



# ***Preface***

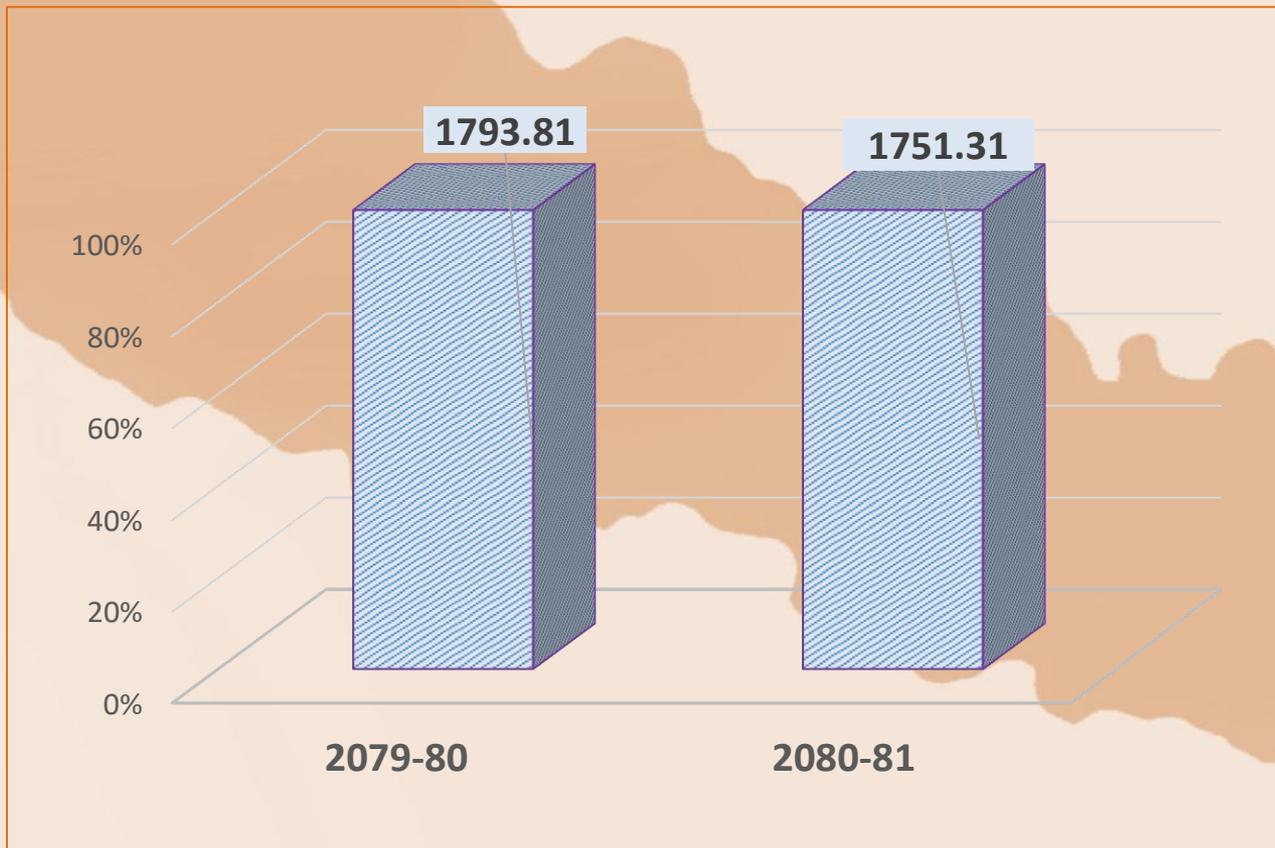
On Monday, 29 May 2023, Honorable Finance Minister Mr. Prakash Sharan Mahat presented the full budget for the fiscal year 2080/81 (2023/24) of 1751.31 billion (Py of 1793 billion).

## **Budget Objectives**

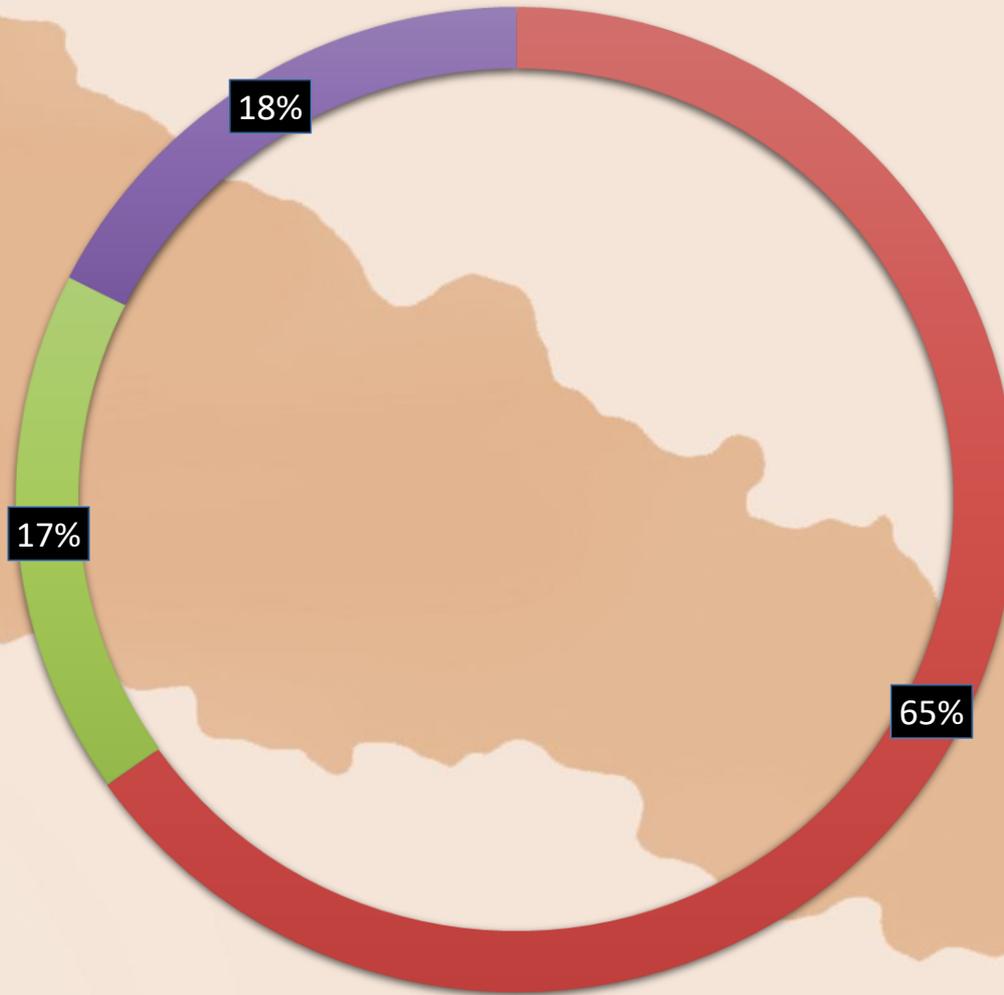
- To lift the moral of private sector by creating investment friendly environment and creation of employment opportunity and reducing the poverty.
- To achieve wider, sustainable and inclusive economic growth through a dynamic and vibrant economy.
- To Maintain Macroeconomic and financial stability.
- Creating a sense of quality social development, security, and justice.
- To ensure quality social development, security and justice.
- Lift the morale of the private sector by preparing investment friendly environment and minimization of poverty by creating employment opportunities.
- Enhancement of effectiveness of public expenditure by improving the budget system.
- Empowerment of federalism and good governance.

# Budget Size

Year	Amount in Billion	Increase %
2080-81(2023-24)	1751.31	(2.38)%
2079-80(2022-23)	1793.83	9%



# BUDGET ALLOCATION



capital expenditure



Current expenditure



Financial management

# Key Highlights

Description	Detail Description
Startups	✓ To encourage Startup NPR 1.25 Billions has been allocated
Company registration	✓ No fees or charges will be levied for registration of a new company and increasing the company's capital. ✓ A legal arrangement will be made to open a company even by declaring a minimum authorized capital of Rs 100. ✓ Company registration & cancellation process shall be digitalized.
Agriculture	✓ NPR 30 billion allocated to subsidize chemical fertilizers ✓ Allocation of NPR 95 crore for agricultural insurance of more than 2 lakhs farmers. ✓ To promote sugarcane farming, allocation of NPR 80 crore towards production and promotion of sugarcane farming. ✓ To attract youth manpower in agriculture and livestock business and develop entrepreneurship in collaboration with local level, NPR 1.20 billion allocated for establishment of youth startup grant of. ✓ For the purpose of Medicine, the feasibility of farming of Marijuana will be conducted.
Credit Rating	✓ Necessary arrangements will be made for the "Country Credit Ratings" of Nepal.

# Key Highlights - Continued

Description	Detail Description
Share Market Related	<ul style="list-style-type: none"> <li>✓ Hedging facilities will be made available to foreign investors.</li> <li>✓ Limits on foreign investment in the information technology industry will be removed. The foreign exchange equivalent facility will be provided up to 10 percent of the foreign exchange earnings made by the industry for the purpose of establishing liaison offices in third countries and to purchase software or programs and install equipment.</li> <li>✓ To bring into operation the Commodities exchange market and SMEs Platform.</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>✓ 2023 A.D. - 2032 A.D. to be celebrated as Tourism Decade. Target to increase foreign tourists visiting Nepal in 2023 A.D. to 10 lakhs.</li> <li>✓ To promote domestic tourism, a campaign will be conducted with the slogan "Visit Nepal, Know Nepal". Promotion of local pilgrimages, culture, festivals, and tourist destinations will be done. Interprovincial air services will be encouraged to expand.</li> </ul>
Information technology	<ul style="list-style-type: none"> <li>✓ To extend the reach of financial services in urban settlements, small market centers, etc. financial transaction through new technologies such as online banking, mobile banking and electronic payment system to be promoted.</li> <li>✓ To implement digital Nepal framework. To increase access and use of Nagarik App. Establishment of Information Technology Information Park in Khumaltar, Lalitpur.</li> </ul>

# Waiver, Concession , Facilitates & Relief

Scheme	Whom	At what conditions	Relief
Tax Amnesty Scheme for Non-Resident in case of Digital Tax:	Non-Resident person providing digital services more than NPR 2 million	✓ Obtain PAN Number or has already Obtained PAN Number, and Pays VAT due upto Jestha End, 2080 by 25 Ashad, 2080.	Interest, Additional fee & penalty shall be waived
Tax Amnesty Scheme for Small amount of Tax Dues:	Any taxpayer	✓ Taxpayer whose tax was assessed upto F.Y. 2063/64 BS and tax assessment was made upto Ashad End, 2065 and unpaid tax amount is up to NPR 50,000 in each assessment.	The balance amount (Bakyauta) and interest thereto shall be waived off.
Income Tax Amnesty for Entities distributing Dividend/Bonus Share from the amount received from Further Public Offering (FPO):	Entities collecting Share premium on FPO and distributed Dividend/Bonus share from such amount till FY 2078/79 (2021-22)	✓ Pays Income tax amount on such distributed dividends/bonus share amount as per Section 56(3) by end of Mangsir, 2080	Fees and interest thereto shall be waived off.

# Waiver, Concession , Facilitates & Relief

Scheme	Whom	At what conditions	Relief
Income Tax Amnesty for Entities who have not included gain on Bargain Purchase in Taxable income till FY 2079/80 (2021-22):	Entities not paid tax on Gain on Bargain Purchase as calculated in Merger & Acquisition till FY 2079/80 (2021-22)	✓ Pays the Taxes by the end of Mangshir End, 2080	Tax of the previous Years, Interest and penalty amount thereto shall be waived off.
Income Tax Amnesty for Individuals doing Business transactions of Securities, Land, Land/Building:	Individuals involved in business transactions of Securities, Land, Land/Building and not filed income tax returns till FY 2078/79	✓ Pays the Taxes by the end of Mangshir End, 2080	Interest and penalty amount thereto shall be waived off.

# Waiver, Concession , Facilitates & Relief

Scheme	Whom	At what conditions	Relief
<p>Income Tax Amnesty for Entities who have not included gain on Bargain Purchase in Taxable income till FY 2079/80 (2021-22):</p>	<p>Entities not paid tax on Gain on Bargain Purchase as calculated in Merger &amp; Acquisition till FY 2079/80 (2021-22)</p>	<p>✓ Pays the Taxes by the end of Mangshir End, 2080</p>	<p>Tax of the previous Years, Interest and penalty amount thereto shall be waived off.</p>
<p>Income Tax Amnesty for Individuals doing Business transactions of Securities, Land, Land/Building:</p>	<p>Individuals involved in business transactions of Securities, Land, Land/Building and not filed income tax returns till FY 2078/79</p>	<p>✓ Pays the Taxes by the end of Mangshir End, 2080</p>	<p>Interest and penalty amount thereto shall be waived off.</p>

# ***Waiver, Concession , Facilitates & Relief***

<b>Scheme</b>	<b>Whom</b>	<b>At what conditions</b>	<b>Relief</b>
Income Tax Amnesty for Business of providing Foreign Employment or Education Consultancy Services:	Any person involved in the business of providing foreign employment or education consultancy services and neither declared his/her real income or not paid tax there to of preceding years	✓ Declares such income and Pays the income tax applicable till 2080 Chaitra	Fine and Interest shall be waived off.
VAT Amnesty for Eye Hospital	Eye Hospital whether registered in VAT or not, If in the previous year who has dealt in the Vatable item but not collected and deposited VAT	✓ Pay amount equivalent to 5 percent of the transaction amount between FY 2076-77 and Jetha 14, 2080 by the end of Ashwin 2080 OR, ✓ If tax has been determined where VAT is due or the case under administrative review or other judicial body is withdrawn and pays amount equivalent to 5 percent of the transaction amount between FY 2076-77 and Jetha 14, 2080 and deposit the same by the end of Ashwin 2080	Tax of Previous Years, additional fees, Interest and Penalty shall be waived off

# ***Waiver, Concession , Facilitates & Relief***

<b>Scheme</b>	<b>Whom</b>	<b>At what conditions</b>	<b>Relief</b>
<p>VAT Amnesty for Granulated Wheat (Sooji) Industry</p>	<p>Person manufacturing and selling Granulated Wheat (Sooji) has not collected and deposit the VAT for the period FY 2071/72 to 2076 Jestha 14</p>	<p>✓ Pay amount equivalent to 5 percent of the transaction amount between 2071/72 and Jestha 14, 2076, by the end of Ashwin 2080. OR, ✓ If tax has been determined and VAT is due or the case under administrative review or other judicial body is withdrawn and Pays the amount equivalent to 5 percent of the transaction amount between FY 2071-72 and Jestha 14, 2076 and deposit the same by the end of Ashwin 2080.</p>	<p>Remaining tax, additional fees, Interest and Penalty shall be waived off.</p>
<p>VAT Amnesty for Hire Purchase Transaction</p>	<p>Person doing the Hire Purchase Transaction has not collected and deposit the VAT for the period FY 2074/75 and FY 2077/78</p>	<p>✓ Pay amount equivalent to 2 percent of the transaction amount between FY 2074-75 and FY 2077-78 by the end of Mangsir 2080. OR, ✓ If tax has been determined and VAT is due or the case under administrative review or other judicial body is withdrawn and pays the amount equivalent to 2 percent of the transaction amount between FY 2074-75 and FY 2077-78 by the end of Mangsir 2080.</p>	<p>Previous Year VAT and additional fees, Interest and Penalty shall be waived off.</p>

# Waiver, Concession , Facilitates & Relief

Scheme	Whom	At what conditions	Relief
VAT Amnesty for Carriage/Transportation service Business	Person who is required to be registered under the VAT Act, 2052 but has not registered under the act and doing the business of Transportation Business and due to the non-registration, no VAT has been Paid.	✓ Pay amount equivalent to 5 percent on the transaction value for the Vatable period by the end of Poush 2080. OR, ✓ If tax has been determined where VAT is due or the case under administrative review or other judicial body is withdrawn and pays amount equivalent to 5 percent on the transaction value for the Vatable	Remaining Tax, Additional Fee, Interest and penalty shall be waived off.
VAT Amnesty for Person Involved in Construction Business - Not filed VAT Return	Person involved in Construction Business Registered under VAT and not filed the VAT Return and not paid the VAT	✓ Filing of VAT Return and Payment of VAT and 50% Interest amount by the end of Poush 2080.	Fine, additional Fee and Remaining Interest shall be waived off.

# ***Waiver, Concession , Facilitates & Relief***

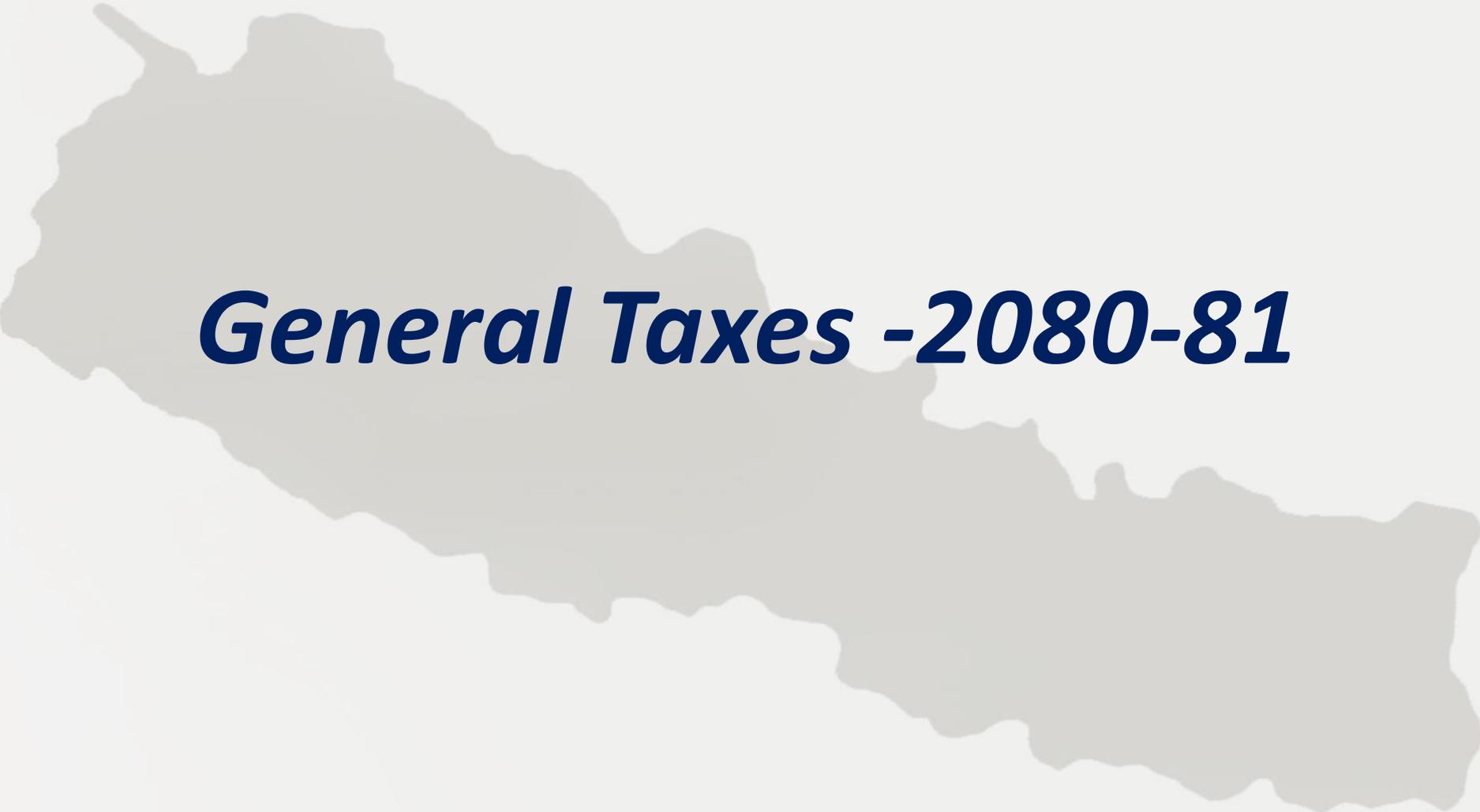
<b>Scheme</b>	<b>Whom</b>	<b>At what conditions</b>	<b>Relief</b>
VAT Amnesty for Person Involved in Construction Business - Filed VAT Return	Person involved in Construction Business Registered under VAT filed the VAT Return but payment of the VAT not made.	✓ Payment of VAT due amount and 50% Interest by the end of Poush 2080	Additional Fee and Remaining Interest shall be waived off.
Excise Amnesty for Milk Based Beverage Industry	Industry manufacturing Flavored beverage based on milk products whether obtained the license or not on Self - Removal System.	✓ If not licensed then after taking license, Submit the Excise Details and pays the duty amount for the period till Chaitra end, 2079 within 2080 Ashwin end. OR, ✓ If tax has been determined where VAT is due or the case under administrative review or other judicial body is withdrawn and the amount of excise duty to be paid for such transaction is filed within Ashwin end, 2080.	Penalty and late fee shall be waived off.

# ***Waiver, Concession , Facilitates & Relief***

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***General Taxes -2080-81***

# General Taxes -2080-81

## Health Risk Tax

Bidi	30 Paisa /Stick
Cigarette	60 Paisa /Stick
Kahini, Surti, Pan Masala	60 Rupees /kg

## Digital Service Tax

Applicable for Non Resident having transaction above 20 lakhs	2% of Service Charge
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## Casino Royalty

General Casino	50 Million/Annum
Casino with modern Equipment	15 Million/Annum

## Road Maintenance & Improvement Fees

For Petrol	Rs.4/Ltr
For Diesel	Rs.2/Ltr

## Education Service Fee

Tuition Fees	3%(P.y 2%)
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## Telecommunication Service Charge

Imposed by telecom industry on customer	10%
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## Pollution Control Fee

Distribution of petrol & diesel	Rs. 1.5/Ltr
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## Infrastructure Development Tax

Import of Diesel & Petrol	Rs. 10 /Ltr
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# ***General Taxes -2080-81***

<b>Telephone ownership fee</b>	
Telephone Ownership fee	NPR 500
Mobile Telephone	2% of each sim card and recharge fee

<b>Cinema Development Fee</b>	
Foreign films shown normally	15%
Foreign films shown normally	20%

# ***Newly Introduced General Taxes By 2080-81***

## **Luxury Tax**

Services provided by 5 stars hotels or above & by luxury resorts	2 %
Imported Liquors – At custom point at the time of Import	2 %
Diamond, pearls, Gold with stone or ornaments of valuable metals above 10 lakhs at custom point at the time of import	2%

## **Outbound Tourism Fee**

<b>Outbound tourism fee shall be levied and collected on the amount paid by nepali tourist going aboard for tour purpose.</b>	<b>5 %</b>
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## **Foreign Employment Service Fee**

<b>Foreign Employment Service Fee/Cess shall be paid by the Licensed person under the Federal law for operating business of foreign Employment shall pay.</b>	<b>1 %</b>
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***Income Taxes-2080-81***

## Tax Rate for Natural Person

1. Individual	2080-81		2079-80	
	Amount	Tax Rate	Amount	Tax Rate
First slab	500,000.00	1*%	500,000.00	1*%
Next	200,000.00	10%	200,000.00	10%
Next	300,000.00	20%	300,000.00	20%
Next	1,000,000.00	30%	1,000,000.00	30%
Next	3,000,000.00	36%	2,000,000.00	36%
Above	3,000,000.00	39 %	-	-

1.Couple	2080-81		2079-80	
	Amount	Tax Rate	Amount	Tax Rate
First slab	600,000.00	1%	600,000.00	1%
Next	200,000.00	10%	200,000.00	10%
Next	300,000.00	20%	300,000.00	20%
Next	9,00,000.00	30%	9,00,000.00	30%
Next	3,000,000.00	36%	2,000,000.00	36%
Above	5,000,000.00	39 %	-	-

**Note:**

- Does not apply to pension income, person **contributing to SSF, proprietorship.**
- **Deduction of 'Personal Building' insurance premium paid to resident or non-resident companies up to Rs. 5,000 or the premium amount, whichever is lower shall be allowed.**

# Tax Rate for Natural Person

- Natural person working at remote areas are entitled to get deduction from taxable income to a maximum of Rs. 50,000.
- Deduction for retirement fund contribution is available @ 1/3rd of assessable income or NPR 300,000 whichever is lower. However, if the same is deposited with SSF then deduction shall be lower of 1/3rd or NPR 500,000.00
- Deduction of life insurance premium paid to resident or non resident companies up to Rs. 40,000 is allowed
- Deduction of Medical Insurance premium paid to resident or non resident companies upto Rs 20,000 is allowed
- In case of resident disabled natural person, an additional 50% of exemption limit shall be allowed to be deducted.
- 10% tax rebate to resident woman earning remuneration income only.
- Foreign Allowance Income of an employee posted outside Nepal for Diplomatic Mission of Nepal will get 75% rebate of such allowance
- Additional Deduction of '25% of Standard Threshold' available to the assessee having only pension income has been reintroduced.

# Tax Rate for Natural Person

**Cont....**

- Tax shall be levied at the rate of 5% (PY 1%) on any resident natural person not involved in the operation of business but receiving payment in foreign currency for providing software or similar kind of other electronic service outside Nepal.
- Tax shall be levied at the rate of 5% (PY 1%) on any resident natural person not involved in the operation of business but receiving payment in foreign currency for providing consultancy service outside Nepal.
- Tax shall be levied at the rate of 5% (PY 1%) on any resident natural person not involved in the operation of business but receiving payment in foreign currency for uploading audio- visual material in social network.

## Tax Rate for Entity

S. No	Entity Type	Tax Rate (2078-79)	Tax Rate (2077-78)
1	Income from Normal Transaction	25%	25%
2	Income earned by Non resident from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project.	5%	5%
3	Income earned by non resident providing shipping, air transport of telecommunication services through the territory of Nepal.	2%	2%
4	Repatriation by Foreign Permanent Establishment.	5%	5%
5	Commercial banks, Development Banks and Finance companies & <b>entity engaged in financial transaction.</b>	30%	30%
6	General insurance business	30%	30%
7	Petroleum Industries	30%	30%

## Tax Rate for Entity

S. No	Entity Type	Tax Rate (2080-81)	Tax Rate (2079-80)
8	Entity engaged in Petroleum business under Nepal Petroleum Act , 2010	30%	30%
9	Merchant Banks, Telecommunication and Internet Services Industry, Money Transfer Capital Market, Commodity Future Market, Securities Brokers and Companies involved in securities business	30%	30%
10	<b>Co-operative Institutions registered under Co-operative Act, 2074 (Except Tax Exempt Transactions under Section 11 (2))</b> ✓ Operating in Municipality Area ✓ Operating in Sub-Metropolitan Area ✓ Operating in Metropolitan Area	5% 7% 10%	7.5% 10% 15%
12	<b>Co-operative Institutions registered under Co-operative Act, 2074 engaged in business of accepting deposits and providing loans</b> ✓ Operating in Municipality Area ✓ Operating in Sub-Metropolitan Area ✓ Operating in Metropolitan Area	10% 15% 20%	7.5% 10% 15%

## Effective Tax Rate after application of Sec 11

Entities	Tax Rate (2080-81)	Tax Rate (2079-80)
Special Industries (Manufacturing, Forest, Agriculture and Mining Industries; except Liquor, Cigarette, Khaini, Guthka and Pan Parag as defined in Section 11) (Tax rate after availing rebate u/s 11)	20%	20%
Entities operating Tram, Trolley Bus , Rope way, Cable Car, Over Bridge	15%	15%
Entities operating Road ,Bridge, Underpass, Tunnel, Airport	12.50%	12.50%
Entities wholly engaged in the projects conducted to build public infrastructure under Build, Operate and Transfer model (BOT) to GON & in Power Generation, Transmission or Distribution Sector.	20%	20%
<b>Export Income of:</b> -Manufacturing Special Industries -Non-Manufacturing Special Industries -Manufacturing Industries(Non Special) -Other Export - Resident person engaged in Business process outsourcing (BPO), Software programming, Cloud computing & providing services based on information technology & earning foreign currency	-16% -16% -24% -20% -12.5%	-8% -16% -12% -20% -1%

## Effective Tax Rate after application of Sec 11

Natural Person	Tax Rate (2080-81)	Tax Rate (2079-80)
Special Industries (Manufacturing, Forest, Agriculture and Mining Industries; except Liquor, Cigarette, Khaini, Guthka and PanParag as defined in Section 11) (Tax rate after availing rebate u/s 11)		
- For slab upto 20%	-20%	-20%
- For 30% Slab	-20%	-20%
- For 36% Slab	-24%	-24%
- For 39% slab	-26%	-
<b>Export Income</b>		
<b>Manufacturing Special Industries</b>		
▪ For slab upto 20%	<b>15%</b>	<b>7.5%</b>
▪ For 30% Slab	<b>15%</b>	<b>7.5%</b>
▪ For 36% Slab	<b>18%</b>	<b>9.0%</b>
▪ For 39% slab	<b>19.5%</b>	
<b>Non Manufacturing</b>		
▪ For slab upto 20%	<b>15%</b>	<b>15%</b>
▪ For 30% Slab	<b>15%</b>	<b>15%</b>
▪ For 36% Slab	<b>18%</b>	<b>18%</b>

## ***Tax Rate for Small Taxpayer U/s 4(4)***

### **Applicability**

The person has income from source in Nepal only

The person has not opt for tax credit u/s 51 and 93

The person has profit upto Rs 300 thousands and turnover up to **3 Million**

The Person has opted to tax under presumptive Basis

### **Tax Rate**

<b>S. No</b>	<b>Location</b>	<b>Effective Tax Rate</b>
1	Metropolitan or Sub Metropolitan	Rs 7,500
2	Municipality	Rs 4,000
3	Other Area	Rs 2500

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### **Tax Rate**

<b>S. No</b>	<b>Location</b>	<b>Effective Tax Rate</b>
1	Metropolitan or Sub Metropolitan	Rs 7,500
2	Municipality	Rs 4,000
3	Other Area	Rs 2500

## ***Tax Rate for Small Taxpayer U/s 4(4ka)***

<b>S. No</b>	<b>Tax Payers</b>	<b>Effective Tax Rate(2080-81)</b>	<b>Effective Tax Rate(2079-80)</b>
1	Person conducting transaction with up to 3% value addition or commission including gas, ciggratte -3 Million to 5 Million -5 Million to 10 Million	0.25% 0.30%	0.125% 0.15%
2	Person other than specified above in Sr 1 -3 Million to 5 Million -5 Million to 10 Million	1% 0.80%	0.5% 0.4%
3	Service Provider ( 3 million to 10 million )	2%	1%

## ***Tax Rate for Taxpayer Engaged in Public Transportation U/s 1(13)***

<b>S. No</b>	<b>Taxpayer</b>	<b>Vehicle Type</b>	<b>Rate /Vehicle</b>
<b>1</b>	<b>Resident Natural Person is engaged in business of Public Vehicle</b>	<b>1. Car, Jeep, Van and Micro Bus</b>	
		<b>Up to 1300CC</b>	<b>5,500.00</b>
		<b>From 1301 CC to 2000 CC</b>	<b>6,000.00</b>
		<b>From 2001 CC to 2900 CC</b>	<b>6,500.00</b>
		<b>From 2901 CC to 4000 CC</b>	<b>8,000.00</b>
		<b>Above 4001 CC</b>	<b>9,000.00</b>
		<b>2. Mini Truck, Mini Bus &amp; Water tanker</b>	<b>8,000.00</b>
		<b>3. Mini Tipper</b>	<b>9,000.00</b>
		<b>4. Truck &amp; Bus</b>	<b>10,500.00</b>
		<b>5. Dozers, Excavator, Loader, Roller, Crane &amp; like such equipment</b>	<b>15,500.00</b>
		<b>6. Oil tanker, Gas Bullet and tripper</b>	<b>15,500.00</b>
		<b>7. Tractor</b>	<b>2,500.00</b>
		<b>8. Power tiller</b>	<b>2,000.00</b>
<b>9. Auto Rickshaw, Three wheeler, Tempo</b>	<b>2,500.00</b>		

## ***Tax Rate for Taxpayer Engaged in Public Transportation U/s 1(13)***

<b>S. No</b>	<b>Taxpayer</b>	<b>Vehicle Type</b>	<b>Rate /Vehicle</b>
<b>1</b>	<b>Resident Natural Person is engaged in business of Public Vehicle</b>	<b>1. In case of electrical vehicles:</b>	
		<b>Up to 50 KW</b>	<b>3,000.00</b>
		<b>50 KW to 125 KW</b>	<b>4,000.00</b>
		<b>125 KW to 2000 KW</b>	<b>6,000.00</b>
		<b>More than 2000 KW</b>	<b>7,500.00</b>

## ***Tax Rate for Non Resident Person***

<b>Particulars</b>	<b>Effective Tax Rate(2080-81)</b>	<b>Effective Tax Rate(2080-81)</b>
Income earned from normal transactions.	25%	25%
Income earned from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project	5%	5%
Income earned from providing shipping, air transport or telecommunication services through the territory of Nepal.	2%	2%
Repatriation by Foreign Permanent Establishment	5%	5%
Capital Gain tax on sale of shares (WHT 25% subject to tax treaties)	25%	25%
Transaction from Digital Services Digital Service Tax (DST) (Transactions > NPR 2 Million)	2%	2%



# ***TDS/TCS Rates-2080-81***

## ***Rates of TDS***

<b>S. No</b>	<b>Nature of Income</b>	<b>2080-81</b>	<b>2079-80</b>
1	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	0%	0%
2	Wind fall gains- General	25%	25%
3	Wind fall gains from Literature, Arts, Culture, Sports, Journalism, Science & Technology and Public administration upto Rs. 5 Lakhs	0%	0%
4	Payment of rent by resident person having source in Nepal, However no TDS on payment of rent to natural person.	10%	10%
5	Profit and Gain from Transaction of commodity future market	10%	10%
6	Profit and Gain from Disposal of NBCA:		
	<b>In case of Land/ Building</b>		
	<b>Natural Person- Ownership more than 5 Years</b>	<b>5%</b>	<b>5%</b>
	<b>Natural Person- Ownership Less than 5 Years</b>	<b>7.5%</b>	<b>7.5%</b>
	Capital Gain Tax in other cases( on Sale Value)	1.5%	1.5%
	<b>In case of Listed Shares</b>		
	Natural Person – Ownership More than 1 Years	5%	5%
	-Natural Person – Ownership Less than 1 Years	7.5%	7.5%
	Entity	10%	10%
	<b>In case of Unlisted Shares</b>		
	Natural Person	10%	10%
	Resident Entity	15%	15%

## ***Rates of TDS***

<b>S. No</b>	<b>Nature of Income</b>	<b>2080-81</b>	<b>2079-80</b>
7	Dividend paid by the resident entity		
	Paid to resident person	5%	5%
	Paid to Non resident person	5%	5%
8	Gain in investment insurance	5%	5%
9	On payment of gain from unapproved retirement fund	5%	5%
10	On payment of gain from approved retirement fund	5%	5%
11	<b>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</b>	<b>6%</b>	<b>5%</b>
<b>12</b>	<b>Payment for articles published in newspaper</b>	<b>1.5%</b>	<b>1.5%</b>
13	Interest payment to Resident bank, other financial institutions	0%	0%
14	Interregional interchange fee paid to credit card issuing bank	0%	0%
15	Interest or fees paid by Government of Nepal under bilateral agreement	0%	0%
16	On payment of general insurance premium to resident insurance company	0%	0%
17	On payment of premium to non-resident insurance company	2%	2%

## ***Rates of TDS***

<b>S. No</b>	<b>Nature of Income</b>	<b>2080-81</b>	<b>2079-80</b>
18	Contract payment exceeding Rs 50000 for a single contract within 10 days.	1.5%	1.5%
19	Interest & Dividend paid to Mutual Fund	0%	0%
20	Payment of consultancy fee: - to resident person against VAT invoice - to resident person against non VAT invoice	1.5% 15%	1.5% 15%
21	Payment on contract to Non Resident Person	5%	5%
22	Payment for the freight to transportation service or Renting of Transportation vehicle -Vat Registered -Non Vat Registered	1.5% 2.5%	1.5% 2.5%
23	Vehicle Rent	10%	10%
24	Payment made against question setting, answer evaluation	15%	15%
25	Payment to Non Resident Company against Commission paid for Reinsurance	15%	15%
26	Payment made to Consumer Committee in excess of 50 lakhs	1.5%	1.5%

## ***Rates of TDS***

<b>S. No</b>	<b>Nature of Income</b>	<b>2080-81</b>	<b>2079-80</b>
27	Commercial Import of Buffalo, Goat, Sheep, Fresh & Frozen Fish, Fruits,	5%	5%
28	On Import of Meat, Milk Product, Egg, Honey, Millet, Buckwheat, Junelo, Rice, Wheat Flour, Meslin Flour, Other Flours, Herbs, Sugarcane, Herbal products ( if above items attracts vat then rate shall be 1.5%)	2.5%	2.5%
29	Foreign Currency Exchange service by resident bank for students going abroad for study making payment for language exam and standardized test	15% (TCS)	15% (TCS)
30	Interest paid by resident bank and financial institution to foreign bank or financial institution	10%	10%
31	Payment received by a person in foreign currency for providing software or other electronic services of similar nature outside Nepal.	1% (TCS)	1% (TCS)

## ***Rates of TCS***

<b>S. No</b>	<b>Nature of Income</b>	<b>2080-81</b>	<b>2079-80</b>
1	Interest on Loan paid to Foreign Bank/FIs by the Dam or PROR based Hydropower subject to certain condition	5%	0%
2	A resident e-commerce operator while making payment for sale of goods, services or goods & services from its platform.	1% To be collected by the E-Commerce Operator	0%



***Business Exemption/Concession & Facilities***

# Business Exemption/Concession & Facilities

Sec.	Type of Industry	Rebate & Concession	
		FY 2080-81	FY 2079-80
11 (1)	<ul style="list-style-type: none"> <li>▪ Any Firm, Company, Partnership, registered &amp; engaged in Agro Business, Dehydration of Vegetable &amp; Cold Store Business</li> <li>▪ Special industry (Manufacturing) and IT Industry providing direct employment to:                             <ul style="list-style-type: none"> <li>➤ &gt;100 Nepalese citizen during the entire year</li> <li>➤ &gt;300 Nepalese citizen during the entire year</li> <li>➤ &gt;500 Nepalese citizen during the entire year</li> <li>➤ &gt;1000 Nepalese citizen during the entire year</li> </ul> </li> </ul>	<b>50% of the AR/TR</b>	100% of the AR/TR
		10% of the AR/TR	10% of the AR/TR
		20% of the AR/TR	20% of the AR/TR
		25% of the AR/TR	25% of the AR/TR
		30% of the AR/TR	30% of the AR/TR
		(Additional 10% concession shall be provided if direct employment is provided to 100 or more Nepali Citizens including at least 33% of Women, Dalits or Disabled Persons.)	
11 (3) (A)	<ul style="list-style-type: none"> <li>▪ Special Industry operating in following regions have following tax rates:                             <ul style="list-style-type: none"> <li>➤ Underdeveloped Regions – For the first 10 years</li> <li>➤ Undeveloped Regions – For the first 10 years</li> <li>➤ Partly developed Regions – For the first 10 years</li> </ul> </li> <li>▪ Special Industry established in Karnali Province &amp; Far Western hilly districts providing more than 100 Nepali citizens                             <ul style="list-style-type: none"> <li>➤ For the first 15 years</li> </ul> </li> </ul>		
		90% of AR/TR	90% of AR/TR
		80% of AR/TR	80% of AR/TR
		70% of AR/TR	70% of AR/TR
		100% of AR/TR	100% of AR/TR
11 (3) (B)	<ul style="list-style-type: none"> <li>▪ Special Industry &amp; Tourism Industry (except Casino) with:                             <ul style="list-style-type: none"> <li>✓ Capital Investment of Rs. 1 billion</li> <li>✓ Direct Employment of 500 persons during the whole year.</li> </ul> </li> <li>➤ For the first 5 years</li> <li>➤ For the subsequent 3 years</li> <li>▪ Further, if existing special industry &amp; Tourism Industry (except Casino) increases its installed capacity by 25% or more to reach the capital of Rs. 2 billion and 300 persons during the whole year.</li> <li>➤ For the first 5 years – Profit earned on the Increased Capacity</li> <li>➤ For the subsequent 3 years – Profit earned on the Increased Capacity</li> </ul>		
		100% - Tax Exempt	100% - Tax Exempt
		50% of the AR/TR	50% of the AR/TR
11 (3) (C)		100% - Tax Exempt	100% - Tax Exempt
		50% of the AR/TR	50% of the AR/TR

# ***Business Exemption/Concession & Facilities***

<b>Sec.</b>	<b>Type of Industry</b>	<b>Rebate &amp; Concession</b>	
		<b>F.Y 2080-81</b>	<b>FY 2079-80</b>
<b>11 (3A) (A)</b>	<ul style="list-style-type: none"> <li>▪ Industries established in Special Economic Zone</li> <li>▪ Situated in Mountainous Districts and Hilly Districts prescribed by GoN.</li> </ul>		
	➤ For the first 10 years	100% - Tax Exempt	100% - Tax Exempt
	➤ After such period	50% of the AR/TR	50% of the AR/TR
<b>11 (3A) (B)</b>	<ul style="list-style-type: none"> <li>▪ Industries established in Special Economic Zone</li> <li>▪ Situated in Other Regions</li> </ul>		
	➤ For the first 5 years	100% - Tax Exempt	100% - Tax Exempt
	➤ After such period	50% of the AR/TR	50% of the AR/TR
<b>11 (3A) (C)</b>	<ul style="list-style-type: none"> <li>▪ Dividend distributed by industries in Special Economic Zone</li> </ul>		
	➤ For the first 5 years	100% - Tax Exempt	100% - Tax Exempt
	➤ For the subsequent 3 years	50% of the AR/TR	50% of the AR/TR
<b>11 (3A) (D)</b>	<ul style="list-style-type: none"> <li>▪ Income from Foreign Technology, Management Service Fee &amp; Royalty of Foreign Investor in Special Economic Zone</li> </ul>	50% of the AR/TR	50% of the AR/TR
<b>11 (3B)</b>	<ul style="list-style-type: none"> <li>▪ Persons involved in Exploration &amp; Extraction of Petroleum, Natural Gases, Fuel &amp; Mining - Will start its operation within Chaitra end 2080 BS (2023 AD)</li> </ul>		
	➤ For the first 7 years	100% - Tax Exempt	100% - Tax Exempt
	➤ For the subsequent 3 years	50% of the AR/TR	50% of the AR/TR
<b>11 (3C)</b>	<ul style="list-style-type: none"> <li>▪ IT industry established within IT Park, Biotech Park, Zoological Park, Geological Park and Technology Park as specified in the Gazette</li> </ul>	50% of the AR/TR	50% of the AR/TR

# Business Exemption/Concession & Facilities

Sec.	Type of Industry	Rebate & Concession	
		FY 2080-81	FY 2079-80
<b>11 (3D)</b>	<ul style="list-style-type: none"> <li>▪ Hydropower Projects, Solar Energy Projects, Waste-To-Energy and Wind Turbine Projects that have commercially started generation of electricity by Chaitra, 2083 (Previously upto Chaitra, 2080)</li> </ul>		
	<ul style="list-style-type: none"> <li>➤ For the first 10 years</li> </ul>	100% - Tax Exempt	100% - Tax Exempt
	<ul style="list-style-type: none"> <li>➤ For the subsequent 5 years</li> </ul>	50% of the AR/TR	50% of the AR/TR
<b>11 (3D)</b>	<ul style="list-style-type: none"> <li>▪ Hydroelectricity project having reservoir or semi-reservoir of more <b>40MW</b> (PY 200 MW) which has than completed its financial closure by <b>2085 Chaitra End</b> (PY 2083 Chaitra End) shall be provided with tax exemption as below;</li> </ul>		
	<ul style="list-style-type: none"> <li>➤ For the first 15 years</li> </ul>	100% - Tax Exempt	100% - Tax Exempt
	<ul style="list-style-type: none"> <li>➤ For the subsequent 6 years</li> </ul>	50% of the AR/TR	50% of the AR/TR
<b>11 (3E)</b>	<ul style="list-style-type: none"> <li>▪ Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows:</li> </ul>		
	<ul style="list-style-type: none"> <li>➤ (a) Natural Person whose Tax is chargeable @ 20%</li> </ul>	25% of the AR/TR	25% of the AR/TR
	<ul style="list-style-type: none"> <li>➤ (a) Natural Person whose Tax is chargeable @ 30%</li> </ul>	50% of the AR/TR	50% of the AR/TR
	<ul style="list-style-type: none"> <li>➤ (b) Entity</li> </ul>	20% of the AR/TR	20% of the AR/TR
	<ul style="list-style-type: none"> <li>➤ (c) Manufacturing Based Industry – [In addition to above (a) &amp; (b)]</li> </ul>	50% of the AR/TR	50% of the AR/TR
	<ul style="list-style-type: none"> <li>▪ Resident person engaged in Business process outsourcing (BPO), Software programming, Cloud computing &amp; providing services based on information technology &amp; earning foreign currency up to FY 84-85</li> </ul>	<b>50% of the AR/TR</b>	96% of the AR/TR
<b>11 (3F)</b>	<ul style="list-style-type: none"> <li>▪ Entities in the following sectors:</li> </ul>		
	<ul style="list-style-type: none"> <li>➤ Operating - Tram/Trolley Bus</li> </ul>	40% of the AR/TR	40% of the AR/TR
	<ul style="list-style-type: none"> <li>➤ Constructing and Operating - Ropeway/Cable Car/Over Bridge</li> </ul>	40% of the AR/TR	40% of the AR/TR
	<ul style="list-style-type: none"> <li>➤ Constructing and Operating - Road/Bridge/Underpass/Tunnel/Railways/Tunnel/Railways/Airport</li> </ul>	50% of the AR/TR	50% of the AR/TR
<b>11 (3G)</b>	<ul style="list-style-type: none"> <li>▪ Following Entities listed in Stock Exchange</li> </ul>		
	<ul style="list-style-type: none"> <li>➤ Manufacturing/Tourism/Production, Distribution &amp; Transmission of Hydro-Power/Entities in 11 (3C)</li> </ul>	15% of the AR/TR	15% of the AR/TR

# ***Business Exemption/Concession & Facilities***

<b>Sec.</b>	<b>Type of Industry</b>	<b>FY 2080-81</b>	<b>FY 2079-80</b>
<b>11 (3H)</b>	<ul style="list-style-type: none"> <li>▪ Manufacturers of - Brandy based on Fruits, Cider &amp; Wine in:                             <ul style="list-style-type: none"> <li>✓ Remote Area</li> <li>✓ Undeveloped Area</li> </ul> </li> </ul>		
	➤ For the first 10 years – Remote Area	40% of the AR/TR	40% of the AR/TR
	➤ For the first 10 years – Undeveloped Area	25% of the AR/TR	25% of the AR/TR
<b>11 (3I)</b>	▪ Royalty Income earned from Export of Intellectual Assets	25% of the AR/TR	25% of the AR/TR
<b>11 (3J)</b>	▪ Income earned from the Disposal of Intellectual Assets	50% of the AR/TR	50% of the AR/TR
<b>11 (3K)</b>	<ul style="list-style-type: none"> <li>▪ Tourism Industry or Aviation Industry operating International Flights with:                             <ul style="list-style-type: none"> <li>✓ Capital Investment of Rs. 2 billion</li> </ul> </li> </ul>		
	➤ For the first 5 years – From the Date of Commencement	100% - Tax Exempt	100% - Tax Exempt
	➤ For the subsequent 3 years	50% of the AR/TR	50% of the AR/TR
<b>11 (3L)</b>	▪ Special Industry, Industry based in Agriculture & Tourism Sector which capitalizes its profit (i.e. Issues Bonus Shares) for the purpose of capacity enhancement	100% - Tax Exempt	100% - Tax Exempt
<b>11 (3M)</b>	<ul style="list-style-type: none"> <li>▪ Conversion of Private to Public Company (Paid up capital &gt; Rs. 500 Million)                             <ul style="list-style-type: none"> <li>✓ This rebate shall not be applicable for companies mandated to be registered as public under Section 12 of the Companies Act</li> </ul> </li> </ul>		
	➤ For the first 3 years – From the Date of Conversion	10% of the AR/TR	10% of the AR/TR
<b>11 (3N)</b>	▪ Tea Production and Processing, Dairy Industry & Textile Industry	50% of the AR/TR	50% of the AR/TR
<b>11 (3O)</b>	▪ Community Hospital	20% of the AR/TR	20% of the AR/TR

## ***Business Exemption/Concession & Facilities***

<b>Sec.</b>	<b>Type of Industry</b>		<b>Rebate &amp; Concession</b>	
			<b>FY 2080-81</b>	<b>FY 2079-80</b>
<b>11 (3w)</b>	<b>Industry Producing Immunization vaccine, Oxygen gas &amp; Sanitary Pad</b>			
	<b>➤ For First 5 Years (Previously First 3 Years)</b>		<b>100%</b>	<b>100%</b>
	<b>➤ For Subsequent 2 Years</b>		<b>50%</b>	<b>50%</b>
<b>11 (3x)</b>	<b>Industry Established till Ashad 2082 for Manufacturing &amp; assembling of Electric Vehicle</b>			
	<b>For 5 Years from the date of operation.</b>		<b>40%</b>	<b>40%</b>
<b>11 (3Y)</b>	<b>Industry Established till Ashad 2082 for Manufacturing of Agriculture tools &amp; Equipment</b>			
	<b>For 5 Years from the date of operation.</b>		<b>100%</b>	<b>100%</b>



***VAT***

## ***VAT Related***

- Arrangement shall be made for issuing the computerized invoices through central billing software for the taxpayers having annual transactions above NPR 25 Crores.
- The VAT rate of 13% remains unchanged.
- Regardless of whether a person is registered under the VAT Act or not, if they hire or receive carriage/transport services from an unregistered person, they are required to assess and collect tax on the taxable value as per the provisions of this act and the rules established under it. This should be done at the time of payment or receipt of the service, whichever occurs earlier. The credit of the same shall be claimed as input vat credit u/s 17 as credit u/s 8(2ka)
- If a person obtains an ineligible refund of VAT under the diplomatic VAT refund outlined in Section 25(1) (Ka), (ka1), and (Ka2) through an automated electronic medium, a penalty of 25% on the taxable amount can be imposed by the tax officer.
- In order to simplify the system of VAT refund to be received by diplomatic missions and make it simplified and effective, an automatic system of VAT refund to the bank account will be arranged through green channel.

## ***VAT Related***

- The Finance Bill 2080 has introduced significant changes in Schedule 1 of the VAT Act 2052 removing various items (goods and services) from the schedule to and shall now attract VAT .Some of the goods and services on which VAT shall now be applicable are:
1. A) Air Travel Service, Hire Charges on Transportation Services, Carriage Service and local Cargo Service
  2. Aircraft (e.g. helicopters, airplanes); spacecraft (including satellites) and suborbital and spacecraft launch vehicles
  3. Aircraft launching gear, deck-arrestor or similar gear, ground flying trainers; parts of the foregoing articles
  4. Frozen greens vegetables, frozen sweet corn, frozen potatoes, Coffee (Roasted, unroasted, decaffeinated, and beans), avocados, kiwis,
  5. Trekking and tour package related service,
  6. Woolen carpets and its weaving, dying, washing and knitting.

## ***VAT Related***

- The frequency of filing VAT Return Shall be filled quarterly (every four month) instead of monthly for the VAT registered Person whose annual Turnover is up to 1 crore.
- 170 items have been removed from Schedule -I of VAT Act, 2052.
- Major Items delisted from the Schedule-I are: Fresh-Roses, Carnations, Orchids, Chrysanthemums, lilies (*Lilium spp.*), Potato, Onions, Dates, Avocado, Quinces, Apricots, Coffee, soyabean Nuggets, Cotton, Wool, Clothes dryer, Weighting Machine, Aircraft Various goods imported by Nepal Army, Nepal Police, Armed Police Force. (Now they are Vatable.)

***VAT Related***

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