

NBSM

NBSM & Associates
Chartered Accountants

Nepal Budget 2071

TAX PERSPECTIVE

Income Tax

WAIVERS OF TAX, PENALTY & INTEREST

- Tax payers having annual turnover up to Rs. 20 lakhs or annual profit up to Rs. 2 lakhs and have not submitted their Income Tax Return up to FY 2069/70, if they submit the Income tax return and pay tax thereon for the FY 2067/68, 2068/69 and 2069/70 by Paush End, 2071 then they are not required to submit the Income Tax Returns of earlier years and also income tax, fine, interest and penalties of such earlier years shall be waived.
- Tax payers like Doctors, Artists, Engineers, Lawyers, Auditor, Traders, Industrialists, Investors, Consultants, Agents, Retired Persons, Employees, Teachers, Professors etc and any other persons/institutions who had income for the FY 2069/70 or earlier years and have not paid tax and submitted Income Tax Returns for the FY 2069/70 and earlier years. If they obtain the PAN, Pay Tax and submit the Income Tax Return for the FY 2067/68, 2068/69 and 2069/70 within the end of Poush 2071 then they are not required to submit the Income Tax Returns of earlier years and also income tax, fine, interest and penalties of such earlier years shall be waived.
- Tax payers being Journalists and Media Houses who have not taken PAN, If they obtain the PAN, pay tax and submit the Income Tax Return for the FY 2068/69 & 2069/70 within the end of Poush 2071 then they are not required to submit the Income Tax Returns of earlier years. And provision for waiving income tax, penalty and interest on the income of such years has been made.
- Tax payers being Cooperatives other than Tax Exempted Cooperatives, if they get their books of accounts audited and pay tax, submit the Income Tax Return for the FY 2067/68, 2068/69 and 2069/70 within the end of Poush 2071 then they are not required to submit the Income Tax Returns of earlier years. And provision for waiving income tax, penalty and interest on the income of such earlier years has been made.
- Tax payers being exempted Cooperatives, if they get their books of accounts audited for the FY 2067/68, 2068/69 and 2069/70 and pay TDS, House Rent Tax and Advance Tax within the end of Poush 2071 then provision for waiving penalty and interest on such liabilities has been made.

TAX RATES

PERSONAL TAX

A. For Resident Person

Particulars	FY 2070/71		FY 2071/72	
	Rs.	Tax Rate	Rs.	Tax Rate
Assessed as Individual				
First Tax slab	200,000	1%	250000	1%
Next	100,000	15%	100,000	15%
Balance Exceeding	300,000	25%	350,000	25%
Assessed as Couple				
First Tax Slab	250000	1%	300000	1%
Next	100,000	15%	100,000	15%
Balance Exceeding	350,000	25%	40,0000	25%

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In case the Taxable Salary of an Individual is more than Rs. 25 Lakhs, additional tax at the rate of 40 percent shall be levied on the tax applicable on the income above Rs. 25,00,000.

Notes:

1. Natural person working at remote areas are entitled to get deduction from taxable income to a maximum of Rs. 50000.
2. Natural person with pension income included in the taxable income shall be entitled to deduct from taxable income an additional 25% of amount prescribed under first tax slab.
3. Incapacitated natural person shall be entitled to get deduction from taxable income an additional 50% of amount prescribed under first tax slab.
4. A natural person who has procured life insurance and paid premium amount thereon shall be entitled to a deduction of actual annual insurance premium or Rs. 20000 whichever is less from gross taxable income.
5. In case of the employee employed at the foreign diplomatic of Nepal only 25% of the foreign allowances are to be included in the income from salary.
6. In case of the employee posted outside Nepal is getting foreign allowance will get 75% rebate of such allowance.
7. In case of the female employee whose taxable income is only from employment than 10% rebate is allowed on tax liability.
8. In case of individual having income from export, tax rate of 15% is applicable in place of 25%.

B. For Non-Resident Person

S. N.	Nature of transaction	FY 2070/71	FY 2071/72
1.	Income earned from normal transactions.	25% flat rate	25% flat rate
a.	Income earned from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project.	5%	5%
b.	Income earned providing shipping, air transport of telecommunication services through the territory of Nepal.	2%	2%
c.	Repatriation by Foreign Permanent Establishment.	5%	5%

CORPORATE TAX

S. N.	Nature of entity	FY 2070/71	FY 2071/72
1	<u>Company/Firm /Industry</u>		
1.1	<u>Domestic income</u>		
	Normal Rate (NR)	25%	25%
1.2	<u>Other</u>		
I.	Special industries (mainly manufacturing other than alcoholic & tobacco producing industry)	20% (Normal Rate)	20% (Normal Rate)
II.	Providing direct employment to Nepalese citizens:		

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	a. For 300 or more by special industries and information technology industries. b. For 1200 or more by Special industries. c. To 100 Nepalese including 33% women, dalit & disabled by Special industries.	90% Normal Rate 80% Normal Rate 80% Normal Rate	90% Normal Rate 80% Normal Rate 80% Normal Rate
III.	a. <u>New Industries established with more than ten million capital and provide direct employment more than 500 peoples for a complete year or,</u> b. <u>New Industry related to Tourism and Aviation with more than twenty million capital or,</u> c. <u>Running industry with substantial expansion (at least 25% of existing capacity) with capital not less than ten million and provide direct employment more than 500 peoples for complete year.</u>	-	<u>100% Income is exempt from tax for the first 5 years from the date of commencement of production and 50% of income is exempt from tax for next 3 years.</u>
IV.	<u>As per the Budget Speech, However the same has not been reflected in the Finance Bill.</u> <u>Establishment of well facilitated hotel in the bank/area of Rara lake and other famous lake of Nepal</u>		<u>100% exempt from income tax for 10 years</u>
V.	Industries establishment in very undeveloped areas (sec 11.3.b) as defined in Industrial Enterprise Act.	10% of the normal rate (for 10yrs from the year of establishment)	10% of the normal rate (for 10yrs from the year of establishment)
VI.	Industries establishment in undeveloped areas (sec 11.3.b) as defined in Industrial Enterprise Act	20% of the normal rate (for 10yrs from the year of establishment)	20% of the normal rate (for 10yrs from the year of establishment)
VII.	Established in underdeveloped areas (Sec 11.3.b) as defined in Industrial Enterprise Act	30% of the normal rate (for 10yrs from the year of establishment)	30% of the normal rate (for 10yrs from the year of establishment)
VIII.	Industry established in 'Special Economic Zone' recognized in mountain areas or hill areas by the GON	Up to 10 years 100% exempt and 50% rebate in subsequent years	Up to 10 years 100% exempt and 50% rebate in subsequent years
IX.	Industry established in 'Special Economic Zone' other than above locations	100% exempt up to first five years and 50% rebate in subsequent years	100% exempt up to first five years and 50% rebate in subsequent years
X.	Dividend distributed by the industry established in the special economic zone	Dividend Tax is 100% exempt up to first five years and 50% rebate in subsequent 3 years	Dividend Tax is 100% exempt up to first five years and 50% rebate in subsequent 3 years
XI.	Income derived by the foreign investors from investment in 'Special Economic Zone' (source of income use of foreign technology, management service fee and royalty)	50% of applicable tax rate	50% of applicable tax rate
XII.	Import income of information technology industries as IT Park as declared by government.	50% of normal tax rates	50% of normal tax rates
XIII.	Institution having licensed to generate, transmit, and	100% exempt up to	100% exempt up to seven

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	distribute electricity shall be allowed if the commercial activities started in terms of electricity generation, generation and transmission, generation and distribution or generation, transmission distribution before B.S 2075 Chaitra and these exemption shall also be available for solar, wind and other alternative energy companies.	seven years and 50% rebate on subsequent 3 years	years and 50% rebate on subsequent 3 years.
XIV.	Income from export of goods produced by manufacturing industries	75% of normal rate	75% of normal rate
XV.	Income from construction and operation of road, Bridge, Airport and tunnel or income investment in tram and trolley bus	60% of applicable tax rate (i.e. 20%)	60% of applicable tax rate (i.e. 20%)
XVI.	Income manufacturing industry, tourism service industry hydropower generation, distribution and transmission industry listed in the security exchange (i.e. capital market)	90% of applicable tax rate	90% of applicable tax rate
XVII.	Industry established in least developed area producing brandy, wine, side from fruits	60% of applicable tax rate up to 10 years	60% of applicable tax rate up to 10 years
XVIII.	Royalty from export of intellectual asset by a person	75% of applicable tax rate	75% of applicable tax rate
XIX.	Income from sale by intellectual asset by a person through transfer	50% of applicable tax rate	50% of applicable tax rate
XX.	<u>Presumptive tax for Natural person carrying Proprietorship business in metropolitan, municipality and VDC</u>	<ul style="list-style-type: none"> • <u>3500 for the person conducting business within Metropolitan Area</u> • <u>2000 for the person conducting business within Municipality and</u> • <u>1250 for the person conducting business anywhere outside the limit of Metropolitan Area and Municipality Area</u> 	<ul style="list-style-type: none"> • <u>5000 for the person conducting business within Metropolitan Area</u> • <u>2500 for the person conducting business within Municipality and</u> • <u>1500 for the person conducting business anywhere outside the limit of Metropolitan Area and Municipality Area</u>
1.3	Bank and Financial Institution		
	Commercial banks, Development Banks and Finance companies	30%	30%
1.4	Insurance business		
	General insurance business	30%	30%
1.5	Petroleum Industries		
	Entity engaged in Petroleum business under Nepal Petroleum Act, 2010	30%	30%
	Institution having licensed to exploration for petroleum or natural gas become commercial before B.S 2075 Chaitra	100% exempted up to seven years and 50% rebate on subsequent 3 years	100% exempted up to seven years and 50% rebate on subsequent 3 years
1.6	Other Business Entities		
	<ul style="list-style-type: none"> - Entity involves in construction of roads, bridges, tunnels, Rope-ways, suspension bridges etc. - Income earned by the natural person wholly involved in special industry 	20%	20%

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	- Income earned by the resident person relating to export activities		
1.7	Saving and Credit Co-Operatives established in rural areas under Co-Operatives Act, 2048.	Nil	Nil
1.8	Saving and Credit Co-Operatives established in Metropolitan City, Sub-Metropolitan City and areas attached with above metropolitan city and sub-metropolitan city under Co-Operative Act, 2048.	20%	20%

TDS WITHHOLDING IN OTHER PAYMENTS

S. N.	Nature of transaction	FY 2070/71	FY 2071/72
A.	Interest income from deposit up to Rs 10000 under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank' & Co-Operative (u/s-11(2) in rural areas)	Exempt from tax	Exempt from tax
B.	Wind fall gains Wind fall gains from Literature, Arts, Culture, Sports, Journalism, Science & Technology and Public Administration amount received up to 5 lacs	25% Nil	25% Nil
C.	Payment of rent by resident person having source in Nepal	10%	10%
D.	Profit and Gain from Transaction of commodity future market	10%	10%
E.	Profit and Gain from Disposal of Shares: <u>In case of Individual</u> - Listed Shares - Non Listed Shares <u>Others</u> - Listed Shares - Non Listed Shares	5% 10% 10% 15%	5% 10% 10% 15%
F.	On dividend paid by the resident entity. - To Resident Person - To Non Resident Person	5% for both	5% for both
G.	On payment of gain in investment insurance	5%	5%
H.	On payment of gain from unapproved retirement fund	5%	5%
I.	On payment of interest or similar type having source in Nepal to natural person [not involved in any business activity] by Resident Bank, financial institutions or debenture issuing entity, or listed company	5%	5%
J.	Payment made by natural person relating to business or other payments relating to house rental except house rent	No TDS	No TDS
K.	Payment for articles published in newspaper, question setting, answer evaluation	No TDS	No TDS
L.	Interest payment to Resident bank, other financial institutions	No TDS	No TDS

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M.	Interregional interchange fee paid to credit card issuing bank	No TDS	No TDS
N.	Interest or fees paid by Government of Nepal under bilateral agreement	No TDS	No TDS
O.	On payment of general insurance premium to resident insurance company	No TDS	No TDS
P.	On payment of premium to non-resident insurance company	1.5%	1.5%
Q.	Contract payment exceeding Rs 50000 for a single contract with in 10 days.	1.5%	1.5%
R.	Interest & Dividend paid by Mutual Fund	Newly Introduced	No TDS
S.	Payment of consultancy fee: - to resident person against VAT invoice - to resident person against non VAT invoice	1.5% 15%	1.5% 15%
T.	Payment on contract to Non Resident Person - On service contract - On repair of aircraft & other contract - In cases other than above as directed by IRD.	15% 5%	15% 5%
U.	Gain on disposal of Interest in any resident entity (both listed or unlisted) exchange (Taxable amount is calculated under section 37) - To resident natural person - To others including non resident	10% 15%	10% 15%
V.	TDS deducted on payment of dividend made by Mutual fund to natural Person is final withholding Tax.	5%	5%

INCOME FROM INVESTMENT

S. N	Particulars	FY 2070/71	FY 2071/72
1.	Individual		
	Tax withholding on capital gain for natural person on transaction exceeding Rs 3 million (to be made by land revenue office at the time of registration) - disposal of land or land & building owned for more than 5 years up to 10 years - disposal of land or land & building owned for less than 5 years	2.5% 5%	2.5% 5%
2.	Corporate		
	Income from disposal of non business chargeable assets (Capital Gain)	Normal Rate	Normal Rate

Value Added Tax

- No changes in the existing rate of 13 percent for the fiscal year 2071/72 .
- Tax payer who are not registered in VAT but his transaction fall under Vatable Transaction and turnover exceed 20 lakhs up to FY 2069/70, paid Presumptive Tax showing turnover less than 20 lakhs, if get registered in VAT

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within Poush End 2071, declare the actual turnover and pay Income Tax @ 2% and VAT @ 3% on the difference of Turnover Value, then the amount of tax will be final to the extent of turnover declared by such taxpayer. But in case of Taxpayer engaged in the business of cigarette and gas, if they pay 0.5% (in aggregate of income tax and VAT) of difference of Turnover then the amount will be final to the extent of turnover declared by such taxpayer.

However, if the business is the VAT Exempted Business, if they pay 2% Income tax of difference of Turnover then the amount will be final to the extent of turnover declared by such taxpayer.

- Tax payers registered in VAT prior to FY 2069/70, who have not submitted the VAT Return, if they submit the VAT Return and pay VAT thereon of such financial years within the end of Poush 2071 then penalties, Additional fine and interest thereon shall be waived.
- Tax payer engaged in the business of Education Consultancy who is not registered on VAT up to Ashad 2071, if they register in VAT within Poush 2071, then they will be exempt from VAT, penalties and interest prior to the date of registration.
- Tax payer engaged in the business of Crusher Industry who is not registered on VAT up to Ashad 2071, if they register in VAT within Poush 2071, then they will be exempt from VAT, penalties and interest prior to the date of registration.

Excise Duty

The Budget 2071 has proposed higher Excise Duties on Tobacco and Liquor Items. The rates being applicable are prescribed below:

Materials	Unit	Prevailing rate for 2070 (Rs.)	Proposed rate for 2071 (Rs)
KHUDO	Per Kg	45	45
SHAKHAR	Per Kg	80	80
Beer	Per Ltr	88	92
Other cold drinks less than 12 % alcohol	Per Ltr	210	230
Wine 12 % alcohol	Per Ltr	210	230
Fine 12-17% alcohol	Per Ltr	220	230
Wine more than 17 %	Per Ltr	240	260
SIDER MAFE From Apple Juice	Per Ltr	55	60
Raw material of wine and brandy	Per Ltr	115	115
Raw materials of whisky, rum & TAFIA, GIN & GENEVA, Vodka, liquors and other alcohol including spirit	Per Kg	115	115
Rectified spirit and ENA		50	50
	Per Ltr	497	538
Brandy and wine, whisky, Rum and TAFIA, GIN & GENEVA, vodka, liquors & cordials 25 UP strength	Per LP Ltr	663	716
Brandy and wine, whisky, Rum TAFIA, GIN & GENEVA, vodka, liquors & cordials 30 UP strength	Per Ltr	464	501
	per LP ltr	663	716
Any other alcoholic drinks of 15 UP strength	Per Ltr	667	719
	Per LP Ltr	785	848
Any other alcoholic drinks of 25 UP	Per Ltr	497	538

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strength	Per LP Ltr	663	716
Any other alcoholic drinks of 30 UP strength	Per Ltr	464	501
strength	Per LP Ltr	663	716
Any other alcoholic drinks of 40 UP strength	Per Ltr	235	254
strength	Per LP Ltr	392	423
Any other alcoholic drinks of 50 UP strength	Per Ltr	84	125
strength	Per LP Ltr	168	250
Any other alcoholic drinks of 70 UP strength	Per Ltr	20	22
strength	Per LP Ltr	67	72
Nicotine , Pan Masala and Gutkha	Per Kilo Gram	275	325
All type of Cigar	Per Khilli	9	10
Cigarette 70 mm with filter	Per M	597	657
Cigarette 70 mm without filter	Per M	272	294
Cigarette 70-75 mm with filter	Per M	763	839
Cigarette 75-85 mm with filter	Per M	977	1075
Cigarette above 85 mm with filter	Per M	1306	1463

Custom Duty

The budget has purposed exemption on custom duty for certain infrastructure and agriculture related products, few are highlighted below:

Particular	Exemption
For the purpose of Construction of Cable Care, On Import of cable and Readymade Cab or steel plates used in manufacturing of cab.	50% exemption on import duty
Import of vehicle used for transportation of tea products by Tea processing and production industries.	
In case of import of milking machine and refrigerated van used in transportation of meat items or, any person going for Foreign Employment and had worked for at least one year, bring one television set up to 32 inch.	100% exemption on import duty

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