaction above NRs. 25 Crore annually shall be connected in Centralized Billing Monitoring System (CBMS) (No. 453)

Industries which manufactures and exports goods which are exempted from Excise and Value added Tax to be provided refund for amount paid as Excise and Value added Tax on purchase of raw materials (No. 461)

Industries producing chewing tobacco in form of Gutkha and Surti to use bio-degradable packing material while packaging excisable goods from 2081 Baisakh 1 (No. 463)

Automatic Tax clearance with QR code to be provided to all taxpayers (No. 466)

PAN number of related Education Consultancy to be affixed while obtaining No Objection Certificate and sending funds to Foreign University if higher education is pursued through such consultancy (No. 471)

Mandatory submission of PAN certificate and tax clearance certificate to be implemented effectively in case of renewal of Professional certificate by People involved in professional business (No. 472)

Automatic system for automatic deduction and deposit of TDS at the time of governmental payment. (No. 474)



Online value determination base to be established and incorporated in valuation system for valuation in customs.(No. 476)

Goods imported after 2080 Shrawan 1 to have the label of both importer and market distributor (No. 481)

170 exemptions from VAT and 340 exemptions from Excise been dismissed. (No. 482)

Increment of tax rate from 36% to 39% for person earning more than 50 Lakhs annually. (No. 487)

Person earning foreign currency by exporting services like Business Process Outsourcing, Software Programming and Cloud Computing to be provided exemption of 50% on applicable tax on such foreign currency income. (No. 488)

To bring non- resident person providing electronic service within the ambit of tax, if VAT due up to 2080 Jestha end is paid up to 25th Ashad 2080, additional fine, interest and penalty is waived (No. 489)

On electric car, jeep and van between 50 to 100 kilowatts the rate of custom has been increased from 10% to 15% and rate of excise duty has been increased from 0% to 10%. On electric car, jeep and van between 100 to 200 kilowatts the rate of custom and excise duty has been decreased from 30% to 20%. On electric car, jeep and van between 200 to 300 kilowatts the rate of custom has been decreased from 45% to 40% and on electric car, jeep and van above 300 kilowatts, the rate of custom has been increased from 60% to 60% – 80%.

2. MAJOR AMENDMENTS IN TAX LAWS

2.1. SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2080

SECTION	PROVISIONS
Section 08	Students going abroad for studies shall be charged with 3% as education service fee of education fee paid at the time of exchange facilities made (<i>which was 2% in previous income year</i>).
Section 21	Luxury tax of 2% shall be levied on the purchase price of the goods and services used in Nepal in the following cases: <ol style="list-style-type: none"> 1. Service provided by 5-star or more than 5 stars hotel and luxury resort. 2. Imported liquor items 3. Purchase of diamond, pearl, stone engraved gold and other valuable metals ornaments of value more than ten lakhs rupees
Section 22	Foreign tourism fee of 5% shall be levied to Nepali tourist visiting abroad on the payment amount. The payment amount is the amount of package in case of package dealer and on actual cost in case firm/company takes related person to abroad for business promotion at a time when such cost is recorded
Section 23	Foreign Employment Service Fee of 1% shall be levied on the collection made by licensed consultancy from the person going on foreign employment. Such amount will be used on the benefits of person going in foreign employment.
Section 24	Special provision of mobile registration: If the Cellular phone Owner/User of phones that are being used till 2080 Jestha 15 but cannot get registered in Mobile Device Management System wants to get registered in the System, they are required to submit the details of IMEI number within 2080 Ashad end along with deposit of the following lumpsum amount in the accounts declared by the Ministry of Finance, Government of Nepal: <ol style="list-style-type: none"> 1. iPhone and mobiles of value more than 1 lakhs: Rs 10,000 per set 2. Smart Mobiles: Rs 3000 per set 3. Simple mobile other than smart mobiles: Rs 200 per set <p>The telecom authority shall make management to register such mobile after collection of such evidence. But persons who has returned from foreign employment after more than 6 months after getting labor permit can get registered his 1 set mobile free of cost.</p>
Section 25	Tax assessed upto FY 2063/64 during Ashadh end 2065 and which could not be recovered shall be waived upto amount Rs. 50,000 per return and interest on such amount shall also be waived.
Section 26	Interest and fines of any company which have issued Bonus shares from Premium on FPO shall be waived if such companies pay applicable tax on such amount within end of Mangsir 2080
Section 27	Tax on Bargain purchase gain if has not been included as Income whiling filing tax return then if applicable tax is paid on such within end of Mangsir 2080, Interest and fines applicable shall be waived
Section 28	Income earned by Media House through activities that are objective oriented shall be given a concession of 25% on applicable taxes.



SECTION	PROVISIONS
Section 29	Person involved in Share trading, and real estate as regular business if submit 50 % of applicable tax by declaring income of FY 2076/77 to 2078/79 within end of Chaitra 2080, then remaining tax, fines and penalties shall be waived. And the income tax, fines and interest of such natural person from previous year shall be waived.
Section 30	Person involved in foreign employment consultation or educational consultancy if has not declared true income or has not declared real income then if such person declares such income within end of Chaitra 2080 and pay applicable tax then fines and interest on such amount shall be waived.
Section 31(1)	Any eye hospital regardless of being registered in VAT or not if has provided any VAT attractive services but has not collected VAT or has not filed return, if pays 5% of the total turnover amount of the year 2076/2077 to 2080 Jestha 14 within Chaitra end then remaining tax, additional charges, interest and fine shall be waived. And the income tax, fines and interest of such eye hospital from previous year shall be waived.
Section 31 (2)	If transaction of such person are assessed and has not been paid or such assessment is under administrative review or under any other Judicial hearings then if such cases are withdrawn and 5% of the total turnover during the period of 2076/77 to 2080 Jestha 14 are paid within 2080 Ashoj end then additional taxes, charges, interest and penalties shall be waived and the income tax, fines and interest of such eye hospital from previous year shall be waived
Section 32 (1)	Any person involved in trading of granulated wheat or semolina has not collected VAT or has not filed return, if pays 5% of the total turnover amount of the year 2071/72 to 2076 Jestha 14 within Ashoj end then remaining tax, additional charges, interest and fine shall be waived.
Section 32 (2)	If transaction of such person are assessed and has not been paid or such assessment is under administrative review or under any other Judicial hearings then if such cases are withdrawn and 5% of the total turnover during period of 2071/72 to 2076 Jestha 14 are paid within 2080 Ashoj end then additional taxes, charges, interest and penalties shall be waived.
Section 33	Non-resident person involved in sales of digital service of more than Rs. 20 Lakh, if obtains PAN and files return upto end of Jestha 2080 within Ashar 25, 2080 then fines, interest and other charges in such amount shall be waived. This condition shall be applicable even to Non-resident person who has already obtained PAN.
Section 34 (1)	Any person involved in hire purchase trading if has not collected VAT or has not filed return pays 2% of the total turnover amount of the year 2074/75 to 2077/78 within Mangsir end, 2080, then remaining tax, additional charges, interest and fine shall be waived. And the income tax, fines and interest of such person from previous year shall be waived
Section 34 (2)	If transaction of such person of FY 2077/78 or before that fiscal year are assessed and has not been paid or such assessment is under administrative review or under any other Judicial hearings then if such cases are withdrawn and 2% of the total turnover during period of 2074/75 to 2077/78 are paid within 2080 Mangsir end then additional taxes, charges, interest and penalties shall be waived And the income tax, fines and interest of such person from previous year shall be waived

2.2. AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
2(KaN1)	<p>Definition: "Adjusted Taxable Income" means an amount of taxable income of a person for an income year as calculated by ignoring reductions referred to in Section 12, 12Ka, 12Kha, 12Ga and deductions referred to in Section 14(2), Section 17, or 18.</p>	<p>Definition: "Adjusted Taxable Income" means an amount of taxable income of a person for an income year as calculated by ignoring reductions referred to in Section 12 and deductions referred to in Section 14(2), Section 17, or 18.</p>
10(da)	<p>The following amounts shall be exempt from tax:</p> <p>Amount earned as per its objectives by Educational Institute established with the objective of not for earning and distributing profit on the basis of an agreement with the Government of Nepal or concerned entity of Government of Nepal.</p>	<p>The following amounts shall be exempt from tax:</p> <p>Amount earned as per its objectives by Educational Institute established with the objective of not for earning and distributing profit on the basis of an agreement with the Government of Nepal or concerned entity of Government of Nepal.</p>
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, business of dehydrating vegetables, and cold storage business by any firm, company, partnership firm, and other corporate body, 50 percent 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>
11(2Kha)(ga)	<p>Exemption shall be provided as below on the tax to be imposed on income of special industry that operates fully throughout the year in any income year.</p> <p>Ka) By one third of tax if tax had been imposed at the rate of 30% on income of resident natural person</p>	<p>Exemption shall be provided as below on the tax to be imposed on income of special industry that operates fully throughout the year in any income year.</p> <p>Ka) By one third of tax if tax had been imposed at the rate of 30% on income of resident natural person</p>

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
	<p>Kha) By 20% on tax applicable on income of the entity</p> <p>Ga) If a person who has availed facility pursuant to clause (ka) or (kha) is also found to have any other tax exemption facility under this section, the person shall get such additional tax exemption facility as well.</p>	<p>Kha) By 20% on tax applicable on income of the entity</p> <p>Ga) If a person who has availed facility pursuant to clause (ka) or (kha) is also found to have any other tax exemption facility under this section, the person shall get such additional tax exemption facility as well.</p>
11 (3Gha)	<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 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 2084.</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, and hydropower projects operated in lower belts as tandem operation with such projects, completing financial closure within Chaitra end, 2085.</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 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>
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>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>

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
	(c) 50% of tax on income earned in foreign currency by exporting services based on information technology such as business process outsourcing, software programming, cloud computing up to FY 2084/85.	(b) twenty percent of tax leviable on the income of an entity, (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).
11(5)	In case a person is entitled to more than one concession on a single income under this section, such person shall get only one concession chosen by him in addition to the concession available under sub section 2kha.	In case a person is entitled to more than one concession on a single income under this section, such person shall get only one concession chosen by him.
22 (2)	While calculating the income from employment or investment of a natural person accounts shall be kept in cash basis for the purpose of tax. However, accounts shall be maintained in accrual basis in concerned income year if the natural person receives a lump sum amount as income from employment related to previous years after the court's final decision of the case.	While calculating the income from employment or investment of a natural person accounts shall be kept in cash basis for the purpose of tax.
88 (1) & 88(9ka)	While making payment of interest, natural resource, rent, royalty, service fee, commission, sales bonus, retirement payment, and any other consideration having source in Nepal and in making payment of any amount of retirement payment by a resident person, tax shall be withheld at the rate of 15 percent on gross amount of payment. Provided that, tax shall be deducted at following rate on following payments: (8) At the rate of 2.5% on payment for transport service and rent of transportation vehicle.	While making payment of interest, natural resource, rent, royalty, service fee, commission, sales bonus, retirement payment, and any other consideration having source in Nepal and in making payment of any amount of retirement payment by a resident person, tax shall be withheld at the rate of 15 percent on gross amount of payment. Provided that, tax shall be deducted at following rate on following payments: (8) At the rate of 2.5% on payment for transport service and rent of transportation vehicle.

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
	<p>However, tax shall be deducted at the rate of 1.5 % on payment for transport service or rent of transportation vehicles provided by a person registered in VAT.</p> <p>(9ka) Reservoir-based and semi-reservoir-based hydropower projects with a capacity higher than 200 MW completing financial closure within Chaitra end, 2082 (B.S) shall deduct tax at the rate of 5 % on payment of interest on loan taken on foreign currency from a foreign bank or other foreign financial institutions.</p>	
88(3)	<p>Notwithstanding anything contained in sub-section (1), where a resident bank, financial institution, cooperative society or any other institutions issuing debentures or company listed under prevailing laws pay the flowing interest, or any amounts having the nature of an interest to a natural person with respect to deposit, security, debenture or government bond, the bank or the institution of the company shall withhold tax on the gross amount of the payment at the rate of 6 %.</p> <p>Ka) Payment which has a source in Nepal; and Kha) Payment that is not received by the individual in the course of conducting a business</p>	<p>Notwithstanding anything contained in sub-section (1), where a resident bank, financial institution, cooperative society or any other institutions issuing debentures or company listed under prevailing laws pay the flowing interest, or any amounts having the nature of an interest to a natural person with respect to deposit, security, debenture or government bond, the ban or the institution of the company shall withhold tax on the gross amount of the payment at the rate of 5 %.</p> <p>Ka) Payment which has a source in Nepal; and Kha) Payment that is not received by the individual in the course of conducting a business</p>
88(4) (Kha2)	Removed	<p>Notwithstanding anything contained in sub-sections (1), (2) and (3), this section shall not be applicable while making following payments:</p> <p>Payment of interest on loan taken on foreign currency from a foreign bank or other foreign financial institutions by reservoir-based and semi-reservoir-based hydropower</p>

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
89(3)	<p>Notwithstanding anything contained in sub-section (1), tax shall be deducted as follows from any payment to be made to a non-resident person by a resident person under a contract or agreement.</p> <p>Ka) 5 % on agreement or contract.</p> <p>Kha) 1.5 % on payment of premium to non-resident insurance company or on commission given against reinsurance premium received from the non-resident insurance company.</p> <p>Ga) Except written in clause (ka) or (Kha), if the Department has issued a written notice to the resident person, at the rate specified in the notice.</p> <p>Provided that, this subsection shall not be applicable while making payment for the purchase of weapons, ammunition and communication equipment for their own purpose by Nepal Army, Nepal Police, and Nepal Armed Force.</p>	<p>projects with a capacity higher than 200 MW completing financial closure within Chaitra end, 2082 (B.S).</p> <p>Notwithstanding anything contained in sub-section (1), tax shall be deducted as follows from any payment to be made to a non-resident person by a resident person under a contract or agreement.</p> <p>Ka) 5 % on agreement or contract.</p> <p>Kha) 1.5 % on payment of premium to non-resident insurance company or on commission given against reinsurance premium received from the non-resident insurance company.</p> <p>Ga) Except written in clause (ka) or (Kha), if the Department has issued a written notice to the resident person, at the rate specified in the notice.</p> <p>Provided that, this subsection shall not be applicable while making payment for the purchase of weapons, ammunition, and communication equipment for their own purpose by Nepal Army, Nepal Police, and Nepal Armed Force.</p>
95Ka(6Kha)	<p>In case a resident natural person not involved in business operations receives payment in foreign currency by providing software or similar electronic service outside Nepal, the concerned bank, financial institution or money transfer entity shall deduct advance tax at the rate of 5% on the amount received while making such payment.</p>	<p>In case a resident natural person not involved in business operations receives payment in foreign currency by providing software or similar electronic service outside Nepal, the concerned bank, financial institution or money transfer entity shall deduct advance tax at the rate of 1% on the amount received while making such payment.</p>
95Ka(6Ga)	<p>In case a resident natural person not involved in business operation receives payment in foreign currency by providing consultancy service outside Nepal on personal capacity, concerned bank financial institution of money transfer entity</p>	<p>In case a resident natural person not involved in business operation receives payment in foreign currency by providing consultancy service outside Nepal on personal capacity, concerned bank financial institution of money transfer entity</p>



SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
	shall deduct advance tax at the rate of 5 % on the amount received while making such payment.	shall deduct advance tax at the rate of 1 % on the amount received while making such payment.
95Ka(6Gha)	In case a resident natural person not involved in business operations receives payment in foreign currency by uploading audio-video content in social media network, concerned bank, financial institution or money transfer entity shall deduct advance tax at the rate of 5% on the amount received while making such payment.	In case a resident natural person not involved in business operations receives payment in foreign currency by uploading audio-video content in social media network, concerned bank, financial institution or money transfer entity shall deduct advance tax at the rate of 1% on the amount received while making such payment.
95Ka(6Nga)	In case a person sells goods, services or goods and services through the E-commerce platform, the resident E-commerce operator shall deduct advance tax at the rate of 5% at the time of payment against sale of goods, services or good and services.	No Provision
95Ka(7)	Advance tax shall be collected and recovered at custom point at the rate of 5% on the value determined for custom purpose on import of he-buffalo, buffalo, he-goat, hogget, sheep, mountain goat (chyangra) falling in Part 1; live, fresh or frozen fish falling in Part 3; fresh flowers falling in Part 6; fresh vegetables, potato, onion falling in Part 7 and fresh fruits falling in Part 8 of HS system and at the rate of 2.5% on import of meat falling in Part 2, dairy products, eggs, honey falling in Part 4, kodo, fapar, junelo, rice, kanika falling in Part 10, flour, wheat flour falling under Part 11, herbs and sugarcane falling in Part 12 and forest-based products falling in Part 14, imported for business purpose. However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable.	Advance tax shall be collected and recovered at custom point at the rate of 5% on the value determined for custom purpose on import of he-buffalo, buffalo, he-goat, hogget, sheep, mountain goat (chyangra) falling in Part 1; live, fresh or frozen fish falling in Part 3; fresh flowers falling in Part 6; fresh vegetables, potato, onion falling in Part 7 and fresh fruits falling in Part 8 of HS system and at the rate of 2.5% on import of meat falling in Part 2, dairy products, eggs, honey falling in Part 4, kodo, fapar, junelo, rice, kanika falling in Part 10, flour, wheat flour falling under Part 11, herbs and sugarcane falling in Part 12 and forest-based products falling in Part 14, imported for business purpose.
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Schedule 1 Sec (2)(2)	Tax shall be imposed at the rate of 30 percent on the taxable income of a bank, financial institution, an entity engaged in the general insurance business, entity engaged in financial transaction or telecommunication and internet service, money transfer, capital market business, securities business, merchant banking, commodity future market, stock and commodity broker business, or in the business of cigaratee, biddi, cigar, chewing tobacco khaini, gutkha, panmasala, liquor, beer or an entity engaged in petroleum operations under Nepal Petroleum Act, 2040.	Tax shall be imposed at the rate of 30 percent on the taxable income of a bank, financial institution, an entity engaged in the general insurance business or telecommunication and internet service, money transfer, capital market business, securities business, merchant banking, commodity future market, stock and commodity broker business, or in the business of cigaratee, biddi, cigar, chewing tobacco khaini, gutkha, panmasala, liquor, beer or an entity engaged in petroleum operations under Nepal Petroleum Act, 2040.																																										
Schedule 1 Sec (3)	Co-operative societies registered pursuant to Co-operatives Act, 2074 to carry out transactions except tax exempt transaction shall be taxed as follows:	Co-operative societies registered pursuant to Co-operatives Act, 2074 to carry out transactions except tax exempt transaction shall be taxed as follows:																																										



SECTION	AMENDED PROVISION (2080/81)		EXISTING PROVISION/ (2079/80)	
	Operating Area	Tax Rate	Operating Area	Tax Rate
	Municipality	5%	Municipality	5%
	Sub-metropolitan City	7%	Sub-metropolitan City	7%
	Metropolitan City	10%	Metropolitan City	10%
	However, tax shall be levied as below to co-operatives engaged in savings and credit related transactions:			
	Operating Area	Tax Rate		
	Municipality	10%		
	Sub-metropolitan City	15%		
	Metropolitan City	20%		

2.3. AMENDMENTS IN VALUE ADDED TAX ACT, 2052

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
8 (2Ka)	Any registered or un-registered person obtaining vehicle on rent or transport service from an un-registered person shall assess and deduct tax on the taxable amount in accordance with this act or rules framed under this act at the time of payment or acquisition of service, whichever occurs earlier.	Not provisioned for
17 (5Kha)	The concerned taxpayer shall be allowed to deduct the tax paid pursuant to Subsection (2) and 2ka of Sec. 8, Sec. 12Ka and sub-section 3 of Sec. 15	The concerned taxpayer shall be allowed to deduct tax paid pursuant to Subsection (2) of Section 8, Section 12Ka. and Sub-section (3) of Section 15
25 (1Kha)	If a consumer makes payment of the goods or services assessed by department by publishing the notice purchased via electronic medium in accordance to the prevailing laws, then the ten percent of the tax amount paid shall be refunded as cash incentive and deposited in their bank account as per the procedure prescribed by the Department	If a consumer makes payment of the goods or services purchased via electronic medium in accordance to the prevailing laws, then the ten percent of the tax amount paid shall be refunded as cash incentive and deposited in their bank account as per the procedure prescribed by the Department
29 (1Nga)	Tax officer may impose a fine of 25% of claimed tax amount pursuant to clause ka, ka1 and ka2 of sub-section 1 of Sec. 25 in case tax refund is obtained through automated electronic medium for the amount that is ineligible for claiming the refund amount	Not provisioned for

2.4. AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/CHANGES (2079/80)
2 (Dha)	“Department” means the Inland Revenue Department.	“Department” means the department designated by Government of Nepal for the purpose of this Act.
3Kha (1) (Kha) (2)	<p>No excise duty shall be levied on the excisable goods or services pursuant to Section 3, under the following circumstances:</p> <p>Ka) If any goods or services are exported outside Nepal or any goods other than liquors or cigarettes are sold to a licensed duty-free shop (bonded warehouse and duty-free shops),</p> <p>Kha) If a licensed bonded warehouse sells cigarettes or alcohol to a person or entity having diplomatic and tariff privilege as per the recommendation of Ministry of Foreign Affairs, Government of Nepal.</p> <p>Provided that,</p> <p>1) Bonded Warehouse shall not be restricted from selling or distributing goods, other than cigarette or alcohol, without levying excise duty on it.</p> <p>2) While importing or purchasing excisable goods produced within Nepal to be sold from a bonded warehouse, cash deposit or bank guarantee equivalent to excise duty applicable on such goods shall be furnished.</p>	<p>No excise duty shall be levied on the excisable goods or services pursuant to Section 3, under the following circumstances:</p> <p>Ka) If any goods or services are exported outside Nepal or any goods other than liquors or cigarettes are sold to a licensed duty-free shop (bonded warehouse and duty-free shops),</p> <p>Kha) If a licensed bonded warehouse sells cigarettes or alcohol to a person or entity having diplomatic and tariff privilege as per the recommendation of Ministry of Foreign Affairs, Government of Nepal.</p> <p>Provided that,</p> <p>1) Bonded Warehouse shall not be restricted from selling or distributing goods, other than cigarette or alcohol, without levying excise duty on it.</p> <p>While importing excisable goods to be sold from a bonded warehouse, cash deposit or bank guarantee equivalent to excise duty applicable on such goods shall be furnished.</p>
8(1)	No one shall manufacture, export , import, sell or store an excisable goods or provide excisable services to any other person, without obtaining a license pursuant to this Act.	No one shall manufacture, import, sell or store an excisable goods or provide excisable services to any other person, without obtaining a license pursuant to this Act.
9(1)	No one shall manufacture, export , import, sell or store an excisable goods or provide excisable services to any other person, without obtaining a license pursuant to this Act or the Rules framed under this Act.	No one shall manufacture, import, sell or store an excisable goods or provide excisable services to any other person, without obtaining a license pursuant to this Act or the Rules framed under this Act.

2.5. AMENDMENTS IN CUSTOM ACT, 2064

SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
13 (15)(Ka)	<p>If the value declared by an importer pursuant to sub-section (3) is less than the customs value determined by the Customs Officer pursuant to this Section, the Customs Officer may do the following in relation to such goods:</p> <p>(Ka) Clearing such goods by collecting fifty percent additional customs duty on such difference value in case of custom duty attractable goods. However, in case of good attracting agriculture development duty or excise duty instead of customs duty, it shall be cleared by collecting fifty percent of additional agriculture development duty or excise duty on such difference value.</p> <p>or</p> <p>(Kha) With the prior approval of the Director General, purchasing, or causing to be purchased, such goods in a manner to pay the amount to be set by adding five percent amount to the value so declared to the importer.</p>	<p>If the value declared by an importer pursuant to sub-section (3) is less than the customs value determined by the Customs Officer pursuant to this Section, the Customs Officer may do the following in relation to such goods:</p> <p>(Ka) Clearing such goods by collecting fifty percent additional customs duty on such difference value, or</p> <p>(Kha) With the prior approval of the Director General, purchasing, or causing to be purchased, such goods in a manner to pay the amount to be set by adding five percent amount to the value so declared to the importer.</p>
18 (1)	<p>Any person who exports or imports any goods shall fill up the declaration form, accompanied by the documents as prescribed, and submit it to the Customs Officer of the concerned area.</p> <p>Provided that, it shall not be necessary to fill up the declaration form in the case of those goods which have been exempted from customs duty by the Government of Nepal by notification in the Nepal Gazette, out of the goods brought and carried by the passenger for personal use while going out from Nepal and coming into from foreign countries.</p>	<p>Section 18 (1), Any person who exports or imports any goods shall fill up the declaration form, accompanied by the documents as prescribed, and submit it to the Customs Officer of the concerned area.</p> <p>Provided that, it shall not be necessary to fill up the declaration form in the case of those goods which have been exempted from customs duty by the Government of Nepal by notification in the Nepal Gazette, out of the goods contained in the luggage and baggage of passengers going out from Nepal and coming into from foreign countries.</p>
51 (1)	<p>A person who wishes to act as the customs agent or representative of any importer or exporter to clear goods to be imported or exported from the Customs Office or to do any act</p>	<p>A person who wishes to act as the customs agent of any importer or exporter to clear goods to be imported or exported from the Customs Office or to do any act related</p>



SECTION	AMENDED PROVISION (2080/81)	EXISTING PROVISION/ (2079/80)
	related with the Customs Office shall obtain the license of customs agent from the Department or Customs Office.	with the Customs Office shall obtain the license of customs agent from the Department or Customs Office.
60Kha(4)	The investigating officer shall complete the investigation within 25 days from the date when the person related to the case has been arrested . Further, in case of punishment under Sec 57 (1Ga) and (1Gha), necessary opinion of governmental lawyer shall be received, and the case must be filed to the concerned authority.	The investigating officer shall complete the investigation within 25 days from the date of proceeding the investigation , and in case where punishment under Sec 57 (1Ga) and (1Gha) is required, necessary opinion of governmental lawyer shall be received, and the case must be filed to the concerned authority.

DISCLAIMER

The Institute of Chartered Accountants of Nepal (ICAN) has created and maintains this publication as a service to its members, students, and the stakeholders. The compilation is extracted from Budget Speech 2080/81 and Finance Bill 2080. This publication is intended to provide general information and is not intended to provide or substitute legal or professional advice. This publication has been prepared so that it is current as at the date of writing.



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