

## BUDGET HIGHLIGHTS RELATED TO TAXATION (FY 2080-81)

### 1. CHANGES IN INCOME TAX SLAB RATE (SCHEDULE I)

#### For Resident Natural Persons Opting Single Assessment

EXISTING		REVISED	
Limit	Rate	Limit	Rate
Up-to Rs. 500,000	1%*	Up-to Rs. 500,000	1%*
More than Rs. 500,000 Up-to 700,000	10%	More than Rs. 500,000 Up-to 700,000	10%
More than Rs. 700,000 Up-to 10,00,000	20%	More than Rs. 700,000 Up-to 10,00,000	20%
More than Rs. 10,00,000 Up-to 20,00,000	30%	More than Rs. 10,00,000 Up-to 20,00,000	30%
In excess of Rs. 20,00,000	36%	More than Rs. 20,00,000 Up-to 50,00,000	36%
		<b>In excess of Rs. 50,00,000</b>	<b>39%</b>

#### For Resident Natural Persons Opting Couple Assessment

EXISTING		REVISED	
Limit	Rate	Limit	Rate
Up-to Rs. 600,000	1%*	Up-to Rs. 6,00,000	1%*
More than Rs. 600,000 Up-to 800,000	10%	More than Rs. 6,00,000 Up-to 8,00,000	10%
More than Rs. 800,000 Up-to 11,00,000	20%	More than Rs. 8,00,000 Up-to 11,00,000	20%
More than Rs. 11,00,000 Up-to 20,00,000	30%	More than Rs. 11,00,000 Up-to 20,00,000	30%
More than Rs. 20,00,000	36%	More than Rs. 20,00,000 Up-to 50,00,000	36%
		<b>In excess of Rs. 50,00,000</b>	<b>39%</b>

*\*This is the Social Security Tax to be deposited in a separate revenue account (11211) provided for this purpose. However, taxpayer registered as sole proprietorship or on pension income or on income from contribution-based pension fund or on natural person contributing to social security fund shall not attract social security tax i.e., 1%*

### 2. ADDITION AND AMENDMENT IN PROVISIONS OF INCOME TAX ACT

**LUXURY TAX:** The following service provider shall charge and collect the luxury tax @ 2% of amount charged by them.

- The service provided by the five or more-star hotel, luxury resort,
- Imported Liquor
- The transaction of gold, diamond, pearls, or precious metal in excess of Rs. 10 Lakhs

The amount collected should be deposited in the revenue account by the twenty fifth day of next month.

**FOREIGN TOUR:** The Nepalese tourist who visit abroad on a **tourist visit** shall pay foreign tour fees @5% of package amount. Such an amount should be collected by the tour package provider or organizer.

The amount collected should be deposited in the revenue account by the twenty fifth day of next month.

### 3. AMNESTY AND RELIEF PACKAGES IN TAX

#### FURTHER PUBLIC OFFER:

Entities that failed to include dividend income from shares issued at a premium through FPO for the distribution of bonus shares in their income up to FY 2078-79, as required by section 56(3) of the Income Tax Act, 2058, will have the opportunity to avail the waiver on fees and applicable interest. This waiver will be granted if the applicable tax is paid by the end of Mangsir, 2080.

**MERGER & ACQUISITION:** Interest, fees and penalty shall be waived if an entity pays the taxes on bargain purchase gain from merger and acquisition of an entity till the financial year 2077-78 considering the income by the end of Mangsir 2080.

**MEDIA HOUSE:** Twenty-five percent of concession on applicable tax rate shall be provided to the media house business for the financial year 2079-80.

#### INCOME FROM TRANSACTION OF SECURITIES AND REAL ESTATE (LAND & BUILDING) ON REGULAR BASIS:

A natural person engaged in the regular business of securities, land, or real estate, who has not yet submitted business income details or filed tax returns for the financial years 2076-77 to 2078-79, will be eligible for a waiver of the remaining 50% of tax, fees, and interest. To qualify for this waiver, the individual must declare the business income and pay 50% of the tax amount as per the Income Tax Act, 2058, end of Chaitra, 2080.

#### EDUCATION CONSULTANCY AND FOREIGN EMPLOYMENT AGENCY:

Persons engaged in the Foreign Employment or Educational Consultancy Services business, who have failed to declare their actual domestic or foreign income or pay the correct amount of tax in previous years, will be eligible for a waiver of fees and interest. This waiver will be granted if the outstanding tax is paid along with the necessary declaration by the end of Chaitra, 2080.

**EYE HOSPITAL:** Interest, penalty, fees and additional fees shall be waived to the eye hospital whether registered or not under VAT Act 2052, transact vatable transaction from financial year 2076-77 to 14<sup>th</sup> Jestha 2080, failed to collect and pay vat, if they pay five percent of such transaction as vat by the end of Ashoj 2080. Further, the same provisions shall be applicable for the cases pending at administrative review if they withdraw and pay tax as above.

**HIRE PURCHASE BUSINESS:** Interest, fees, additional fees and penalties shall be waived to the person who engaged in hire purchase business and failed to collect and pay VAT on such transaction on time, if they pay VAT equivalent to 2% of transaction amount from the financial year 2074-075 to financial year 2077-78 by the end of Mangsir 2080.

**CONSTRUCTION BUSINESS:** Additional fees, penalty and interest shall be waived to the person who engaged in construction business failed to file VAT return, and pay tax on such transaction till Chaitra 2079, if they pay VAT and fifty percent of applicable interest by the end of Poush 2080.

**TRANSPORTATION BUSINESS:** Interest, fees, penalties and additional fees shall be waived to the person who engaged in transportation business failed to collect and pay VAT on transaction for the period which attract VAT, if they pay five percent of vatable transaction for such period by the end of Poush 2080. The same provisions shall be applicable for the cases pending at administrative review if they withdraw and pay tax as above.

**HERBAL INDUSTRIES:** Interest, penalty, fees and additional fees shall be waived to the herbal industries whether registered or not under VAT Act 2052, transact vatable transaction from financial year 2071-72 to 14<sup>th</sup> Jestha 2080, failed to collect and pay vat, if they pay five percent of such transaction as vat by the end of Poush 2080. The same provisions shall be applicable for the cases pending at administrative review if they withdraw and pay tax as above.

#### 4. CHANGES IN INCOME TAX ACT

##### CHANGES IN PROVISIONS OF INCOME TAX ACT

Section	Old Provision	New Provision
10(Da)	Amounts earned by educational institutions established without any motive of generating profit or distributing profit operated as per memorandum of understanding between Government of Nepal or Concerned entity of Government of Nepal in pursuance of its objective.	Amounts earned by educational institutions established without any motive of generating profit or distributing profit operated as per memorandum of understanding between Government of Nepal. <del>or Concerned entity of Government of Nepal in pursuance of its objective.</del>
11(1)	<b>100% rebate on applicable taxes</b> on Income derived from agriculture business, vegetable dehydration business and cold storage business by registered firm, company, partnership, 1and organized institutions.	<b>50% rebate on applicable taxes</b> on Income derived from agriculture business, vegetable dehydration business and cold storage business by registered firm, company, partnership, and organized institutions.
11(2) (Kha)	Exemption from tax on the income, earned by a special industry operate in full throughout the year in any income year shall be as follows: - (Ka). By thirty percent of the tax if tax is levied at the rate of thirty percent on the income of a resident individual. (Kha). By twenty percent on tax leviable on the income of entity. A person having enjoyed the facility under clause(ka) or(kha) shall also be entitled to such exemption and facility if such person is eligible to claim tax exemption facility under this section.	Exemption from tax on the income, earned by a special industry in full operation throughout the year in any income year shall be as follows: - (Ka). By thirty percent of the tax if tax is levied at the rate of thirty percent on the income of a resident individual. (Kha). By twenty percent on tax leviable on the income of entity. <del>A person having enjoyed the facility under clause(ka) or(kha) shall also be entitled to such exemption and facility if such person is eligible to claim tax exemption facility under this section.</del>
11(3) (Nga)(Ga)	Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows: (a) if tax is chargeable at the rate of twenty percent on an income of an individual resident, <i>twenty-five percent of that tax</i> and if thirty percent is taxable, <i>fifty percent of that tax</i> , (b) twenty percent of tax leviable on the income of an entity, (c) additional fifty percent of the tax on income earned from export of goods produced by a production-based industry, after deduction of the exemption under clause (a) or (b).	Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows: (a) if tax is chargeable at the rate of twenty percent on an income of an individual resident, <i>twenty-five percent of that tax</i> and if thirty percent is taxable, <i>fifty percent of that tax</i> , (b) twenty percent of tax leviable on the income of an entity, (c) <del>additional fifty percent of the tax on income earned from export of goods produced by a production-based industry, after deduction of the exemption under clause (a) or (b).</del> <i>Fifty percent concession shall be given on the income which is received in a foreign currency from providing Services related to Business Process Outsourcing, Software Programming, Cloud Computing and other communication related services up-to F. Y. 2084-85.</i>

88(1)(8)	Two and Half percent shall be deducted on Payment for carriage service and vehicle provide in rent for carriage service.	Two and Half percent shall be deducted on Payment for carriage service and vehicle provide in rent for carriage service. <i>One &amp; Half percent shall be deducted if the person is registered under VAT.</i>
88(1)(9) (Ka)		<i>5% Tds to be deducted</i> on payment of Interest on loan taken from Foreign Banks or foreign financial institution by hydroelectricity project based on reservoir or semi-reservoir with capacity more than two hundred megawatt that completes financials closure within Chaitra BS 2082.
88(3)	Notwithstanding anything contained in sub-section (1), in making payment to any individual of interest or of an amount in the form of interest as follows, in consideration for deposits, bonds, debentures a government bonds, a resident bank, financial institution, cooperative organization or any other body issuing bonds or company enlisted under the prevailing law shall withhold tax at the rate of <i>five percent</i> of the total amount of payment: (a) Which has source in Nepal, and (b) Which is not related to the operation of business.	Notwithstanding anything contained in sub-section (1), in making payment to any individual of interest or of an amount in the form of interest as follows, in consideration for deposits, bonds, debentures a government bonds, a resident bank, financial institution, cooperative organization or any other body issuing bonds or company enlisted under the prevailing law shall withhold tax at the rate of <i>Six percent</i> of the total amount of payment: (a) Which has source in Nepal, and (b) Which is not related with the operation of business.
88(4) (Kha2)	Interest on loan from Foreign Banks or other foreign financials paid by hydroelectricity project based on reservoir or semi-reservoir with capacity more than two hundred megawatt that completes financials closure within Chaitra BS 2082.	<del>Interest on loan from Foreign Banks or other foreign financials paid by hydroelectricity project based on reservoir or semi-reservoir with capacity more than two hundred megawatt that completes financials closure within Chaitra BS 2082.</del>
95(Ka)(6Kha)	Banks, financial institutions, money transfer shall collect advance tax at the <i>rate one percent</i> of payment received by a resident natural person not involved in business transaction in case such natural person derives foreign currency against software services or similar other electronic service provided in foreign country.	Banks, financial institutions, money transfer shall collect advance tax at the <i>rate Five percent</i> of payment received by a resident natural person not involved in business transaction in case such natural person derives foreign currency against software services or similar other electronic service provided in foreign country.
95(Ka)(6Ga)	Banks, financial institutions, money transfer shall collect advance <i>tax at the rate one percent</i> of payment received by a resident natural person not involved in business transaction in case such natural person derives foreign currency against consultancy services in foreign country in personal capacity.	Banks, financial institutions, money transfer shall collect advance <i>tax at the rate Five percent</i> of payment received by a resident natural person not involved in business transaction in case such natural person derives foreign currency against consultancy services in foreign country in personal capacity.



95(Ka)(6Gha)	Banks, financial institutions, money transfer shall collect advance tax <i>at the rate one percent</i> of payment of payment received by a resident natural person not involved in business transaction in case such natural person derives foreign currency from uploading the audio-visual materials in social media.	Banks, financial institutions, money transfer shall collect advance tax <i>at the rate Five percent</i> of payment of payment received by a resident natural person not involved in business transaction in case such natural person derives foreign currency from uploading the audio-visual materials in social media.
95(Ka)(6Nga)		Resident E-Commerce operator shall collect advance tax <i>at the rate of One Percent</i> while making payment to the persons selling goods or service via their platform.
95(Ka) (7)	Tax shall be withheld at the customs point at the <i>rate of five percent</i> for any such ox, buffalo, goat, sheep, mountain goat under chapter 1 of the custom classification, live, fresh and frozen fish under Chapter 3, such fresh flowers under Chapter 6, such fresh vegetables, potato, onion, dry vegetables, garlic, baby corn under Chapter 7 and such fresh fruits under Chapter 8 and <i>two and half percent</i> for such meat under Chapter 2, such milk products, egg, honey under Chapter 4, such barley, millet, sorghum (Junelo), rice, beaten rice under Chapter 10, such refined wheat flour, wheat flour under Chapter 11, such herbal medicines, sugarcane under Chapter 12 and such vegetation products under Chapter 14 as are imported for business purpose.	Tax shall be withheld at the customs point at the <i>rate of five percent</i> for any such ox, buffalo, goat, sheep, mountain goat under chapter 1 of the custom classification, live, fresh and frozen fish under Chapter 3, such fresh flowers under Chapter 6, such fresh vegetables, potato, onion, dry vegetables, garlic, baby corn under Chapter 7 and such fresh fruits under Chapter 8 and <i>two and half percent</i> for such meat under Chapter 2, such milk products, egg, honey under Chapter 4, such barley, millet, sorghum (Junelo), rice, beaten rice under Chapter 10, such refined wheat flour, wheat flour under Chapter 11, such herbal medicines, sugarcane under Chapter 12 and such vegetation products under Chapter 14 as are imported for business purpose. <i>However, 1.5% shall be withheld on import of vatable goods.</i>

## CHANGES IN PROVISIONS OF INCOME TAX RULE

Section	Old Provision	New Provision	
Schedule I Sec.1 (4Ka)	Notwithstanding anything contained in this section <i>one percent tax</i> shall be levied on income of resident natural person who is not involved in business and earns income pursuant to section 95 (6Kha), (6Ga), (6Gha).	Notwithstanding anything contained in this section <i>Five percent tax</i> shall be levied on income of resident natural person who is not involved in business and earns income pursuant to section 95 (6Kha), (6Ga), (6Gha).	
Schedule I Sec.1 (13)	Notwithstanding anything contained elsewhere in this section following rate of annual tax shall be recovered from vehicle owner at the time of registration or at the time of renewal of vehicle through Department of Transport Management.		
	<b>TYPE OF MOTOR VEHICLE</b>	<b>ANNUAL TAX PER VEHICLE (OLD PROVISION)</b>	<b>ANNUAL TAX PER VEHICLE (NEW PROVISION)</b>
	<b>1) Car, Jeep, Van, Micro Bus</b>		
	Up-to 1300 cc	Rs. 4000.00	Rs. 5500.00
	From 1301cc to 2000cc	Rs.4500.00	Rs. 6000.00
	From 2001cc to 2900 cc	Rs.5000.00	Rs. 6500.00
	From 2901cc to 4000cc	Rs.6000.00	Rs. 8000.00
	Above 4000cc	Rs.7000.00	Rs. 9000.00
	2) Mini Truck, Minibus, Water Tanker	Rs. 6000.00	Rs. 8000.00
	3) Mini Tripper	Rs.7000.00	Rs.9000.00
	4) Truck, Bus	Rs.8000.00	Rs. 10,500.00
	5) Machinery Equipment such as Dodger, Excavator, Loader, Roller and Crane	Rs. 12000.00	Rs.15,000.00
	6) Oil Tanker, Gas Bullet, Tripper	Rs. 12,000.00	Rs.15,000.00
	7) Tractor	Rs. 2,000.00	Rs.2500.00
	8) Power Filler	Rs. 1500.00	Rs. 2000.00
	9) Auto Riksa, Three-Wheeler, Tempo	Rs. 2000.00	Rs. 2500.00
	<b>10) Electricity Vehicle</b>		
	Up-to 50 KW		Rs. 3000.00
	From 50 KW to 125 KW		Rs.4000.00
	From 125 KW to 200 KW		Rs.6000.00
	Above 200 KW		Rs.7500.00

## OTHER CHANGES IN INCOME TAX ACT, 2058

### a. Changes in rate of taxes for co-operatives (Schedule-1 Section 2)

- The rates of Income tax applicable to the co-operative bodies registered and operate under co-operative act 2074 transacted other than exempted transaction are as follows.

Particulars	Existing Rate	Revised Rate
Operating within the Municipalities	5%	5%
Operating within the Sub-Metropolitan	10%	7%
Operating within the Metropolitan	15%	10%

- However, the following rates of income tax shall be levied to those cooperative bodies engaged in saving and credit facilities.

Particulars	Revised Rate
Operating within the Municipalities	10%
Operating within the Sub-Metropolitan	15%
Operating within the Metropolitan	20%

## VAT ACT 2052

### CHANGES IN VAT ACT

- **New section added 8(2) (Ka):** - Any person whether registered or not, receiving Carriage service or vehicle in rent for carriage service from person not registered under Vat act shall assess the tax and collect the tax on earlier of receiving service or payment on taxable value.
- **Changes in Section 17(5Kha):** - The concerned taxpayer shall be allowed to deduct tax paid pursuant to Subsection (2) of Section 8, **Subsection (2KA) of Section 8**, Section 12A. and Sub-section (3) of Section 15.

### 6. THRESHOLD OF FOREIGN DIRECT INVESTMENT AND RELATED PROVISIONS

- There shall be no threshold limit for the foreign direct investment on Information technology industries.

### 7. OTHER PROVISIONS

- Provision for No registration fee shall be implemented on incorporation of company as well as increment of capital. Provision shall be made for incorporation of any company with a minimum authorized capital of Rs. 100. Process of online registration and de-registration of company shall be made easy and transparent.

#### ➤ CASINO ROYALTY

- **License Fee:** - Rs 50 million per annum and Rs 15 million per annum for gaming through modern machine and equipment only.
- **Payment date:** - 40% within the end of Poush, 70% within the end of Chaitra and balance within the end of Ashadh Month to ministry of culture, tourism and civil aviation.