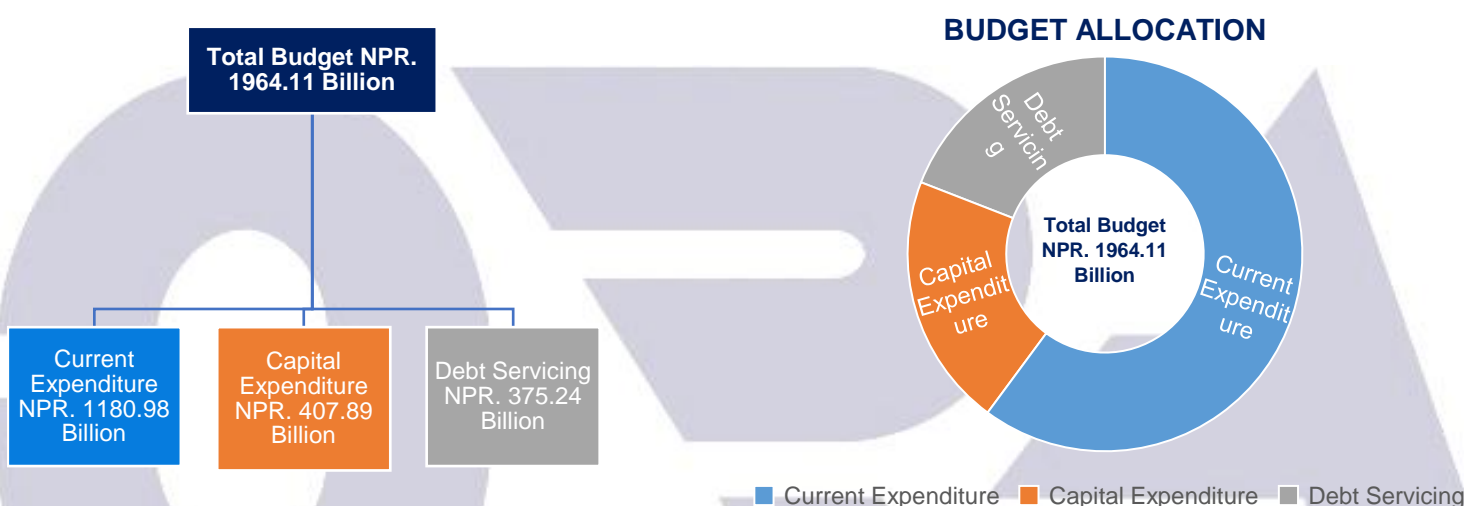


## NEPAL BUDGET HIGHLIGHTS FY 2082-83

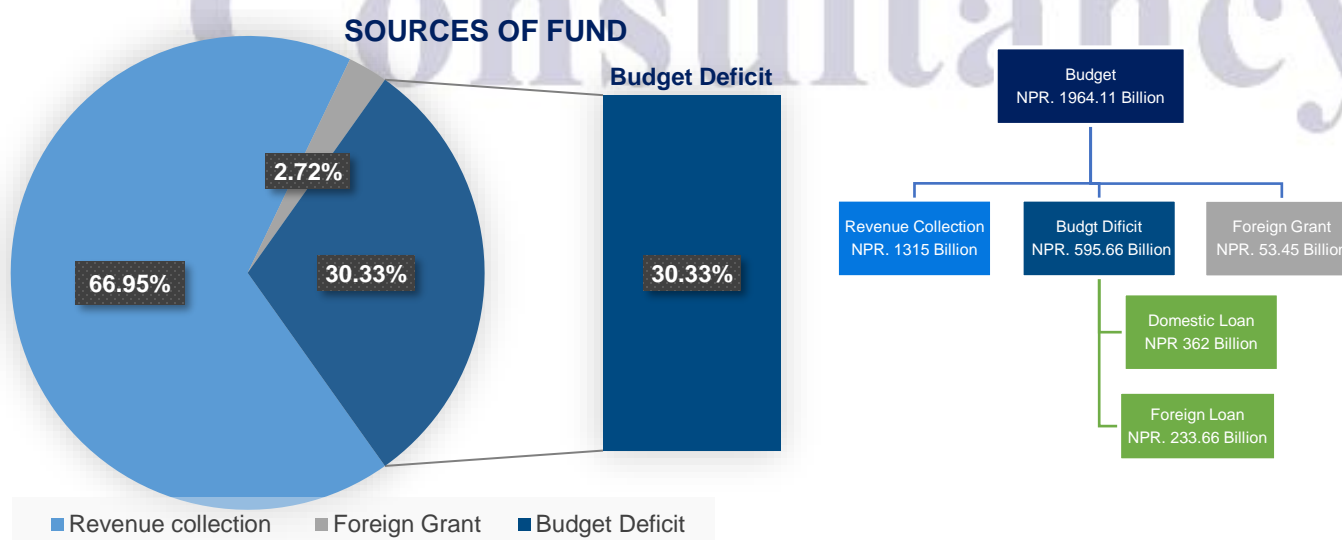
The Honorable Finance Minister, Mr. Bishnu Prasad Paudel, delivered the full national budget for Fiscal Year 2082/83 (2025/26) on Thursday, 29 May 2025. This document provides an overview of the budget's key allocations, priority areas, and major policy directives.

The finance minister presented the national budget for the fiscal year, totaling Rs. 1,964.11 billion. Of this amount, Rs. 1,180.98 billion has been earmarked for current expenditure, Rs. 407.89 billion for capital expenditure, and Rs. 375.24 billion for debt servicing.



## SOURCES OF FUND

The total budget of Rs. 1,964.11 billion will be financed through a combination of domestic revenue, external support, and borrowing. Revenue collection is projected at Rs. 1,315 billion, supplemented by foreign grants amounting to Rs. 53.45 billion. The resulting budget deficit of Rs. 595.66 billion will be financed through a mix of external and internal borrowing, with Rs. 233.66 billion sourced from foreign loans and Rs. 362 billion from domestic loans.



## MAJOR AMNESTY PROVIDED BY FINANCE BILL, 2082 (2025)

HEADING	PROVISION
Exemption granted to taxpayers whose tax liabilities have been assessed, despite non-submission of the Income Tax Return (ITR)	<p>If a taxpayer has <i>not submitted an income tax return</i>, but the relevant tax office has <i>assessed the tax</i> for the applicable income year <i>under Section 101</i> of the Income Tax Act, 2058, the taxpayer may <i>either file the income tax return and pay the assessed tax</i> accordingly or, <i>if the return is yet to be filed, submit it and pay</i> the applicable tax liability. All such filing and payment must be completed <i>no later than the end of Poush 2082</i>.</p> <p>The tax officer may <i>conduct a tax audit to re-assess the tax liability</i> of the Income Tax Return submitted as described above, on or before the end of Ashad 2083. In such cases, the <i>time limits stipulated</i> under Section 20(4) of the Value Added Tax Act, 2052, and Section 101(3) of the Income Tax Act, 2058, <i>shall not be applicable</i>.</p>
Waiver of Interest and Fees on Income Tax for Change in Control (Section 57)	In cases where <i>tax reassessment has been carried out under Section 57(1)</i> of the Income Tax Act, 2058, due to a change in ownership between Nepali resident entities, the applicable <i>interest and fees shall be waived</i> if the reassessed tax liability is paid <i>on or before the end of Ashad 2082</i> .
Waiver of Interest, Penalty and Additional Fees to International Airlines Operator	<i>Interest, penalties, and additional fees will be waived</i> for international airline operators who are not yet registered under the Value Added Tax Act, 2052, <i>if they register and pay the VAT collected or to be collected on transactions conducted from 1 Kartik 2080 to the present, on or before the end of Ashoj 2082</i> .
Waiver of Interest, Penalty and Additional Fees to International Air Ticket Seller	<p><i>Interest, penalties, and additional fees shall be waived</i> for any person involved in the sale or purchase of international air tickets—regardless of whether they are currently registered under the Value Added Tax Act, 2052, or not and whether VAT was collected or not—provided that they <i>register for VAT and pay the VAT due on transactions conducted from 1 Kartik 2080 to the present, on or before the end of Ashoj 2082</i>.</p> <p>Furthermore, <i>VAT, interest, penalties, and additional fees shall be waived</i> on international air ticket <i>transactions conducted prior to 1 Kartik 2080</i>.</p>
Waiver of Seventy-five percentage of Interest, Penalty and Additional fees under Value Added Tax	<p><i>Seventy-five percentage of interest, penalties, and additional fees shall be waived</i> for individuals who have failed to file VAT returns and pay the corresponding VAT amount, provided that they <i>file the pending VAT returns and pay the outstanding VAT liability along with 25% of the applicable interest</i> for transactions up to the end of Chaitra 2081, <i>on or before the end of Poush 2082</i>.</p> <p>This provision shall also apply to those who have <i>filed the VAT returns but failed to pay the VAT liability</i> for transactions up to the end of Chaitra 2081.</p>
Waiver of Fifty-five percentage of Late fees and penalty under Excise Act	<p><i>Fifty-five percent of late fees and penalties shall be waived</i> for individuals who have not filed Excise returns or paid the corresponding Excise duty, provided they <i>submit the pending Excise returns and settle the outstanding Excise liability</i> in accordance with Section 10KA of the Excise Act, 2058, <i>along with 25% of the applicable late fees</i> for transactions up to the end of Chaitra 2081, <i>on or before the end of Poush 2082</i>.</p> <p>This provision shall also apply to those who have filed the <i>Excise returns but failed to pay the Excise Duty</i> for transactions up to the end of Chaitra 2081.</p>
Waiver of Interest, Penalty and Additional fees for Social Organization	<i>Interest, penalties, and additional fees shall be waived</i> for Community Hospitals, Health Posts, or Transport Organizations registered under the Organization Registration Act, 2034, <i>provided they settle their tax liabilities as assessed or reassessed</i> by the relevant tax office under the Value Added Tax Act, 2052, Income Tax Act, 2058, and under the applicable Finance Act.

## MAJOR AMNESTY PROVIDED BY FINANCE BILL, 2082 (2025)

HEADING	PROVISION
Facility to Import Equipment, Machinery, Explosive materials, Penstock Pipes, and Steel plates required for Electricity Generation, Transmission & Distribution, under Bank Guarantee	<p>Hydropower projects, contractors, or developers <b>may import</b> machinery, equipment, explosive materials, penstock pipes, and steel plates necessary for electricity generation, transmission, and distribution—either for capacity enhancement or for projects with design modifications that have received in-principal approval—<b>under a bank guarantee</b>, based on the recommendation of the Electricity Development Authority.</p> <p>Following the approval of capacity enhancement or design revision, the developer, contractor, or project entity may apply to the concerned customs office for the release of the bank guarantee.</p> <p>Upon necessary evaluation, the Customs Officer shall collect one percent of the applicable customs duty from the bank guarantee, waive the remaining customs duty and VAT, and <b>subsequently release the bank guarantee</b> submitted at the time of import.</p>
Special Provision for Allowance of Vehicle Rent Expenses for Transport Service Operator	<p><b>Transport service operators</b> who have <b>incurred vehicle rental expenses</b> by hiring vehicles <b>from unregistered natural persons</b> for business purposes during fiscal years 2078/79, 2079/80, and 2080/81, and have <b>deducted the applicable TDS</b> in accordance with Section 88(1)(Ga) of the Income Tax Act, 2058, shall be eligible to claim such <b>expenses as allowable deductions</b> when computing taxable income for the respective fiscal years.</p>
Special Provision for Transfer of Contribution-Based Retirement Funds	<p>Retirement funds currently <b>operating as approved retirement funds</b> under the Income Tax Act, 2058 <b>must mandatorily affiliate with one of the designated retirement funds</b> listed below by the end of Ashad 2083 (Mid-July 2026) and transfer the accumulated funds accordingly:</p> <ul style="list-style-type: none"> <li>➤ Employees Provident Fund (established under the Employees Provident Fund Act, 2019)</li> <li>➤ Citizen Investment Trust (established under the Citizen Investment Trust Act, 2047)</li> <li>➤ Social Security Fund (established under the Contribution-Based Social Security Act, 2074)</li> <li>➤ Retirement Fund (established under the Retirement Fund Act, 2075)</li> </ul> <p>If a <b>contributor transfers</b> the entire accumulated amount from an existing approved retirement fund to any of the designated funds within the specified period, <b>no tax shall be deducted</b> on such transfer as per the Income Tax Act, 2058.</p>
Special Provision for Public and Private Vehicle	<p><b>Income tax and applicable interest for fiscal years prior to 2081/82 shall be waived in the case of de-registration</b> of public or private vehicles that are over 20 years old or no longer in operation, provided that the taxpayer <b>files income tax returns</b> for fiscal <b>years 2081/82 and 2082/83 by the end of Poush 2082</b>.</p>

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## AMENDMENT IN INCOME TAX ACT, 2058

SECTION	AMMENDED PROVISION (NEW)
Section 11 (Kha)	The tax exemption previously provided to special industries under Section 11(2Kha) of the Income Tax Act has now been extended to cover the <i>hotel, resort, and information technology sectors</i> .
Section 11 (3)	<i>Hotels and Resorts</i> have now been included under Section 11(3) of the Income Tax Act, making them eligible for tax incentives that were previously limited to special industries and the information technology sector.
Section 11 (Ga)	The tax exemption available under Section 11(3Ga) of the Income Tax Act for industries engaged in software development, data processing, cyber cafes, and digital mapping—established within zoological, geological, biotech, or technology parks designated by the Government of Nepal through a notice in the Nepal Gazette—has been <i>increased to 75% from 50%</i> .
Section 11 (3Na)	The 100% income tax exemption provided under Section 11(3Na) of the Income Tax Act to startups recognized by the Inland Revenue Department has now been extended to those with an annual <i>turnover of up to NPR 100 million</i> , increased from the previous limit of NPR 10 million. Eligible startup can claim this tax benefit for a period of five years from the commencement of their commercial operations.
Section 11 (3Ya) (NEW)	Section 11(3Ya), has been introduced to provide a 100% income tax exemption for the first five years of operation to industries involved in the <i>production of green hydrogen</i> .
Section 11(3Ra) (NEW)	Section 11(3Ra), has been introduced to grant 100% income tax exemption for the first five years of operation to industries involved in the <i>production, manufacturing, or assembly of electric vehicle charging machines</i> .
Section 11(3La) (NEW)	Section 11(3La), has been introduced to provide 100% income tax exemption for the first ten years from the commencement of operations, followed by a 50% exemption for the subsequent five years, for <i>entities that develop and operate an industrial zone or industrial village by constructing the necessary infrastructure</i> .
Section 63	<p>Section 63 of the Income Tax Act has been amended to revoke the approval of retirement funds operated by individual companies. Tax deductions will now be permitted only for contributions made to designated funds which are;</p> <ul style="list-style-type: none"> <li>➤ Employees Provident Fund (established under the Employees Provident Fund Act, 2019)</li> <li>➤ Citizen Investment Trust (under the Citizen Investment Trust Act, 2047),</li> <li>➤ Social Security Fund (under the Contribution-Based Social Security Act, 2074),</li> <li>➤ Retirement funds established under the Retirement Fund Act, 2075.</li> </ul> <p><i>Contributions to other company-operated retirement funds will no longer qualify for tax deduction benefits.</i></p>
Section 67(Kha)	Section 67(Kha) has been clarified to specify that <i>'obligation to be borne in Nepal'</i> refers to liabilities or responsibilities arising for a resident individual from activities conducted within Nepal. Previously, all liabilities of resident individuals were broadly categorized as obligations to be borne in Nepal.
Section 95Ka (7)	The provision previously requiring the collection of advance tax at the customs point during the import of various living animals, edible fruits, plants, flour, wheat, sugarcane, and similar goods has been <i>removed</i> .
Section 4(4Kha) (NEW)	Section 4(4Kha) has been introduced to provide an <i>opt-out option</i> from the presumptive income tax scheme (Form D-01) and turnover-based tax scheme (Form D-02) for individuals who do not generate a profit or who prefer to file their income tax return using Form D-03.



## AMENDMENT IN INCOME TAX ACT, 2058

SECTION	AMMENDED PROVISION (NEW)
Section 117 (1) (Gha) (NEW)	<p>Section 117 (1) (Gha) has been added for <i>levying fees for not submitting the income return by a natural person for any income year</i>. The fees will be the higher of the following;</p> <ul style="list-style-type: none"> <li>a) 0.1% per year on the amount calculated by subtracting the final withholding income from the assessable income, or</li> <li>b) Rs 1,200 per year, or if less than a year, Rs 100 per month.</li> </ul>

## AMENDMENT IN VALUE ADDED TAX ACT, 2052

SECTION	AMENDED PROVISION (NEW)
Section 2(Ta2)	<p>The term "Advertisement Service" has been removed from the definition of Digital Service under Section 2(Ta2) and replaced with the following for clearer specification of advertisement services delivered through online or electronic means:</p> <ul style="list-style-type: none"> <li>➤ Paid personal promotional service</li> <li>➤ Targeted online advertisement service</li> </ul> <p><b>Explanation:</b> For the purposes of this section, <i>"targeted online advertisement"</i> refers to any communication delivered via digital interfaces—directly or indirectly by a user—that promotes a specific product, service, or brand by tailoring content, messages, or advertisements according to the recipient's preferences, behaviors, or characteristics. This includes advertisements distributed through digital platforms, websites, applications, or similar media, and is classified as a form of electronic service.</p>
Section 17(8)	<p>The provision previously outlined in Section 17(8) has been <i>transferred to Section 30, titled "Suspension of Transactions."</i> This provision permits the publication of names of taxpayers who fail to file tax returns for six consecutive months, as well as the suspension of their VAT credits, deductions, and registration.</p>
Section 25(1Ga) (NEW)	<p>A new provision has been introduced in Section 25(1Ga) stated that <i>any excess amount paid by the taxpayer shall be refunded</i> upon request if a taxpayer makes a deposit under Section 31(Ka6) during an administrative review and the <i>court's final decision</i> on the revised tax assessment <i>results in a reduced tax liability</i>.</p>
Section 29(1)(Ya)(1) (NEW)	<p>A new penalty provision has been introduced under Section 29 of the VAT Act, stating that any <i>person found operating a business without registering a branch or warehouse</i> shall be subject to a <i>fine of NPR 10,000 for each such instance</i></p>
Section 30 (Suspension of Transaction)	<p>Notwithstanding anything contained elsewhere in this Section, the <i>name of a taxpayer who fails to submit a tax return</i> for a period of <i>six consecutive months</i> may be made public, the amount of <i>tax credit due</i> to such taxpayer may be <i>withheld</i>, if any, and his <i>registration</i> may also be <i>suspended</i>.</p>
Addition in Schedule 2 of Vat Act	<p>The Finance Bill, 2082 has introduced additional items to Schedule 2 of the VAT Act, categorizing them as <i>zero-rated supplies</i> for VAT purposes. These include:</p> <ul style="list-style-type: none"> <li>➤ Supply of machinery, equipment, parts, and tools by domestic industries, upon the recommendation of the Department of Industry, if used in the production of organic or natural manure.</li> <li>➤ Supply of machinery, equipment, parts, and tools by domestic industries, upon the recommendation of the Investment Board, if used for the establishment of an industrial area or industrial village.</li> </ul>

### AMENDMENT IN EXCISE ACT 2058

The definition of "*Madira (Alcoholic Beverages)*" under Section 2(o1) has been expanded to include Malton, Shake, Soju, Vermouth, and ready-to-drink beverages containing alcohol.

Section 9(1) now clarifies that an *excise license is not required* for the import of goods *under diplomatic privilege* with a recommendation from the Ministry of Foreign Affairs, *nor for the export, sale, or storage of goods* (excluding tobacco products) under the self-removal system.

Section 12(5) has been repealed and substituted with a new provision *empowering excise officers to seize* utensils, containers, vessels, tools, machinery, equipment, and motor vehicles used directly or indirectly in the commission of offenses under the Excise Act.

*Exemptions in Excise Duty* will be granted on *import of Machinery* from the industry of *seasoning wood and wood-based materials*, on the recommendation of the Department of Mill Machinery Industries.

*Excise duty exemption* will be granted on the import of machinery, equipment and tools required for the *construction of infrastructure for football, cricket and multi-purpose stadiums*, on the recommendation of the Ministry of Youth and Sports.

*Excise duty exemption* will be granted on the import of machinery, equipment and tools *required for green hydrogen production*, upon the recommendation of the Ministry of Energy and Water Resources.

#### CHANGE IN EXCISE DUTY OF CIGARETTE

#### CHANGE IN EXCISE DUTY RATES OF ALCOHOL

Description of Goods	Existing Rate (Rs)	Revised Rate (Rs)	Descriptions of Goods	Existing Rs. Per Ltr.	Revised Rate	
					Rs. Per Ltr.	Rs. Per LP Ltr.
Without Filter	755/m	778/m	Alcohol quantity up to 15 U.P.	1860	1860	2188
With Filter ≤ 70 mm Length	1740/m	1792/m	Up to 25 UP	1390	1390	1853
Length >70 mm and ≤ 75 mm	2370/m	2441/m	Up to 30 UP	1290	1290	1843
Length >75 mm and ≤ 85 mm	3060/m	3213/m	Others	1860	1860	2188
Length > 85 mm	4200/m	4410/m	<b>KEY NOTE: While calculating excise duty on liquor, it shall be calculated and collected at the rate of per L.P. liter or per liter, whichever is higher.</b>			

#### OTHER CHANGE IN EXCISE DUTY RATE

DESCRIPTION OF GOODS	EXISTING RATE	REVISED RATE
Lead Acid	10%	15%
Power Bank	10	15%
Brake Lining and Clutch Pads	5%	10%
Asbestos-cement	5%	10%
Bricks and Block	5%	10%
Boards made by mixing wood dust, cement, and various binding chemicals.	5%	10%

### AMENDMENT IN CUSTOM ACT, 2064

Requirement *bank guarantee of Rs 300,000* for industrial importers obtaining the *EXIM code has been removed*.

An international price reference database will be established to ensure accurate customs valuation. Additionally, integrated check posts will be set up at key customs points to streamline trade processes and improve national competitiveness.

The *customs duty* on the import of Chyang (Country Beer), Champagne, Sherry, Mead, and Perry has been *increased from the existing 40% to 80%*, effectively doubling the previous rate.

The customs duty on the *import of electronic cigarettes* and *similar personal electronic devices (vapes)* used for vaporizing has been *increased from 5% to 20%*.

*Additionally, 10% customs duty* will now be levied on the *import of parts of such electronic devices (Vapes)* used for vaporizing, which were previously exempt from customs duties.

Revision of customs duty on import of scented areca nuts without tobacco to Rs 40/ Kg from Rs 25/kg.

The customs duty on sugar-related items has been reduced by 50% from the existing rate of 30%.

### EXEMPTION AND REBATE IN CUSTOM DUTY FOR SPECIFIED AREAS

DESCRIPTION	CUSTOM DUTY RATE	OTHER TAXES
Import of machinery for industries engaged in <i>green hydrogen production</i>	Exempt	Exempt
Import of essential batteries, machinery, and equipment necessary for <i>storing electricity generated from solar and wind energy</i>	1%	Exempt
Import of essential machinery for setting up industries engaged in the <i>manufacturing and assembly of electric vehicle charging stations</i>	1%	Exempt
Import of tunnel boring machines by the private sector for <i>application in road, irrigation, and hydropower projects</i>	1%	Exempt
Import of mill machinery essential for wood seasoning to <i>support the production of high-quality wood and wood-based products</i>	1%	Exempt
Import of sports materials, machinery, and equipment for the <i>construction of football, cricket, and multipurpose stadiums</i>	1%	Exempt
Import of <i>organic and natural fertilizers</i> , along with the machinery and equipment necessary for their <i>production</i>	Exempt	Exempt

## OTHER IMPORTANT ANNOUNCEMENT IN BUDGET

HEADING	ANNOUNCEMENT
<b>Removal of Foreign Tourism Tax (FTT)</b>	The provision mandating the <i>collection of a 5% foreign tourism Tax (FTT)</i> on payments made by Nepali tourists traveling abroad has been <i>removed</i> . Previously, this fee was applicable at the time of purchasing foreign travel packages or when a firm or company incurred expenses for sponsoring the overseas travel of a related person for business promotion purposes.
<b>Removal of VAT on Electronic Payment</b>	The Value Added Tax (VAT) previously applicable on <i>digital transfer/payment</i> has been <i>removed</i> .
<b>Bonded Warehouse facilities to gold and silver jewelry export industry</b>	The <i>gold and silver jewelry export industry</i> is now permitted to <i>utilize Bonded Warehouse</i> facilities. These industries may procure an equivalent quantity of gold and silver, provided they receive at least 50% of the export value in advance and in foreign currency.
<b>Co-operative having saving up to 5 lakhs shall insured through the Deposit and Credit Guarantee Fund.</b>	<i>Savings up to NPR 500,000 in cooperatives</i> will be <i>insured through the Deposit and Credit Guarantee Fund</i> . Additionally, <i>seed capital has been proposed to establish a revolving fund for reimbursing amounts recovered through the auction of assets belonging to individuals involved in the embezzlement of cooperative funds</i> . The formation of a <i>Cooperative Debt Recovery Tribunal has also been proposed</i> . Further, provisions have been <i>recommended to withhold the assets and passports of directors, officials, and loan defaulters</i> linked to distressed cooperatives.
<b>Rental Charges in Special Economic Zone</b>	New <i>industries established within special economic zones and industrial zones</i> will be granted a <i>rent exemption for the first three years</i> . Additionally, the <i>monthly rental rate</i> for special economic zones has been <i>reduced from NPR 20 to NPR 5 per square meter</i> .
<b>Branch Office in Foreign Country</b>	Nepali entrepreneurs and companies will be <i>permitted to establish sales branches or processing factories abroad</i> by exporting semi-processed materials. Legal provisions will be introduced to allow up to 25% of the national income generated from such production to be invested overseas. Additionally, 50% of the profits earned from these foreign operations must be repatriated to Nepal. The Investment Board will hold the final authority to approve such foreign investments.
<b>Sweat Equity Share of foreign Company</b>	Legal provisions will be established to enable <i>Nepalese citizens to receive sweat equity</i> in exchange for providing technology, expertise, or specialized services to <i>foreign companies</i> .
<b>Hedging Service</b>	Arrangement will be made to <i>enable the operation of hedging services</i> aimed at attracting foreign investment through effective <i>management of foreign exchange risk</i> .

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