

NEPAL BUDGET 2075/76 (2018/19)

Highlights from Tax Perspective



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Government's Long Term Objective:

Prosperous Nepal, Happy Nepalese
सम्बृद्ध नेपाल, सुखी नेपाली



OBJECTIVES OF BUDGET 2075

- a) To end extreme poverty, impoverishment and backwardness by expeditiously fulfilling minimum basic livelihood needs, which are fundamental rights of citizens.
- b) To achieve rapid economic and human development by enhancing and optimally utilizing resources, opportunities and potentials.
- c) To build a prosperous, strong, self-reliant and socialism-oriented economy by developing economic, physical and social infrastructure.



PRIORITIES OF BUDGET 2075

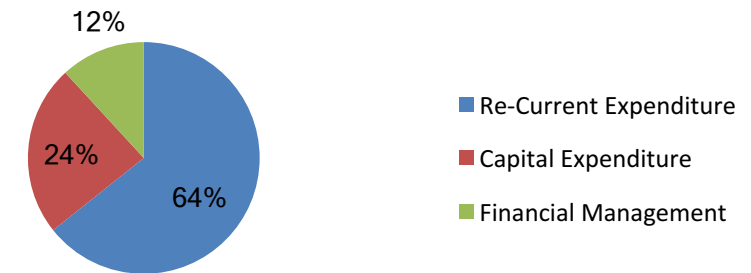
- a) Promotion of sectors that can create jobs and employment opportunities for all citizens.
- b) Accelerated human development through the development of the social sector, including health and education.
- c) Use of capital, technology and research in sectors, such as agriculture, water resources and tourism, to achieve sustainable, broad, equitable and high economic growth.
- d) Development of basic and modern physical infrastructure, such as roads, railways, irrigation, electricity and urban facilities, to accelerate the pace of building modern Nepal.
- e) Reconstruction of structures damaged by earthquakes and floods, and
- f) Enhancement in quality of public service delivery, and good governance perceivable by the citizens.

BUDGET SUMMARY

Budget Allocation

Re-Current Expenditure	845.45 Billions	62.83%
Capital Expenditure	313.99 Billions	26.21%
Financial Management	155.72 Billions	10.97%
Total Budget Allocated	1315.16 Billions	100.00%

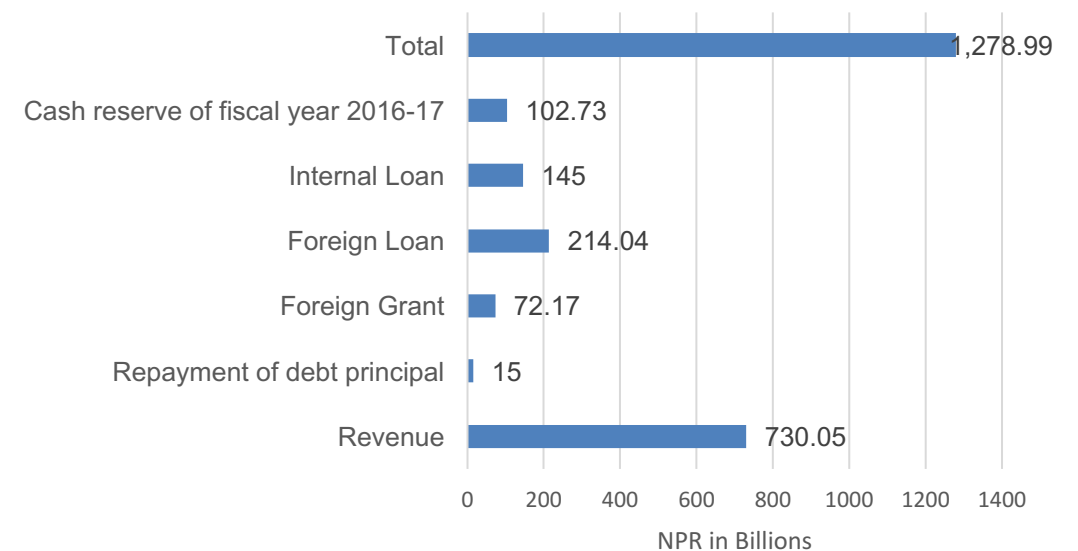
Allocation of Budget



Sources Of Budget Financing

Head	Amount in Billion
Revenue	730.05
Repayment of debt principal	15.00
Foreign Grant	72.17
Foreign Loan	214.04
Internal Loan	145.00
Cash reserve of fiscal year 2016-17	102.73
Total	1,278.99

Sources of Budget



Projected Economic Growth: 5.9% for Current F.Y. 2074/75

BUDGET SUMMARY

Major Highlights of Finance Bill 2075

- Allocation of Budget of Rs.3.10 billion for **The Prime Minister Employment Program** to create more employment opportunities within the country in order to gradually develop such situation that does not require Nepali to seek foreign employments.
- In order to attract youths in business having higher education, arrangement has been made to provide loan up to **Rs. 700 thousand** with a 5 percent subsidy in interest rate against the collateral of academic certificates. Compulsorily provisioning of credit guarantee and insurance of the business.
- Provision of providing project-based loan up to Rs. 1 million after accreditation of skill for the business for the youths returning from foreign employment. Compulsorily credit guarantee of such loan and insurance of the enterprise is proposed.
- One health center will be established in every ward within two years with partnership of local level governments. Rs. 4 billion grant has been proposed to the local level to build such institutions.
- Rs. 134.51 billion has been allocated to the Education, Science and Technology sectors. Madan Bhandari Institute of Science and Technology will be established with the objective of making it an international educational center for excellence on Science and Technology.
- **The government will bear the cost of health insurance premium up to Rs. 100 thousand of insurance amount for all citizens of over seventy years of age.**
- Visit Nepal 2020 campaign will be launched with an objective of bringing 2 million tourists in the next two years. Internal tourism promotion campaign will be launched with the spirit of Country First Then Abroad. Rs. 5.2 billion has been allocated for tourism sector development.



BUDGET SUMMARY

Major Highlights of Finance Bill 2075

- Prime Minister Agriculture Modernization Project will be expanded and Rs. 4.77 Billions has been allocated for the same.
- 75% grant shall be provided against insurance of Fishery, Agriculture & Animal husbandry.
- Visit Nepal 2020 program will be conducted which will aim to entry of Rs. 2 Millions tourist in the country.
- Feasibility Study & DPR is aimed to be conducted for various rail connections and water routes.
- Life Insurance limit to the Govt. Employees has been increased to Rs. 0.2 Million and 50% premium for the same shall be contributed by the Government and the Annual Uniform allowances to the employees has increased to Rs 10,000 each.
- The FY 2018/19 will be celebrated as the National Sanitation Campaign Year to ensure access to basic sanitation to all Nepali citizens within next three years. Nepal will be declared as open defecation free country by constructing toilets in all households.
- Proposals to celebrate the period of 2018-2028 year as Energy Decade.
- Madan Bhandari Highway from Shantinagar of Jhapa to Rupaal of Dadeldhura district will be expanded to Patapur of Mechi Municipality to be developed as agriculture, commercial and industrial corridor to Chure and the valley of Inner Madhesh.



TAXATION

General : Health, Education, Telecommunication Service & Casino

- Government has introduced HEALTH RISK TAX which will be applicable to the entities involved on the production/import of Ciggarrate, Cigar, Bidi, Khaini, Surti, Pan Masala, Gutkha.

Tax Applicable: In case of Cigerate, Cigar, Bidi

: NPR 25 Paisa Per Stick (Khilli)

In case of Khaini, Surti, Pan Masala, Gutkha

: NPR 25 Rupees Per Kg

- Education Tax which was imposed to Educational Entities has been scrapped, which was 1% earlier. However, education tax has been increased to 2% from existing 1% while exchanging foreign currency by the students going abroad for studies.
- Health tax, which was imposed to the entities involved in providing health services @ 5% has now repealed. Health Services are also exempted from VAT.
- Telecommunication Service Charge has been increased to 13% from existing 11% which will be imposed by telecom industries on the telecommunication charges made to the customer and shall be deposited to the Government.
- Casino Royalty



	Existing	New
To General Casino:	30 Million	40 Million Per annum
To Casino using Modern Machine Equipment:	7.5 Million per Annum	10 Million Per annum

TAXATION

General : Various Exemptions to the Person who want to Regularize their Tax Compliances

- **Person earning income in the past but has not paid tax**, on such income takes PAN number and files income tax return and pays tax for the F.Y. 2071-72, 2072-73 & 2073-74 by the end of Paush 2075 (Mid Jan 2019), then interest, fine shall not be charged for these financial year. Further, such person is exempted to file the Income tax return, pay tax, interest and penalties for the earlier year too.
- **Individual Person not filing income tax return on or before the F.Y. 2072-73 or earlier**, files income tax return and pays income tax for the F.Y. 2071-72 & 2072-73 by the end of Paush 2075 (Mid Jan 2019), then interest, fine shall not be charged for these financial year. Further, such person is exempted to file the Income tax return, pay tax, interest and penalties for the earlier year too.
- Person not filing VAT return till the month of Ashad 2074, files the VAT return and pays VAT by the end of Paush 2075 (Mid Jan 2019), then such person is not charged for any interest, additional fees and Penalties for these period.
- **VAT return non filer on or before Ashad 2071**, will have VAT Cancellation and they will not be charged for any interest, fine and penalties. However, VAT will be recovered from those people, if there is VAT payable to the Government by those parties.
- **VAT Charged by the Income Tax authorities**, on the canteen fees and hostel fees charged by the educational institute and VAT charged to stock brokers shall be waived for such VAT, Interest, additional fees and penalties;
- **Social organizations registered as per Entities Registration Act, 2034**, files the income tax return and pays taxes for the F.Y. 2074/75 by the end of Paush 2075 (Mid Jan 2019), such entities are exempted from any types of return, taxes, interest and fine.

INCOME TAX

PERSONAL TAX

For Resident Person

There has not been any change in the Tax Rates applicable to the Resident Person from the Budget this year. Details of the applicable tax rates have been provided below.

Particulars	FY 2075/76		FY 2074/75	
	Rs.	Tax Rate	Rs.	Tax Rate
Assessed as Individual				
First Tax slab	3,50,000	1%	First Tax Slab	3,50,000 1%
Next	1,00,000	10%	Next	1,00,000 15%
Next	2,00,000	20%	Next	20,50,000 25%
Next	13,50,000	30%	Balance Exceeding	25,00,000 35%
Balance Exceeding	20,00,000	36%		
Assessed as Couple				
First Tax Slab	4,00,000	1%	First Tax Slab	4,00,000 1%
Next	1,00,000	10%	Next	1,00,000 15%
Next	2,00,000	20%	Next	20,00,000 25%
Next	13,00,000	30%	Balance Exceeding	25,00,000 35%
Balance Exceeding	20,00,000	36%		

For Non-Resident Person

S. N.	Nature of transaction	FY 2075/76	FY 2074/75
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%

INCOME TAX

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 Resident 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. **A Resident natural person who has procured Health Insurance and paid premium amount thereon shall be entitled to a deduction of actual annual insurance premium or Rs. 25000 (Previously it was Rs. 20,000) whichever is less from gross taxable income.**
6. In case of the employee employed at the foreign diplomatic mission of Nepal only 25% of the foreign allowances are to be included in the income from salary.
7. In case of the employee posted outside Nepal is getting foreign allowance will get 75% rebate of such allowance.
8. In case of the female employee whose taxable income is only from employment than 10% rebate is allowed on tax liability.
9. In case of individual having income from export, tax rate of 15% is applicable in place of 25%.
10. Productive industries, except tobacco and alcohol industries are eligible to get 50% discount on land registration fee.
11. Special Industries related with manufacturing, tourist services, electricity production and distribution listed on NEPSE and industries mentioned on section 11(3ga) shall be provided with concession of 15% on applicable tax rate. This budget has included Agricultural, Forestry and Mineral Industries also in to the category of Special Industries.

INCOME TAX

CORPORATE TAX

Tax Rates:

S. N.	Nature of entity	FY 2075/76	FY 2074/75
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)
	Providing direct employment to Nepalese citizens by special industries and information technology industries for whole year:		
	For 100 (Earlier 300) or more	90% of Normal Rate	-
	For 300 (Earlier 1200) or more	80% of Normal Rate	90% of the Normal Rate
	For 500 or more	75% of Normal Rate	80% of the Normal Rate
II	For 1000 or more	70% of Normal Rate	
	For 1200 or more	N/A	80% of the Normal Rate
	For 100 Nepalese including 33% women, dalit & disabled by Special industries.	Additional 10% rebate	
	<u>Special industry providing employment to Nepalese Citizen only, agriculture industry, tourism industry providing employment to minimum 100 people</u>	NA	80% of the Normal Rate
III	a. <u>New Industries established with more than one billion capital and provide direct employment more than 500 peoples for a complete year or,</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>	<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>
	a. <u>New Industry related to Tourism and Aviation with more than two billion capital or,</u>		
	a. <u>Running industry with substantial expansion (at least 25% of existing capacity) with capital not less than one billion and provide direct employment more than 500 peoples for complete year.</u>		
IV	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)
V	Industries establishment in undeveloped areas (sec11.3.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)

INCOME TAX

CORPORATE TAX

Tax Rates:

S. N.	Nature of entity	FY 2075/76	FY 2074/75
VI	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)	
VII	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	
VIII	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
IX	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
X	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
XI	<u>Dividend Distribution Tax in case Special Industry, Industry based in Agriculture and Tourism sector capitalizing its profit for the purpose of expansion of capacity of industry.</u>	<u>100% exempt</u>	<u>100% exempt</u>
XII	Import income of information technology industries as IT Park as declared by government.	50% of normal tax rates	50% of normal tax rates

INCOME TAX

CORPORATE TAX

Tax Rates:

S. N.	Nature of entity	FY 2075/76	FY 2074/75
XIII	Institution having licensed to generate, transmit, and 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 2080 Chaitra and these exemption shall also be available for solar, wind and other alternative energy companies.	100% exempt up to ten years and 50% rebate on subsequent 5 years.	100% exempt up to ten years and 50% rebate on subsequent 5 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	60% of applicable tax rate
XVI	Income manufacturing industry, tourism service industry hydropower generation, distribution and transmission industry listed in the security exchange (i.e. capital market)	85% 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	Income Generated by Minerals (New added) , Petroleum & Natural Gas Industries by Exploration and Extraction	100% exemption for first 7 years for next 3 years 50% exemption from Income Tax if Commercial Production is started by Chaitra 2075	100% exemption for first 7 years for next 3 years 50% exemption from Income Tax if Commercial Production is started by Chaitra 2080
XIX	No Income Source will be asked if Investment has been made on the Project of National Importance	If investment is made within Chaitra 2076	If investment is made within Chaitra 2075

INCOME TAX

CORPORATE TAX

Tax Rates:

S. N.	Nature of entity	FY 2075/76	FY 2074/75
XX	Royalty from export of intellectual asset by a person	75% of applicable tax rate	75% of applicable tax rate
XXI	Income from sale by intellectual asset by a person through transfer	50% of applicable tax rate	50% of applicable tax rate
XXII	Presumptive tax for Natural person carrying Proprietorship Business in Metropolitan, Municipality and VDC	<ul style="list-style-type: none"> 5000 for the person conducting business within Metropolitan Area 2500 for the person conducting business within Municipality and 1500 for the person conducting business anywhere outside the limit of Metropolitan Area and Municipality Area 	<ul style="list-style-type: none"> 5000 for the person conducting business within Metropolitan Area 2500 for the person conducting business within Municipality and 1500 for the person conducting business anywhere outside the limit of Metropolitan Area and Municipality Area
XXIII	Presumptive tax in case a Resident Natural Person is engaged in business of Public Vehicles	<p>Rate as per nature of vehicles</p> <ol style="list-style-type: none"> Car, Jeep, Van and Micro Bus <ul style="list-style-type: none"> Upto 1300CC Rs. 4,000 From 1301 CC to 2000 CC Rs. 4,500 From 2001 CC to 2900 CC Rs. 5,000 From 2901 CC to 4000 CC Rs. 6,000 Above 4001 CC Rs. 7,000 Mini Truck, Mini Bus & Water tanker Rs. 6,000 Mini Tripper Rs. 7,000 Truck & Bus Rs. 8,000 Dozers, Excavator, Loader, Roller, Crane and like such machinery equipment Rs.12,000 Oil tanker, Gas Bullet and tripper Rs.12,000 Tractor Rs. 2,000 Power tiller Rs. 1,500 Auto Rickshaw, Three wheeler, Tempo Rs. 2,000 	<p>Rate as per nature of vehicles</p> <ul style="list-style-type: none"> Per Mini-Bus, Mini-Truck, Truck and Bus –Rs.3000 Per Car, Jeep, Van and Micro-Bus-Rs.2400 Per Three Wheeler, Auto –Rickshaw and Tempo- Rs. 1550 Per Tractor and power Tiller-Rs 1000

INCOME TAX

CORPORATE TAX

Tax Rates:

S. N.	Nature of entity	FY 2075/76	FY 2074/75
XXIV	Pvt Company having Paid of Capital of NPR 500 Million converted in Public Company & Transact	10% deduction in Income Tax Rate for the Period of 3 years	No Provision
XXV	Domestic Tea Production & Processing Industries, Dairy Industries & Textile Industries	50% of applicable tax rate	No Provision
XXVI	Health Services Provided by the Community	20% Reduction of Income Tax Act	No Provision
XXVII	Micro Industries (As defined under Industrial Enterprises Act, 2073)	100% tax exemption for the first 5 years from operation. If such Industries are run by Women, 100% exemption for further 2 years	No Provision

Notes (Miscellaneous provision incorporated by this Finance Bill 2075):

1. Tax paid to State Government & Local government can be claimed as Expenses.
2. Final Withholding Ceiling for Meeting Fee & Period Based Teacher kept as NPR 20,000.
3. Payment received by the natural person against the Bus fare & transportation service is kept under the list of final withholding payment.
4. Person not wishing to file Income Tax Return and having income only from the disposal of Non Business Chargeable Assets/Capital assets need not to file Income Tax Return.



INCOME TAX

CORPORATE TAX

Tax Rates:

S. N.	Nature of entity	FY 2075/76	FY 2074/75
XXVII	<u>Presumptive tax in following case:</u>		
	Resident Natural Person who fulfills all the following conditions:		
	<ul style="list-style-type: none"> a) The person generates income only from business having source in Nepal b) The person does not claim Medical Tax Credit c) The person does not claim advance tax arising out of tax withheld by withholding agent d) The transaction of the business exceeds Rs. 20 Lakhs and is less than Rs. 50 Lakhs e) The person is not registered for VAT purpose, and f) The person does not have income related to consultancy and expert professional services including that provided by doctor, engineer, auditor, lawyer, sportsman, artist, and consultant. 		
	<u>Then the tax applicable will be as follows:</u>		
1.	For person dealing in cigarette, gas, etc. in which the person makes sales by adding 3% commission or profit.	0.75% of transaction amount.	0.75% of transaction amount.
2.	For persons dealing goods besides that specified in (1) above	0.25% of transaction amount.	0.25% of transaction amount.
3.	Persons dealing in service business	2 % of transaction amount.	2 % of transaction amount.

INCOME TAX

CORPORATE TAX

Tax Rates:

S. N.	Nature of entity	FY 2075/76	FY 2074/75
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%
New	Merchant Banks, Telecommunication and Internet Services Industry, Money Transfer Capital Market, Commodity Future Market, Securities Brokers and Companies involved in securities business	30%	25%
1.6	Institution having licensed to exploration for Minerals or petroleum or natural gas become commercial before B.S 2080(Earlier 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
1.7	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 - Income earned by the resident person relating to export activities 	20%	20%
1.8	Saving and Credit Co-Operatives established in rural areas under Co-Operatives Act, 2074 & All the Specified nature of Co-operatives	Nil	Nil
1.9	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%

INCOME TAX

WITHHOLDING TAXES/(TAX DEDUCTED AT SOURCE)

S. N.	Nature of transaction	FY 2075/76	FY 2074/75
A.	Interest income from deposit up to Rs 10000 under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank' & Co-Operative (u/s-11(2ka) in village municipality areas(Previously 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 However no TDS on payment of rent to natural person. (New)	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>		5%
	- Listed Shares	7.5%	10%
	- Non Listed Shares	10%	
	<u>Resident Entity</u>		10%
	- Listed Shares	10%	15%
	- Non Listed Shares	15%	
	<u>Others</u>		10%
	- Listed Shares	25%	15%
	- Non Listed Shares	25%	
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	No TDS	No TDS

INCOME TAX

WITHHOLDING TAXES/(TAX DEDUCTED AT SOURCE)

S. N.	Nature of transaction	FY 2075/76	FY 2074/75
L.	Interest payment to Resident bank, other financial institutions	No TDS	No TDS
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 within 10 days.	1.5%	1.5%
R.	Interest & Dividend paid to Mutual Fund	No TDS	No TDS
	Payment of consultancy fee:		
S.	– to resident person against VAT invoice	1.5%	1.5%
	– to resident person against non VAT invoice	15%	15%
	Payment on contract to Non Resident Person		
T.	– On service contract(For both Resident & Non Resident Person)	15%	15%
	– On repair of aircraft & other contract	5%	5%
	– In cases other than above as directed by IRD.		
U.	TDS deducted on payment of dividend made by Mutual fund to natural Person is final withholding Tax.	5%	5%
V.	<u>TDS on Payment by Resident Person for utilizing services related with Satellite, Bandwidth, Optical Fiber, equipment relating to telecommunications or electric transmission</u>	10%	15%
W.	Dividend Paid by Partnership Firm to its Partners	5%	5%
X.	Payment for the freight to transportation service	2.5%	NA
Y.	Payment made against question setting, answer evaluation	15% TDS	No TDS
Z.	Payment to Non Resident Company against Insurance Premium	1.5%	1.5%
AA.	Payment to Non Resident Company against Commission paid for Reinsurance	1.5%	1.5%
AB.	Payment made to Consumer Committee	1.5%	N/A
AC.	Commercial Import of Buffalo, Goat, Sheep, Fresh & Frozon Fish, Fruits,	5% of Custom Value	N/A

INCOME TAX

TAX ON INCOME FROM INVESTMENT

S. N	Particulars	FY 2075/76	FY 2074/75
1.	<u>Individual</u>		
	Tax withholding on capital gain for natural person on transaction exceeding Rs. 1 million (Upto 2074/75 limit was Rs 3 Million) (to be made by land revenue office at the time of registration)	2.5%	2.5%
	- disposal of land or land & building owned for more than 5 years		
	- disposal of land or land & building owned for less than 5 years	5%	5%
2.	<u>Corporate</u>		
	Income from disposal of non business chargeable assets (Capital Gain)	Normal Rate	Normal Rate



VALUE ADDED TAX

- **No changes in the existing Value Added Tax rate of 13 percent for the fiscal year 2075/76**
- Education service tax and health service tax has been waived off
- Vat Refund procedure to the domestic industries producing sugar, cellular mobile phone set, domestic clothes, milk, utensil & circles made from copper & brass, tea, wheat floor, mustard oil, matches have been withdrawn.
- Withdrawal of VAT on Health Services provided by Private Hospitals
- Polymer used for packing of Saline by Saline Industries upon recommendation of Department of Medicine Management were exempted from VAT
- Hostel & Canteen Service by Education Institution were exempted from VAT
- Money Transfer, Clearing House, Reinsurance, Agricultural Insurance, Bee Insurance, Fishery Insurance, Insurance of Horticulture, Insurance of Bee keeping, Insurance of Animals & Insurance of flying animals (Panchhi), Capital Merchant Business, Securities Brokerage, Commodity Future Market Business were also exempted from VAT
- 100% waiver of VAT on import of Bus by community school with seating capacity of 30 or above for use by such community schools
- Withdrawal of VAT refund facility of Sugar, Textile, Maida, Cellular Mobile, Dairy, Match, Tyre Tube, Mustard Oil, Vegetable Ghee and Other oil, Tea, Metal craft Industries etc.
- 100% Exemption of VAT on import of Bus by community school with seating capacity of 30 or above for use by such community schools upon recommendation by Education, Science & Technology Ministry. Such vehicle is restricted to transfer within 10 years.



VALUE ADDED TAX

Criteria	New Amendment	Existing Provisions
Threshold for General Business Doing Vatable /(Taxable) Transaction	For Good NPR 5 Million For Service NPR 2 Million For Combined Business 2 Million	For Good NPR 5 Million For Service NPR 2 Million For Combined Business 2 Million
Compulsory VAT Registration irrespective of Threshold	<p>a) Transaction of brick after producing it, or conducts transaction of distributor of alcohol, wine shop, software, trekking, rafting, ultra light flight, paragliding, tourist transportation, crusher, sand or stone industry.</p> <p>a) Transaction of hardware, sanitary, furniture, fixture, furnishing, automobiles, motor parts, electronics, marble , educational consultancy, discotheque, health club, catering service, party palace business, parking service, dry cleaners using machinery equipments, restaurant with bar, color lab, boutique, tailoring with shirting-suiting materials, suppliers of uniform in educational/health/other institutions, ice cream industry in metropolitan/sub metropolitan/municipality or areas prescribed by IRD.</p> <ul style="list-style-type: none"> - Tax payer shall issue electronic invoice after obtaining the previous approval from department. - IRD Can order any person to issue Invoice in Electronic form and such invoicing system may get connected with Central Billing Monitoring System of Income Tax Department 	<p>No Such Provision for the F.Y. 2074-75</p> <p>(Though the similar provisions were exist from BS 2062 to BS 2073 Ashad)</p>

EXCISE DUTY

Excise Duty:

A. Suspending of Excise License:

- If the excise officer find from his preliminary investigation that Cigarette, Alcohol & Tobacco producing industries, are not using the excise sticker or reusing or using duplicate sticker during the course of production or issue or sale or production or storage being made without keeping the records for the raw materials used, than the excise officer will suspend the license for the period of 3 months.

B. Introduction of Excide Duty to various products including, Chocolate with Coca, Refrigerator, Perfume, Toys etc.

C. 100% waiver of Excise Duty on import of Bus by community school with seating capacity of 30 or above for use by such community schools



CUSTOMS DUTY

Import of Raw Gold upto 100gms by Nepalese citizens returning from abroad allowed after paying applicable taxes. Applicable Taxes is

Upto 50 grams: NPR 5200 per 10 gms
 Next 50 Grams: NPR 6200 per 10 gms
 If imported extra: It will be forfeited.

- 75% waiver of the import duty on import of Bus by community school with seating capacity of 30 or above for use by such community schools

Rates Applicable for FY 2075/76 for the Certain Items:

Heading	Description of article	Import Duty (% except otherwise specified) for FY 2075-76	Import Duty (% except otherwise specified) for FY 2074-75
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter.		
04.02.10.10	-In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5% -In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5% :	30%	20%
04.02.21.10	Not containing added sugar or other sweetening matter	30%	20%
04.02.29.10	Other	30%	20%
04.02.91.00	Not containing added sugar or other sweetening matter	30%	20%
04.02.99.00	Other	30%	20%

CUSTOMS DUTY

Heading	Description of article	Import Duty (% except otherwise specified) for FY 2075-76	Import Duty (% except otherwise specified) for FY 2074-75
04.05	Butter and other fats and oils derived from milk; dairy spreads		
04.05.10.00	Butter	30%	20%
04.05.20.00	Dairy spreads	30%	20%
04.05.90.00	Others	30%	20%
09.04	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta.		
09.04.11.00	--Neither crushed not ground	10%	5%
09.04.12.00	--Crushed or ground	10%	5%
15.07	Soyabean oil and its fractions, whether or not refined, but not chemically modified		
15.07.10.00	Crude oil, whether or not degummed	10%	5%
15.07.90.00	Other	15%	10%
15.11	Palm oil and its fractions, whether or not refined, but not chemically modified.		
15.11.10.00	Crude Oil	10%	5%
15.12	Palm oil and its fractions, whether or not refined, but not chemically modified.		
15.12.11.00	Crude Oil	10%	5%
15.12.19.00	Other	15%	10%

CUSTOMS DUTY

Heading	Description of article	Import Duty (% except otherwise specified) for FY 2075-76	Import Duty (% except otherwise specified) for FY 2074-75
15.14	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified.		
1514.19.00	Others	15%	10%
1514.99.10	Of canola (Rapeseed)	15%	10%
1514.99.90	Other	15%	10%
15.15	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified		
1515.21.00	Crude Oil	10%	10%
1515.29.00	Other	15%	15%
17.01	Cane or beet sugar and chemically pure sucrose, in solid form		
17.01.12.00	Beet Sugar	30%	15%
17.01.13.10	Sakhhar (Gud)	30%	15%
17.01.13.20	Khanda sugar	30%	15%
17.01.13.90	Others	30%	15%
17.01.14.10	Sakhhar (Gud)	30%	15%
17.01.14.20	Khanda sugar	30%	15%
17.01.14.90	Other	30%	15%
17.01.91.00	Containing added flavouring or colouring matter	30%	10%
17.01.99.00	Other	30%	10%

CUSTOMS DUTY

Heading	Description of article	Import Duty (% except otherwise specified) for FY 2075-76	Import Duty (% except otherwise specified) for FY 2074-75
21.06	Food preparations not elsewhere specified or included.		
21.06.90.10	Dalmott, Papad, Salted, Bhujyia and Chamena (titbits)	20%	15%
21.06.90.90	Other	20%	15%
22.02	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages, not including fruit or vegetable juices of Heading 20.09		
2202.99.10	Energy Drinks	30%	30%
2202.99.90	Others	30%	30%
24.01	Unmanufactured tobacco; tobacco refuse		
24.01.10.10	Tobacco, not stemmed/stripped	20%	15%
24.01.20.10	-Tobacco, partly or wholly stemmed/stripped	20%	15%
24.01.30.10	Tobacco refuse	20%	15%



CUSTOMS DUTY

Heading	Description of article	Import Duty (% except otherwise specified) for FY 2075-76	Import Duty (% except otherwise specified) for FY 2074-75
70.13	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of Heading 70.10 or 70.18).		
70.13.91.00	Of lead crystal	20%	15%
70.13.99.00	Other	20%	15%
70.20	Other articles of glass.		
70.20.00.00	Other articles of glass.	20%	15%
85.06	Primary cells and primary batteries.		
85.06.90.00	-Parts	15%	5%
85.07	Electric accumulators, including separators therefore, whether or not rectangular (including square).		
85.07.90.00	-Parts	15%	5%
87.03	Motor cars and other motor vehicles principally designed for the transports of persons (other than those of Heading 87.02), including station wagons and racing cars.		
87.03.23.10	Cilinder Capacity more than 1500 and upto 2000	80%	80%
87.03.23.20	Cilinder Capacity more than 2000 and upto 2500	80%	80%
87.03.23.30	Cilinder Capacity more than 2500 and upto 3000	80%	80%

CUSTOMS DUTY

Heading	Description of article	Import Duty (% except otherwise specified) for FY 2075-76	Import Duty (% except otherwise specified) for FY 2074-75
85.07.32.10	Cylinder Capacity more than 1500 and upto 2000	80%	80%
85.07.32.20	Cylinder Capacity more than 2000 and upto 2500	80%	80%
87.11	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor with or without side-cars; side-cars.		
87.11.20.11	Exceeding 50 cc but not exceeding 150 cc	30%	30%
87.11.20.19	Exceeding 150 cc but not exceeding 250 cc	30%	30%
87.11.20.91	Exceeding 50 cc but not exceeding 150 cc	30%	30%
87.11.20.99	Exceeding 150 cc but not exceeding 250 cc	30%	30%



Disclaimer:

The information contained in this document is compiled by NBSM and is exclusively for the information of its clients and staffs. However the detail study is recommended before taking any decisions on the matters contained herein.

NBSM & Associates | **NBSM**
Chartered Accountants | Consulting

Four Square Complex
Narayan Chaur, Naxal, Kathmandu, Nepal
T : 977-1-4433069 | 4415242
E : info@nbsm.com.np

