

TAX RATES FOR FISCAL YEAR 2077-78 (2020-2021)



A. Tax Rates On Individual Assessee

Section 3 : Every Person Shall be taxed as follows:		
Section 3(Ga): Person having income as final withholding payment	Tax should be deducted at rate specified under section 87, 88, 88(Ka), 89	Tax liability= Tax Deducted
Section 3(Kha): Foreign permanent establishment (PE) of non-resident person in Nepal-repatriating income	Tax as per sub-section (6) of section 2 of Annexure -अनुसूची_-२	Taxable Income = Dividend paid by PE Tax Rate = 5% of Dividend paid
Section 3(Ka): Person having taxable income during the fiscal year		
Taxed at the rate specified in Annexure - अनुसूची_-१		
Tax shall be calculated by considering benefit of section 51 (Medical Expenditure) or Section 71 (Foreign Tax Credit) or both.		
Person Having		
Person Paying Tax Under Presumptive Tax Scheme	Person Paying Tax under Transaction Based Tax Scheme	Individuals having Employment Income Only
Conditions: <ul style="list-style-type: none"> • Having business income source in Nepal only • Not registered under VAT Act • Not claimed benefit of Section 51 and section 93 • Having income up to Rs. 2 lakhs and turnover up to Rs. 20 Lakhs 	Conditions: <ul style="list-style-type: none"> • Having business income source in Nepal only • Not registered under VAT Act • Not claimed benefit of Section 51 and section 93 • Having turnover above Rs. 20 lakhs but less than Rs. 50 lakhs during the financial year. • Providing services other than service of Doctor, Engineer, Auditor, Lawyer, Artist, Player and Consultant. 	Tax = TDS deducted as per section 87 of the Income Tax Act, 2058 In order to calculate employment tax, we should consider the following aspects; <ul style="list-style-type: none"> • Any amount paid (except reimbursement of expenses) by the employer to employee during the employment shall be considered as employment income. • Slab rate## will be applicable (individual/couple) • We should consider allowable deduction provided by IT Act while calculating taxable employment income and employment tax. ###
Tax as Per subsection (7) of section 1 of Annexure- अनुसूची_-१ as follows:	Tax as Per sub-section (17) of section 1 of Annexure- अनुसूची_-१ as follows:	
Location of Business	Tax Liabilities	# Tax liabilities of residential individual having business income paying tax under Transaction Based Tax Scheme shall be calculated as follows:
Metropolitan City/ Sub-metropolitan City Municipality	Rs. 7,500	
	Rs. 4,000	
Other than mention above	Rs. 2,500	

Note: Person Includes Individual and entity.

Tax liabilities of resident individual paying tax under Transaction Based Tax Scheme shall be sum of the following two (A) and (B)

(A) Tax Liability on turnover up to Rs. 20 lakhs

Location of Business	Tax Liability
Metropolitan City/ Sub-metropolitan City	Rs. 7,500
Municipality	Rs. 4,000
Other than mention above	Rs. 2,500

(B) Tax liability on turnover above Rs. 20 lakhs but less than Rs. 50 lakhs

Business Type	Tax Rate
Service provider other than Doctor, Engineer, Auditor, Lawyer, Artist, Athletes & Professional Consultant	2.00%
Person carrying on business of gas, cigarette etc. on commission basis @3% or by adding value on it having turnover above Rs. 20 lakhs but less than Rs. 50 lakhs	0.25%
Persons other than mentioned above	0.75%

Note: Tax liability determined as above shall pay in two installment as follows;

Poush End	Tax on transaction up to Poush 20 at prescribed rate
Asadh End	Remaining tax on actual transaction up to Asadh 20 and estimated transaction till end at prescribed rate

##Slab Rate

Taxpayer Assessed as Single				Taxpayer Assessed as Couple			
Slab	Rate	Tax Amount		Slab	Rate	Tax Amount	
First Rs. 400,000	1%	Rs. 4,000**	Rs. 4,000**	First Rs. 450,000	1%	Rs. 4,500**	Rs. 4,500**
Next Rs. 100,000	10%	Rs. 10,000	Rs. 14,000	Next Rs. 100,000	10%	Rs. 10,000	Rs. 14,500
Next Rs. 200,000	20%	Rs. 40,000	Rs. 54,000	Next Rs. 200,000	20%	Rs. 40,000	Rs. 54,500
Next Rs. 13,00,000	30%	Rs. 3,90,000	Rs. 4,44,000	Next Rs. 12,50,000	30%	Rs. 3,75,000	Rs. 4,29,500
Above Rs. 20,00,000	36%		Rs. 4,44,000+ 36% of income above Rs. 20,00,000	Above Rs. 20,00,000	36%		Rs. 4,29,500 + 36% of income above Rs. 20,00,000

****There will be no tax @1% on income received from retirement fund and individual contributing to Social Security Fund (SSF).**

Deductions, which can claimed, while calculating taxable employment income & tax

- **Remote Area Allowance:** Person employed in rural area and receiving **Remote Area Allowance** can claim as an exemption from taxable income amount equal to remote area allowance received or following amount, whichever is lower:
 - Area “Ka” Rs. 50,000
 - Area “Kha” Rs. 40,000
 - Area “Ga” Rs. 30,000
 - Area “Gha” Rs. 20,000
 - Area “Nga” Rs. 10,000
- **Foreign Employment Allowance:** 75% of foreign employment allowance received by the foreign diplomatic mission employees of Nepal can claim as an exemption from taxable income.
- **Exemption to Handicap Personnel:** Additional 50% of exemption shall be allow to resident individual if he is handicapped.
- **Insurance Premium:** Rs. 25, 000 or actual insurance premium paid whichever in lower shall be allowed as deduction to resident individual.
- **Health Insurance Premium:** Lower of Rs.20,000 or health insurance premium paid to insurance company shall be allowed as deduction to resident individual.
- **Women Employee:** 10% of tax liabilities shall be allow as exemption to resident women individual if she has only employment income.
- **Contribution to retirement fund:** Lower of 1/3rd of Assessable income or actual contribution or Rs. 300,000 (*Rs. 500,000 for persons contributing under SSF*) shall be allowed as deduction from assessable income.

B. Tax Rate for Resident Individual Having Only Business Income (ie. For Proprietorship Business)

Taxpayer Assessed as Single				Taxpayer Assessed as Couple			
Slab	Rate	Tax Amount		Slab	Rate	Tax Amount	
First Rs. 400,000		No Tax		First Rs. 450,000		No Tax	
Next Rs. 100,000	10%	Rs. 10,000	Rs. 10,000	Next Rs. 100,000	10%	Rs. 10,000	Rs. 10,000
Next Rs. 200,000	20%	Rs. 40,000	Rs. 50,000	Next Rs. 200,000	20%	Rs. 40,000	Rs. 50,000
Next Rs. 13,00,000	30%	Rs. 390,000	Rs. 440,000	Next Rs. 12,50,000	30%	Rs. 375,000	Rs. 425,000
Above Rs. 20,00,000	36%		Rs. 440,000 + 36% of income above 20,00,000	Above Rs. 20,00,000	36%		R. 425,000 + 36% of income above Rs. 20,00,000

Note: Above applicable rates are before claiming exemption provided in section 11 of The Income Tax Act.

C. Tax Rates for Business Entity

Annexure	Business/ Entity	Tax Rate
Annexure -1 Section 2 (1)	General Business	25%
Section 2(2)	Bank, Financial Institution, General Insurance or Telecommunication & Internet Service Provider, Capital Market, Money Transfer, Capital Market, Marchant Bank, Commodity Future Market, Security Exchange, Broker of Security & Commodity Market, Cigarette, Bidi, Sigar, Surti, Khaini, Gudka, Pan Masala, Wine & Beer and Petroleum product business as per Petroleum act 2040	30%
Section 2(3)	Co-operate Society register under Co-operative Act 2074, operate in the following area; <ul style="list-style-type: none"> • Metro Politian City • Sub Metro Politian City • Municipality <p>Note: Above tax rate shall be applicable only on taxable transactions.</p>	10% 7% 5%
Section 2 (3Kha)	Taxable income of School or Higher School registered under Public Guthi	20%
Section 2(6)	Foreign permanent establishment (PE) of non-resident person in Nepal	5%
Section 2(7)	Tax on Taxable income specified in section 70 of the act of Non-Resident Individual as But Tax on income of Non-resident person arising from business of marine transport, air transport embarking but not reaching abroad and telecommunication business	5% 2%

Note: Above applicable rates are before claiming exemption provided in section 11 of The Income Tax Act.

D. Presumptive Tax for Transport (Hired) Vehicle Owner

Presumptive Income tax for Hired Transport Vehicle Owner	
Type of Vehicle	Annual Tax Per Vehicle
A. Car, Jeep, Van, Micro Bus	
• Upto 1300 CC	Rs. 4,000
• 1301 to 2000 CC	Rs. 4,500
• 2001 to 2900 CC	Rs. 5,000
• 2901 to 4000 CC	Rs. 6,000
• Above 4001 CC	Rs. 7,000
B. Mini truck, Mini Bus, Water Tanker	Rs. 6,000
C. Mini Tipper	Rs. 7,000
D. Truck , Bus	Rs. 8,000
E. Dozer, Excavator, Loder, Roler, Crane and likely vehicle	Rs. 12,000
F. Oil Tanker, Gas Bullet, Tipper	Rs. 2,000
G. Tractor	Rs. 1,500
H. Power Wheeler	Rs. 1,500
I. Auto, Riksa, Three Wheeler, Tempo	Rs. 2,000

ORA Consultancy Service Pvt. Ltd.

Head Office: Dathu Sadak, Geetanjali Chowk, Nayabazar
Khushibun, Kathmandu -44611

Branch Office Butwal-11 Devinagar Rupandehi

Contact: +977-9848759897

Email: info@oraconsultancy.com.np

Website: www.oraconsultancy.com.np