Comprehensive Analysis of Nepal's Budget, Finance Bill & Taxation Measures F.Y. 2083-84

Insights. Analysis. Opportunities.

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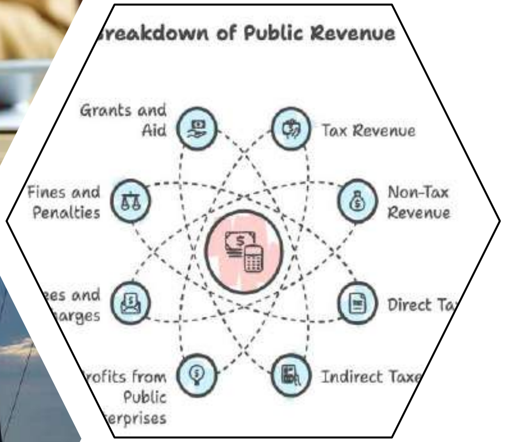

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Objectives of Finance Bill

Economic Policy

To implement the economic and fiscal policy of the GON

Implementation

To impose, continue, revise, or adjust taxes, duties, fees, levies, and charges necessary for the implementation of government policies and programs.

Revenue Measures

To determine revenue measures, including:
Introducing new taxes and duties.
Increasing or decreasing existing tax rates.
Providing partial or full tax exemptions where necessary.

Regulate

To regulate and administer government revenue collection through amendments to revenue-related laws and procedures.

Establish Laws

To establish provisions relating to various taxes, duties, and charges.

Key Highlights Of Budget

Budget Overview

The total budget size is NPR 21.24 Kharba with a GDP growth target of 7%. Domestic revenue collection is NPR 14.05 Kharba, showing a 25.2% increase from the previous year. Current per capita income averages USD 1,533 and GDP growth for FY25/26 is projected at 3.85%.

Economic Stance & Budget Allocation

The focus is on a production-based economy driven by private sector growth, stable taxes, diaspora capital mobilization, and hydropower-AI value chain integration. Budget expenditure splits into current (59.8%), capital (20.3%), and financing provisions (19.9%).

Budget Financing:

Domestic revenue forms 66.1% of funding, with domestic borrowing (19.7%) and foreign loans (11.6%) filling the resource gap of NPR 6.57 Kharba

Major Tax Reforms :

Includes raising income tax exemption to NPR 10 lakhs, cutting max tax rate from 39% to 29%, reducing customs duties, removing excise on 360 items, merging green taxes, and incentivizing digital payments with VAT benefits.

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Key Highlights Of Budget

Capital Market Reforms

Allow NRNs to invest, introduce intraday trading and short selling, launch hedge funds, issue global depository receipts, and encourage venture capital and diaspora bonds. Capital Gains Tax (CGT) rates increased and made final withholding tax

IT & Digital Economy Initiatives

IT industry declared strategic with tax exemptions for exports and startups, flat taxes for remote workers, and development of 'Sovereign AI Compute Hub'. Public services integrated digitally with VAT discounts on digital transactions

Agriculture Revival

Commercial farming incentivized with 40% capital grants, 80% subsidy on insurance, guaranteed support prices, doorstep tech advisory, and digital payments directly to farmers.

Clean Energy & Hydropower

NPR 85.54 Arba allocated with NEA restructured into three companies, adding 1,040 MW capacity. Private sector engagement through 'Take or Pay' PPAs, international electricity trade, and pilot green hydrogen projects

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Key Highlights Of Budget

Human Capital & Social Protection

Education budget directed towards school infrastructure and quotas removed for medicine and IT. Health budget targets 90% insurance coverage, 336 hospitals, and essential medicine production. Civil service pay raised by up to 21%

Governance & Administrative Reform

Government ministries reduced from 22 to 18 with 31 bodies scrapped and Rs 20 Arba savings targeted. Green economy emphasized with carbon credit, forest economy, and wellness tourism initiatives.

Water, Irrigation & Drinking Water

Budget allocates NPR 37.17 Arba for clean water and irrigation expansion targeting 100% safe water coverage within 5 years and increasing irrigated areas

Labor, Migration & Welfare

Programs launched for remittance investment, zero-cost foreign employment incentives, formal labor contracts, social security enrollment, and social welfare improvements for street children and nurses.

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Key Highlights Of Budget

Infrastructure & Tourism

Focus on road blacktopping, bridge construction, upgrading highways, and completing Kathmandu-Terai expressway. Tourism campaigns promote wellness and luxury resort incentives; CAAN restructuring targets EU aviation safety blacklist exit

New Financial Instruments

Introduction of offshore bonds, green bonds, diaspora bonds, and sovereign wealth funds to support AI factories, fuel reserves, and strategic projects.

Social Protection & Labour Reform:

Includes voluntary allowance surrender campaign, doubling nutritional allowance for Dalit children, formal labor registries, mandatory bank wage payments, and social security for informal workers.

Public Enterprise Restructuring

Nepal Airlines converted to company seeking strategic partner; capital injections for Rastriya Banijya Bank; PPP models for sick enterprises initiated.

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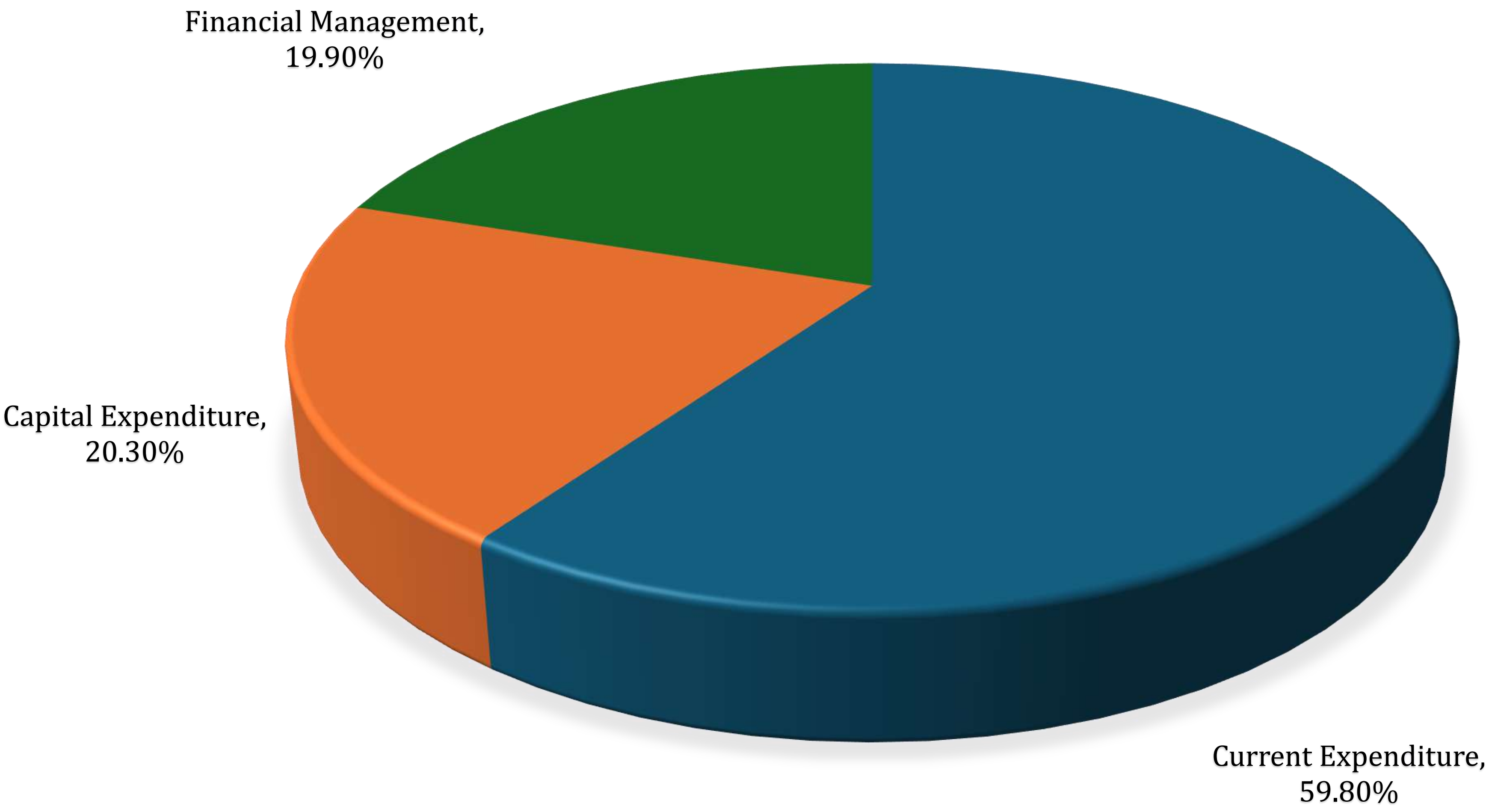
ALLOCATION OF BUDGET
FY – 2083/84



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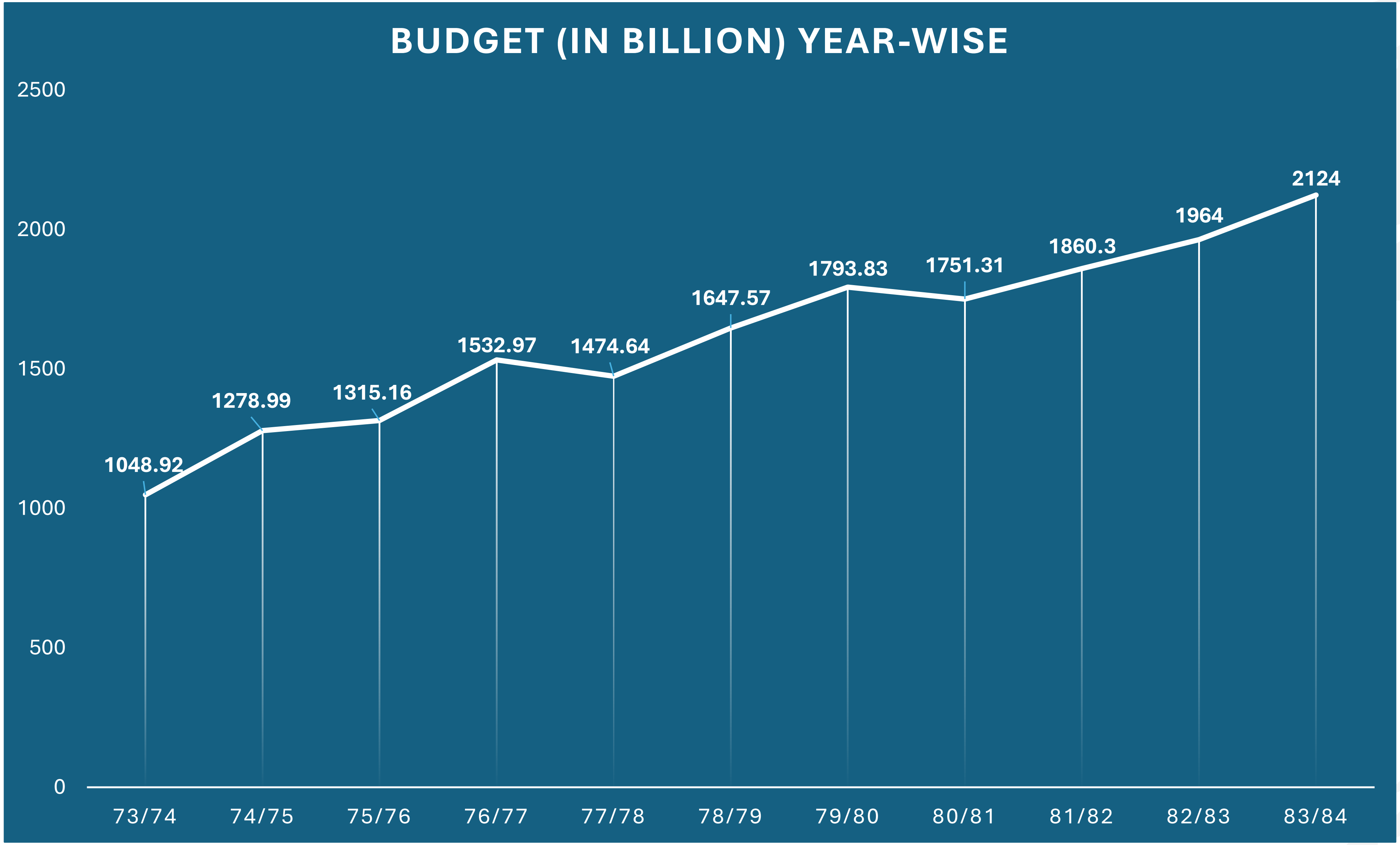
BUDGET (IN BILLION) YEAR-WISE
2500
2000
1500
1000
500
0
1048.92
1278.99
1315.16
1532.97
1474.64
1647.57
1793.83
1751.31
1860.3
1964
2124
73/74
74/75
75/76
76/77
77/78
78/79
79/80
80/81
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82/83
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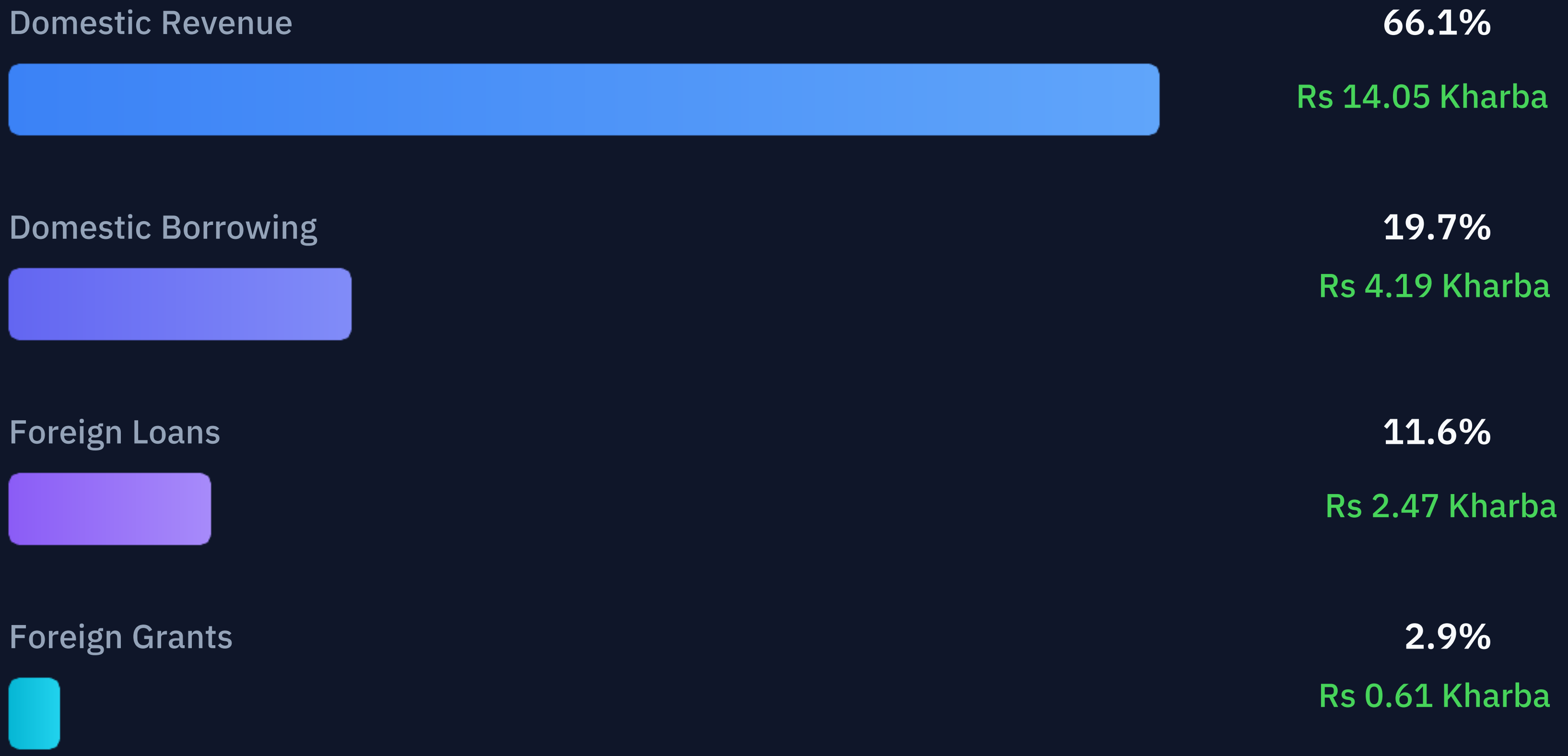
BUDGET FINANCING & RESOURCE STRUCTURE

Where the Money Comes From



⚠ Resource Gap: **Rs 6.57 Kharba** — to be met through foreign loans + domestic borrowing

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Other General Tax Rate

Prescribed by Finance Act

Foreign Employment Service Fee:

Licensed foreign employment agencies must collect a **1% Foreign Employment Service Fee** from individuals going abroad for work, deposit it with the government by the 25th of the following month for migrant worker welfare and pay **15% annual interest** on any late remittance.

Pollution Control Fee:

A **Pollution Control Fee of NPR 1.50 per liter** is imposed on petrol and diesel distributed in Nepal, to be collected and remitted monthly by importers, with **15% annual interest** charged on late payments, under the administration of the Inland Revenue Department.

Telephone Ownership Fee:

A **Telephone Ownership Fee of NPR 500** is charged on the installation or transfer of a telephone connection, while **mobile users pay a 2% fee on SIM card purchases and recharges**, with telecom service providers responsible for collecting and remitting the fee monthly, subject to **15% annual interest** on late payments, under the NTA.

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Other General Tax Rate

Prescribed by Finance Act

Telecommunication Service Fee:

A **10% Telecommunication Service Fee** is charged on telecom services, with certain exemptions like interconnection charges and 50% of fixed broadband maintenance fees, and it must be collected and deposited monthly by service providers, with a **5% monthly penalty for late payment**, under rules set by the NTA.

Clean Energy Investment Fee:

A **Clean Energy Investment Fee** is imposed on electric vehicles and transport means imported or produced in Nepal, collected at the time of customs clearance or registration as prescribed in Schedule 3, with the proceeds deposited into the Federal Consolidated Fund and reported monthly to the Ministry of Finance.

Road Construction Fee:

A **Road Construction Fee** is imposed on vehicles and transport means imported or produced in Nepal as specified in Schedule 4, collected at the time of customs clearance or vehicle registration, with the proceeds deposited into the Federal Consolidated Fund and reported monthly to the Ministry of Finance.

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Other General Tax Rate

Prescribed by Finance Act

Education Service Fee:

An **Education Service Fee of 3%** is levied on the foreign currency exchanged for students studying abroad, to be collected and remitted monthly by banks and financial institutions, with **15% annual interest** on late payments and a refund available to students who ultimately do not pursue their studies abroad, under procedures set by the IRD

Education Equality Fee:

An **Education Equality Fee**, as prescribed in Schedule 7, is levied on all fees collected from students by private educational institutions, with the proceeds used to support **quality education and educational infrastructure development**.

Health Equality Fee:

A **Health Equality Fee**, as prescribed in Schedule 8, is levied on all service fees collected from patients by private healthcare providers, with the proceeds used to support **quality healthcare services and health infrastructure development**.

Other General Tax Rate

Prescribed by Finance Act

Health Risk Tax:

A **Health Risk Tax** is imposed on specified goods imported into or produced in Nepal as listed in Schedule 10, with its administration governed by the Inland Revenue Department.

Casino Royalty:

A casino operator licensed in Nepal must pay an **annual royalty of NPR 55 million for a casino or NPR 30 million for machine-based gaming operations**, with payments made in installments to the Tourism Department and significant penalties imposed for late payment.

Digital Service Tax:

A **2% Digital Service Tax** is imposed on the transaction value of electronic services and certain digital sales provided by non-resident entities to users in Nepal, with an annual exemption threshold of **NPR 3 million**, and income subject to this tax is exempt from income tax under the Income Tax Act.

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Tax Waivers & Exemptions

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Tax & Interest Waivers for Non-Filers / Defaulters

Scheme	Beneficiary	Condition	Deadline	Relief
Non-Profit Institutions	Registered under Inst. Reg. Act, 2034	Submit income returns for FY 2082/83	Poush 2083	Tax, interest & fee waived on income from donations/grants for FY 2082/83 and all previous years.
Insurance Agents VAT Waiver	Agents who did not collect VAT	Automatic waiver; no return filing required	No deadline	Entire tax, interest, additional fee and penalty waived for FY 2082/83 and all earlier years.
IT Amnesty - No PAN	Persons without PAN/Returns	Obtain PAN; file returns for 2079/80-2082/83; pay tax due	Poush 2083	All fees and interest waived; no tax/returns required for years prior to 2079/80.
IT Amnesty - Inactive PAN	PAN holders with no transactions	File returns and pay tax for FY 2082/83; cancel/reactivate PAN	Poush 2083	Not required to file any previous returns.
VAT Amnesty on Cheese	Sellers who did not collect VAT	Automatic / unconditional waiver	No deadline	Entire uncollected VAT fully and automatically waived for all past years.

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VAT & Excise Duty Amnesty

Scheme	Beneficiary	Condition	Deadline	Relief
VAT Amnesty - Non-collectors	Registered VAT persons	Deposit collectible VAT + 1% additional amount; file returns	Poush 2083	All interest, additional fee and penalty waived.
VAT Amnesty - Non-filers	Collectors but Non-filers	File returns; deposit VAT + 1% additional amount	Poush 2083	All interest, additional fee and penalty waived.
Excise Duty - Non-collectors	Licensed or unlicensed persons	Deposit excise duty + 1% additional amount	Poush 2083	All late fees and penalties waived.
Excise License Renewal	License holders with late renewal	Pay renewal fee for FY 2082/83	Ashoj 2083	Renewal fees and penalties for all previous years waived.

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Waivers for Filers & Assessed Tax

Scheme	Beneficiary	Condition	Deadline	Relief
Outstanding Tax (VAT/IT/Excise)	Return-filers with dues as of 15th Jestha 2083	Pay outstanding amount + 1% additional amount	Poush 2083	All fees, additional fees, penalties, interest and late fees waived.
Department-Assessed Tax	Persons with IRD-assessed/revised tax by 15th Jestha 2083	Pay assessed amount + 1% additional amount	Poush 2083	All fees, penalties and interest waived. ** Does not apply to telecom businesses.*
Annual Budget Act Dues	Persons with underpaid/unpaid dues under Budget Act	Pay outstanding amount + 1% additional amount; submit details	Mangsir 2083	All penalties, interest and fees waived.

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Litigation & Revenue Leakage Waivers

Scheme	Beneficiary	Condition	Deadline	Relief
Withdrawal of Pending Cases	Persons with cases in IRD, Tribunal or Courts	Withdraw case; pay disputed tax + 1% additional amount	Poush 2083	All fees, penalties, interest and late fees waived. ** Does not apply to telecom businesses.*
Govt.-Filed Supreme Court Cases	Taxpayers with IRD appeals in Supreme Court	Pay disputed amount + 1% additional amount; submit application	Poush 2083	Government may withdraw the case; applicable charges waived. ** Does not apply to telecom businesses.*
Revenue Leakage Cases	Cases pending under Revenue Leakage Act, 2052	Pay determined amount + 1% additional amount; submit application	Poush 2083	Government may withdraw the court case; penalty waived.

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Sector-Specific & Special Waivers

Scheme	Beneficiary	Condition	Deadline	Relief
UN / Diplomatic Staff IT Amnesty	Resident Nepali staff without immunity	Obtain PAN; file returns for 2079/80-2082/83; pay tax + 1% additional	Mangsir 2083	All interest and fees waived; no tax/returns required for years prior to 2079/80.
Companies Act Amnesty	Companies registered under Companies Act, 2063	File returns and pay applicable tax/fee for FY 2082/83	Ashoj 2083	All previous tax, fee, duty, interest and penalties fully waived.
Bank Guarantee Release	Industries under Bonded Warehouse	Export finished goods; receive forex; apply by deadline	Mangsir 2083	Bank guarantee released or cash deposit refunded in full.
Diplomatic Vehicle Transfer	Foreign missions or donor agencies	Transfer vehicles (<10 yrs) to Nepal Govt. agency	Poush 2083	Full exemption on customs duty, VAT, excise duty and road construction fee.

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Income Exemptions (Section 10 Amendments)

Scheme	Beneficiary	Condition	Relief
Free Land/Building Donation	Natural persons (व्यक्ति)	Land or building donated free to Federal, Provincial or Local Govt.	Full income tax exemption on income from such donation
Foreign Govt.-Owned Non-Profit Financial Institution	Fully state-owned foreign financial institutions	Invested as loan in Nepal, operated on non-profit basis	Full interest income exemption
Drinking Water & Sanitation Consumer Committee	Water Act 2049 registered consumer organizations	Income earned as per stated objectives	Full income exemption
Universities in Nepal	Universities established & operating in Nepal	Income earned as per university objectives	Full income exemption

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Tax Holidays & Concessions (Section 11 Amendments)

Scheme	Beneficiary	Condition	Relief
Cinema Hall Tax Holiday	Movie theatres outside Metropolitan/Sub-metropolitan areas	Established and commencing commercial operations	10-year income tax holiday from date of commencement
Sweat Equity / Stock Options in IT Industry	Employees in Information Technology Industry	Sweat equity received as remuneration in IT companies	Exempt from income tax (Section 8(3)(ङ))
Agriculture Business Redefined	Agricultural businesses	Crops, fruits, livestock, fishery, beekeeping (clarified definition)	Existing agriculture sector tax exemptions apply
Interest Income Threshold	All individual taxpayers	Interest income up to Rs. 25,000	Exempt; tax only on amount exceeding Rs. 25,000

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Special Deductions & Rebates for Individuals

Scheme	Beneficiary	Condition	Relief
Retirement Income Deduction	Resident individuals / couples with retirement income	Retirement income must exist; limit as prescribed	25% of Rs. 10L threshold deducted from taxable income
Disability Rebate	Resident persons with disability (individual/couple)	Person must be a recognized person with disability	Additional 50% of Rs. 10L threshold deducted from taxable income
Children Education Fee Rebate (New)	Resident natural persons paying school tuition fees	Paid to resident educational institutions for own children	25% of annual tuition paid OR Rs. 25,000 — whichever is lower, deductible
CSR Expenditure Deduction (New — Sec. 12ङ)	Any entity/person mandated to spend on CSR	Must comply with applicable law; spent in same income year	Deductible up to 1% of total taxable income of that year
Capital Gains Exemption on Free Donation (New)	Natural persons donating land/building to Govt.	Voluntarily donated to Federal, Provincial, or Local Govt.	No capital gains tax on such disposal

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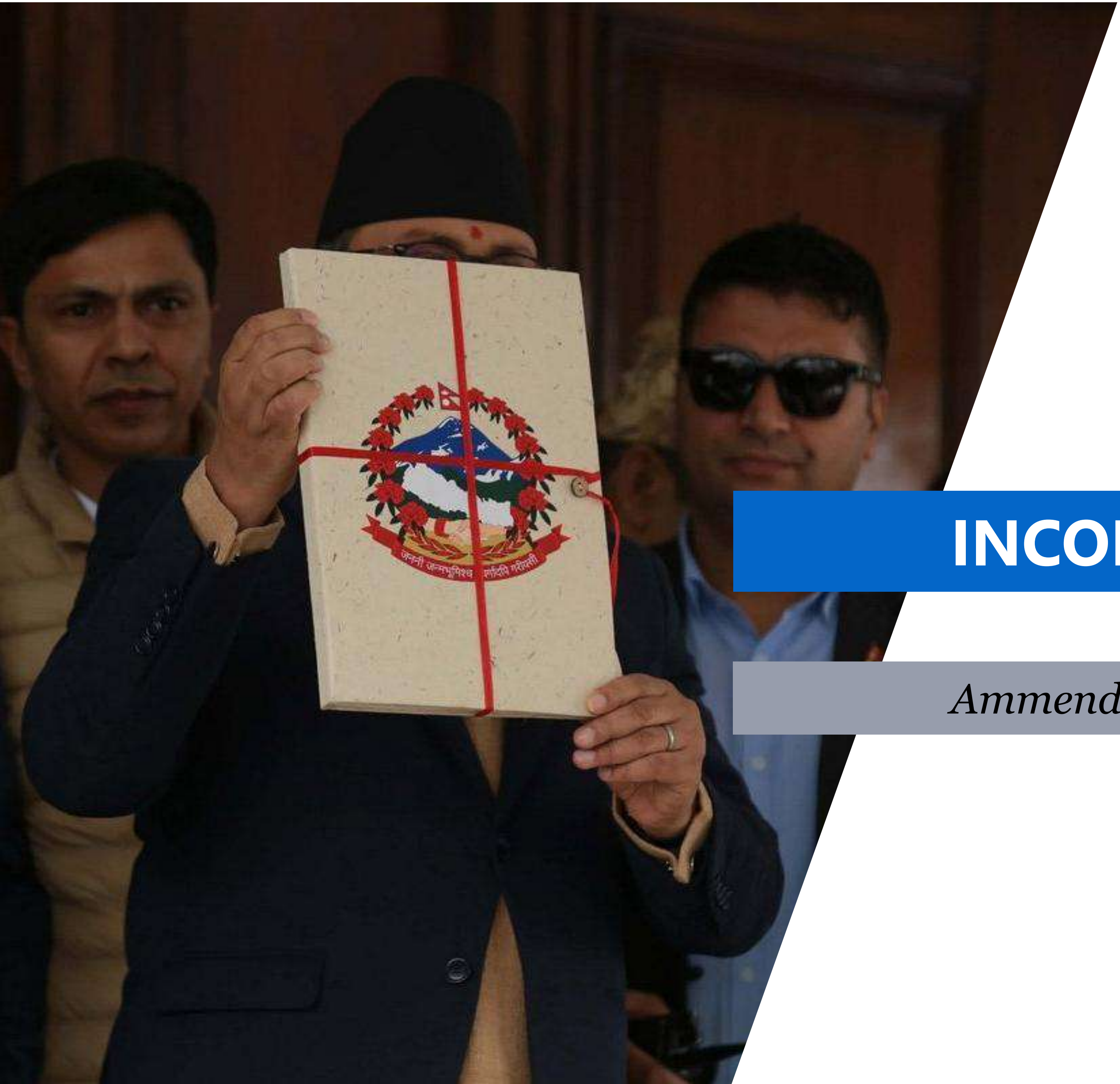

INCOME TAX ACT 2058

Ammendment by Finance Bill 83/84

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Part 1: General Amendments

S.N.	Particulars (Section)	Existing Provision	Amended Provision
1	Section 2(kha1) - Definition of "International Transaction"	No definition existed	Any transaction of goods, services, finance or intangible assets between any person and at least one non-resident; includes transactions affecting income, expenditure, assets or liabilities
2	Section 2(kan) Sub-clause (4) - Associated Person for Transfer Pricing	No such sub-clause existed	Expanded to include: (a) Entity controlling 30%+ of income/capital/voting rights jointly; (b) Entity receiving loans ≥50% of lender's total assets; (c) Entity earning income mostly/fully dependent on another's IP/technical know-how; (d) Entity receiving 90%+ of raw materials from another
3	Section 2(kan1) - Reference Update	Referenced Sections 12, 12ka., 12kha., 12ga.	Updated to also include Section 12gha.
4	Section 2(kawa1) - Definition of "Safe Harbour Rule"	No definition existed	Defined as the condition under Section 33ka. where transfer price is accepted as arm's length market price
5	Section 5 - Reference Update	Referenced "12ga."	Updated to also include "12gha."
6	Section 8(3)(nga) - Sweat Equity Exemption	No such provision	Income equivalent to sweat shares received as remuneration from employment in information technology industry is exempt from tax
7	Section 10(jha1) - Donation of Land/Building to Government	No such provision	Income from disposal of land/private building donated free of cost to Government of Nepal, Provincial Government or Local Body by a natural person is exempt

Part 1: General Amendments

S.N.	Particulars (Section)	Existing Provision	Amended Provision
8	Section 10(jha2) - Interest Income: Foreign Govt. Financial Institution	No such provision	Interest income earned by a fully government-owned foreign financial institution (non-profit) from loan investments in Nepal is exempt
9	Section 10(jha3) - Water & Sanitation Consumer Institutions	No such provision	Income earned by water and sanitation consumer institutions registered under Water Resources Act, 2049 in accordance with their objectives is exempt
10	Section 10(tha1) - Universities	No such provision	Income earned by universities established and operating in Nepal in accordance with their objectives is exempt
11	Section 11(2ka) - Interest Exemption Limit	No upper limit on interest exemption	Interest exceeding NPR 25,000 shall be taxable on the excess amount
12	Section 11(6) Explanation (ka) - Definition of "Agriculture Business"	Included crop farming, animal/poultry husbandry and fishery	Expanded to also include fruit cultivation and beekeeping
13	Section 12(2) - Donation Deduction Limit	NPR 1,00,000	Increased to NPR 3,00,000
14	Section 12gha. - CSR Expenditure Deduction	No such provision	CSR expenditure incurred as per prevailing law deductible from taxable income; limited to 1% of total taxable income of that year

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Part 1: General Amendments

S.N.	Particulars (Section)	Existing Provision	Amended Provision
15	Section 21(2) - Cash Payment Threshold	Persons with annual turnover exceeding NPR 20,00,000 could not make single cash payment exceeding NPR 50,000	Turnover threshold removed; any person cannot make single cash payment exceeding NPR 25,000
16	Section 21(3) Explanation (gha) - Capital Expenditure Exclusion	"Expenses as listed below"	Clarified to exclude share or debenture issuance costs from the list of capital expenditures
17	Section 33ka. - Safe Harbour Rule	No such provision	Persons with annual turnover up to NPR 1 Billion may opt for Safe Harbour Rule for arm's length pricing of controlled transactions. Conditions: (a) Min. 15% operating profit margin for IT service exports; (b) Inter-group foreign currency loan interest within reference rate ±200 basis points; (c) Max 5% markup on cost for low value-adding services. Once opted, applies for 5 consecutive income years
18	Section 33kha. - Advance Pricing Agreement (APA)	No such provision	Department may enter APA with taxpayers for arm's length pricing of international transactions; can be bilateral/multilateral; valid up to 5 income years; rollback available for up to 4 preceding years; binding on both parties unless material change in law or conditions; agreement void if obtained through fraud or misrepresentation
19	Section 47ka.	Provision for reconstitution/merger existed	Repealed entirely
20	Section 57(1) Proviso on Ownership Change	Existing proviso covered general ownership changes	Updated proviso: Section not applicable in case of: (a) Capital increase by new shareholders in Startup, VC & PE Funds while existing shareholders remain unchanged; (b) Involuntary transfer of interest to legal heir due to death of beneficial owner; (c) Change in ownership of resident entity causing consequential change in ownership of another resident entity
21	Section 59(1ka) - Hire Purchase	Applicable to entities operating hire purchase business	Extended to also cover entities conducting hire purchase transactions with Nepal Rastra Bank approval

Part 1: General Amendments

S.N.	Particulars (Section)	Existing Provision	Amended Provision
22	Section 72(2) - Tax Administration Offices	Referenced Medium Taxpayer Office, Inland Revenue Office or Taxpayer Service Office	"Taxpayer Service Office" removed; now only Medium Taxpayer Office or Inland Revenue Office
23	Section 75(1ka) - Finality of Interpretation	No such provision	Departmental interpretation under Sub-section (1) shall be final
24	Section 81(1)(ka) - Record Keeping Documents	"Documents to substantiate transactions"	Specifically includes "invoices" along with other documents
25	Section 81(4) - Electronic Record Keeping	Department "may grant approval" to keep records electronically	Changed to Department "may make necessary arrangements" for electronic record keeping
26	Section 81(5) - Mandatory E-Invoicing	Department may give approval for electronic invoicing	Department may mandate specified taxpayers to issue e-invoices and connect to Central Invoice Monitoring System (CBIMS) or use Department's billing system
27	Section 81(6) - E-Invoicing Compliance Obligation	Manufacturers, distributors and users required to comply with working procedures	This sentence deleted
28	Section 82ka. - Electronic Information Collection	No such provision	Department may electronically obtain financial transaction information of any person in Nepal --- including from their customers, employees, service recipients, members or any person holding their records
29	Section 88(1) - TDS: Insurance Agent Commission	TDS scope included "retirement payments"; no specific rate for insurance agent commission	"Retirement payment" removed from main provision; new clause (14) added --- TDS at 20% on service fees or commission paid to resident natural person insurance agents
30	Section 88ka.(1) & (2) - R&D Tax Credit Sectors	"Science, Technology and..."	Extended to "Science, Technology, Agriculture and..."

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Part 2: Withholding, Capital Gains & Other Provisions

S.N.	Particulars (Section)	Existing Provision	Amended Provision
31	Section 89(3ka)	Advance tax installment provision existed	Repealed entirely
32	Section 92(1)(nja1) - Final Withholding: New Category	No such provision	Final withholding applicable on: profit amounts of resident natural persons and non-residents not required to file returns; payments in foreign currency under Sub-sections (6kha), (6ga), (6gha); service payments under Sub-section (6nga)
33	Section 92(1)(nja2) - Final Withholding: Insurance Agent	No such provision	Service fees or commission paid by resident natural persons to insurance agents subject to final withholding
34	Section 95ka.(2)(ka) - CGT on Land/Building: Individual	Short-term: 5%; Long-term: 7.5%	Short-term: 7.5%; Long-term: 10%
35	Section 95ka.(5) - CGT Collection Authority	Land Revenue Office (Malpot) collects CGT at registration	Changed to "Registration authority" collects CGT at registration
36	Section 95ka.(5)(ka) - CGT Rate at Registration	5%	Increased to 7.5%
37	Section 95ka.(5)(ka1) - CGT: Involuntary Govt. Acquisition	No such provision	CGT rate of 2.5% on non-business taxable property (land/building) involuntarily disposed due to government acquisition

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Part 2: Withholding, Capital Gains & Other Provisions

S.N.	Particulars (Section)	Existing Provision	Amended Provision
38	Section 95ka.(5)(kha) - CGT Long-term Rate at Registration	7.5%	Increased to 10%
39	Section 95ka.(5ka) - CGT Exemption: Free Donation to Govt.	No such provision	No capital gain tax on land/private building donated free of cost to Government, Provincial or Local Body by a natural person
40	Section 95ka.(6nga) - Advance Tax by Ride-Sharing Operators	No such provision	Ride-sharing platform operators must collect advance tax at 1% on payments to natural persons providing services on their platform
41	Section 97(1) - Persons Not Required to File Return	Existing list of exempt persons	Updated list: (a) Persons not liable to tax under Section 3(ka); (b) Persons under Section 3(ga); (c) Resident natural persons under Section 4(3); (d) Natural persons other than sole proprietors owning vehicles under Schedule 1 Section 1(13); (e) Persons specified by Department
42	Section 101(3) - Assessment Time Limit	4 years	Reduced to 3 years
43	Section 113(4) - Appeal Time Limit	2 years	Extended to 5 years
44	Section 119ka. - Penalty for E-Invoice Tampering	Penalty for using software to tamper e-invoices	Replaced: tampering software: NPR 5,00,000; non-compliance with other e-invoice provisions: NPR 1,00,000

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Schedule 1 — Other Amendments

S.N.	Particulars (Section)	Existing Provision	Amended Provision
1	Schedule 1, Sec 1(3)(ka) - Surcharge Threshold	Income exceeding a certain threshold	Income exceeding NPR 10,00,000 for resident natural person or couple
2	Schedule 1, Sec 1(4)(ka)(2) - Basic Exemption Limit	Separate limits for individual and couple	Unified to NPR 10,00,000 for both individual and couple
3	Schedule 1, Sec 1(4)(kha) - Concession Rates (proviso)	(1) 5%; (2) 7.5%; (3) 5% and 7.5%	(1) 7.5%; (2) 10%; (3) 7.5% and 10%
4	Schedule 1, Sec 1(9ka) - Retirement Income Deduction	Existing deduction on retirement income	25% of NPR 10,00,000 (i.e., NPR 2,50,000) deducted from taxable income for individuals/couples with retirement income; subject to prescribed limit
5	Schedule 1, Sec 1(10) - Disability Deduction	Existing deduction for disability	50% of NPR 10,00,000 (i.e., NPR 5,00,000) additionally deducted from taxable income for individuals/couples with disability
6	Schedule 1, Sec 1(13) - Annual Vehicle Tax	Previous lower rates	Revised rates: Cars up to 1300cc: NPR 6,500; 1300--2000cc: NPR 7,000; 2000--2900cc: NPR 7,500; 2900--4000cc: NPR 9,500; Above 4000cc: NPR 11,000; Minitruck/Minibus: NPR 9,500; Truck/Bus: NPR 12,500; Heavy machinery/Oil tankers: NPR 17,500; Tractor: NPR 3,500; Auto rickshaw/Tempo: NPR 3,500; EV up to 50kW: NPR 4,000; EV 50--125kW: NPR 5,000; EV 125--200kW: NPR 7,500; EV above 200kW: NPR 9,500; E-Rickshaw: NPR 3,500; Two-wheelers: NPR 3,000
7	Schedule 1, Sec 1(16ka) - Additional Tax Penalty	NPR 5,000	Increased to NPR 10,000

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Tax Slab Comparison

A. EXISTING SLAB RATES (BEFORE AMENDMENT)

Individual Income Range	Rate
Up to NPR 5,00,000	1%*
NPR 5,00,001 – 7,00,000	10%
NPR 7,00,001 – 20,00,000	20%
Above NPR 20,00,000	30%
Above NPR 50,00,000	36%

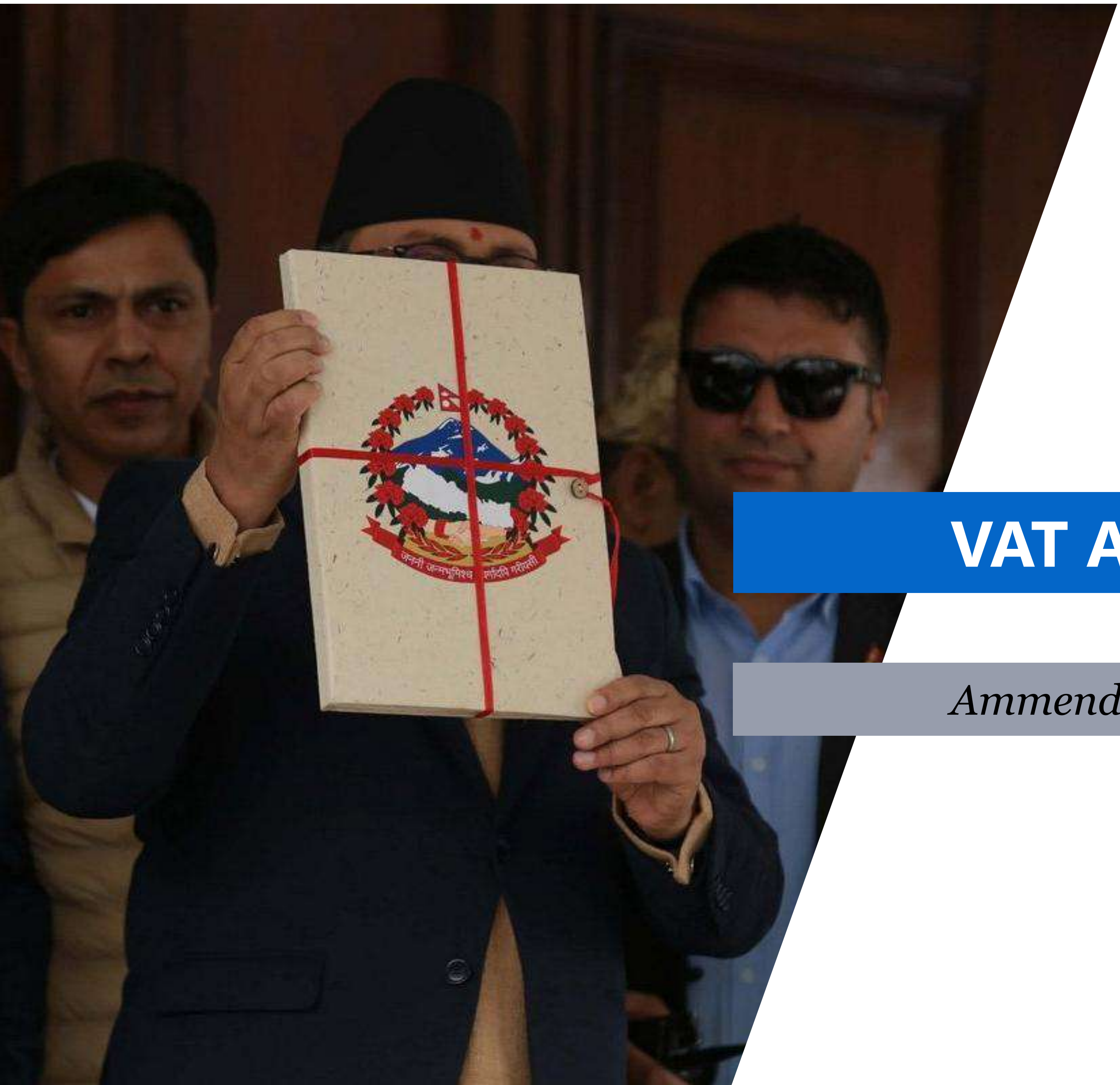
Couple Income Range	Rate
Up to NPR 6,00,000	1%*
Next NPR 2,00,000	10%
Next NPR 3,00,000	20%
Next NPR 9,00,000	30%
Next NPR 30,00,000	36%

B. AMENDED SLAB RATES (UNIFIED)

Individual & Couple — Single Structure

Taxable Income Range	Rate
Up to NPR 10,00,000	1%*
NPR 10,00,001 – 15,00,000	10%
NPR 15,00,001 – 25,00,000	20%
Above NPR 25,00,000	27%
Above NPR 40,00,000	27% + 2%

*Social security tax.
Sub-section (2) for couple has been repealed.



VAT ACT 2052

Ammendment by Finance Bill 83/84

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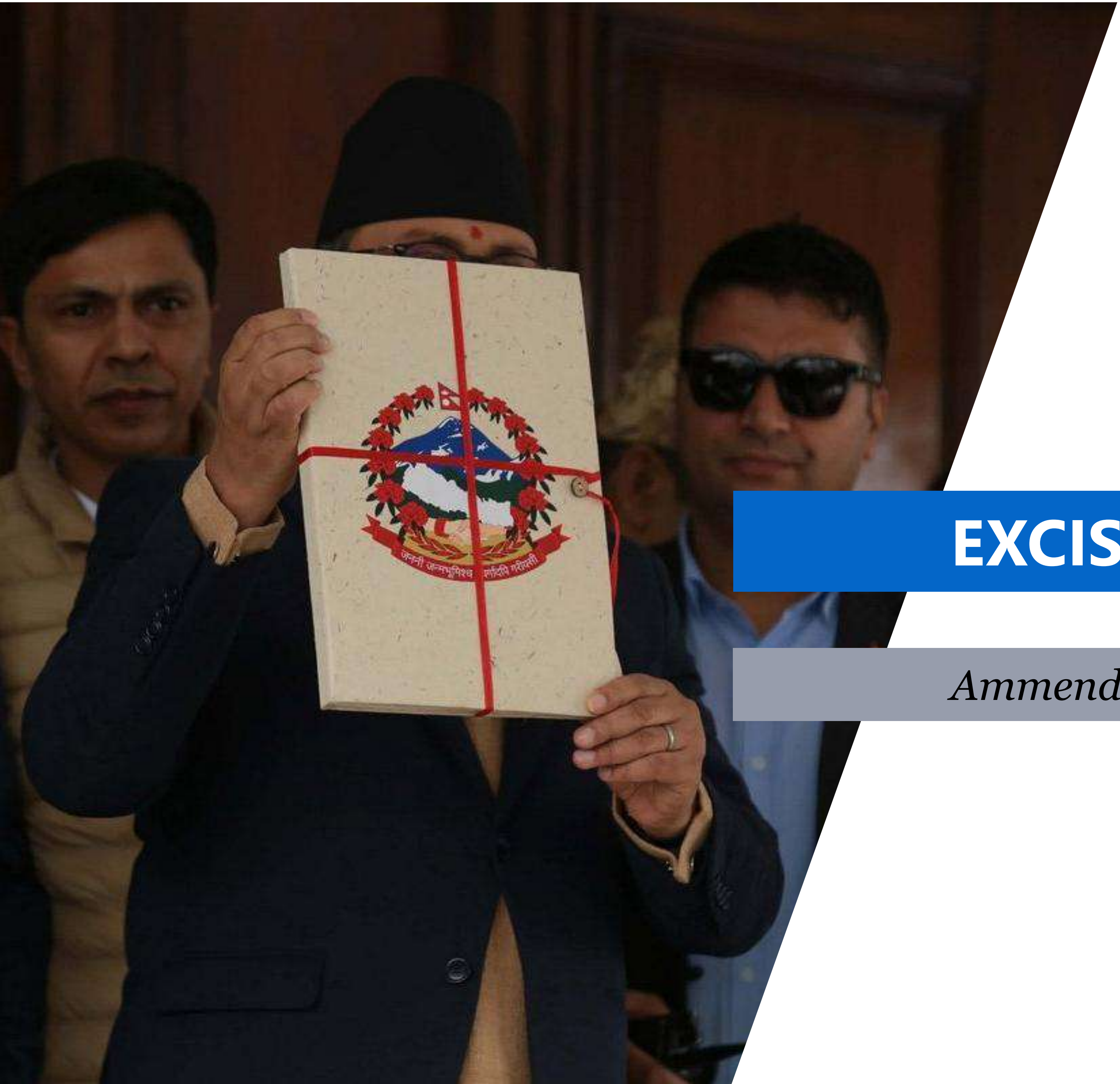
Value Added Tax Act, 2052

S.N.	Particulars (Section)	Existing Provision	Amended Provision
1	Section 7(1ka) - Multiple VAT Rate System	No provision for multiple VAT rates; single standard rate applicable	Government of Nepal may publish notice in Nepal Gazette to fix multiple VAT rates (not exceeding standard rate) and specify applicable goods/services
2	Section 7(1kha) - Ride-Sharing Platform Operators	No specific VAT provision for ride-sharing/gig economy transport services	Resident ride-sharing platform operators and persons providing electricity services to end consumers must collect and remit VAT at 5% on taxable transaction value
3	Section 7(2) - Reference Update	Referenced only "Sub-section (1)"	Updated to reference "Sub-section (1) or (1ka)" to align with new multiple rate provision
4	Section 8(2kha) - VAT Collection by Ride-Sharing Operators	No provision; individual service providers were responsible	Ride-sharing platform operators are now responsible for determining and collecting VAT on transactions of vehicle/freight service providers on their platform
5	Section 14ka - Electronic Invoicing (E-Billing)	Basic provision for electronic invoicing	Completely replaced with comprehensive framework: (a) Department sets e-invoice standards; (b) Mandatory e-invoicing for specified taxpayers via Central Invoice Monitoring System (CBMS); (c) Department to issue working procedures for security & reliability of e-invoicing software
6	Section 16kha - Input Tax Adjustment	Allowed adjustment only for "wear and tear"	Extended to include "wear and tear and natural disaster" as valid grounds for input tax adjustment
7	Section 18(1ka) - VAT Return Filing in Remote Districts	No specific provision for districts without IRO	Taxpayers in districts without IRO may file returns and pay tax at local government body or DTCO by 15th of the month; receiving office must forward to IRO within 7 days

P.D.S. & ASSOCIATES

Value Added Tax Act, 2052

S.N.	Particulars (Section)	Existing Provision	Amended Provision
8	Section 18(4) - Amendment of Filed Return	No provision to amend a submitted return	Taxpayer may amend a filed return within 7 days of submission if it contains errors, following Department-specified procedure
9	Section 25(1kha) - Tax Refund Language	"Shall be immediately refunded (फिर्ता)"	Changed to "Shall be immediately released/exempted (छुट)"
10	Section 25ga1	Provision existed	Repealed/Omitted entirely
11	Section 29(1)(chha2) - Penalty for E-Invoice Tampering	No specific penalty for tampering with e-invoice software	Use of software capable of deleting/altering e-invoices: fine of NPR 5,00,000; non-compliance with other e-invoice provisions: NPR 1,00,000
12	Section 29(1)(tha) - Penalty Amount	Fine of NPR 1,000	Increased to NPR 10,000
13	Section 29(1)(da) - New Penalty Clause	No provision for internal goods transport violations	Violation of Department's internal goods transport directives: NPR 50,000 per occurrence
14	Section 32kha(4) - Finality of Interpretation	No provision on finality of departmental interpretation	Departmental interpretation under Sub-section (1) shall be final, unless overruled by a court



EXCISE DUTY ACT 2058

Ammendment by Finance Bill 83/84

P.D.S. & ASSOCIATES

Excise Duty Act, 2058

Section	Amended Provision	Existing Provision
Section 2A(1)	"Excise stamp" means the ticket indicating securities mark in the format prescribed by the Department to be used in the excisable goods and this term also includes securities mark provided through electronic medium or "any mark, symbol, or digital excise stamp" as prescribed by the Department.	"Excise stamp" means the ticket indicating securities mark in the format prescribed by the Department to be used in the excisable goods and this term also includes securities mark provided through electronic medium or "any other mark" as prescribed by the Department.
Section 2H(1)	"Tobacco and nicotine products" means products prepared by mixing tobacco or tobacco-derived substances, or by using extracted or synthetic nicotine, for smoking, inhaling, or oral consumption, including pan masala, gutkha, khaini, and similar products. The term also includes cigarettes, bidis, cigars, electronic cigarettes (vapes), nicotine pouches, hookah flavors, and any other products designated by the Department as tobacco and nicotine products.	"Tobacco Products" means substances containing tobacco or a mixture of tobacco-derived elements that are intended for smoking, chewing, keeping in the mouth, including pan masala, gutkha, khaini, and similar products. The term also includes cigarettes, bidis, cigars, electronic cigarettes (vapes), and hookah flavors.
Section 2(o1)	"Alcoholic beverage" means any substance containing more than 0.5 percent alcohol produced by fermentation or any other process using grains, fruits, or other starch-based substances. The term includes liquor, jand, chhyang, whisky, rum, gin, brandy, vodka, beer, wine, sherry, champagne, cider, perry, mead, malt beverages, sake, soju, vermouth, mixed alcoholic beverages, ready-to-drink cocktails, carbonated wines and alcoholic beverages, spritzers, shandies, industrial alcohol, rectified spirit, malt spirit, silent spirit, denatured spirit, ENA (Extra Neutral Alcohol), heads spirit, and any other alcohol-related products designated by the Department.	"Alcoholic Beverage" means any substance containing more than 0.5 percent alcohol by volume, produced by fermenting grains, fruits, or any other edible material through biochemical processes or by any other method. The term also includes liquor, jand, chhyang, whisky, rum, gin, brandy, vodka, beer, wine, sherry, champagne, cider, perry, mead, malt liquor, sake, soju, vermouth, prepared alcoholic mixed drinks, industrial alcohol, rectified spirit, malt spirit, silent spirit, denatured spirit, extra neutral alcohol (ENA), and ENA heads spirit.
Section 2(o)(7a)	"Risk-Based Selective Clearance Control System" means a system under the physical control framework whereby establishments are selected based on risk analysis and the production, clearance, import, and export of excisable goods are conducted under the limited supervision of an excise officer or an authorized employee.	No Existing provision

P.D.S. & ASSOCIATES

Excise Duty Act, 2058

Section	Amended Provision	Existing Provision
Section 3A(4)	The excise duty paid in goods having damaged as a result of arson, theft, accident, natural disaster, or, destructive activity, or expiration of the date for use of such goods may be deducted as specified by the Department.	The excise duty paid in goods having damaged as a result of arson, theft, accident, destructive activity, or expiration of the date for use of such goods may be deducted as specified by the Department.
Section 3A(5)	No excise duty paid on the importation of subsidiary raw materials, packing materials, and raw materials and spare parts free from custom duty is deductible when making deducting excise duty pursuant to this Section.	No excise duty paid on the importation of raw materials and spare parts free from custom duty is deductible when making deducting excise duty pursuant to this Section.
Section 4(1)(a)	For goods produced by industries operating under the physical control system or the risk-based selective clearance control system, excise duty shall be payable at the time the goods are cleared from the establishment for sale. However, in the case of a microbrewery, monthly excise duty shall be paid in advance based on the prescribed yield rate according to installed capacity.	in the case of goods manufactured by an industry under the physical control system, when the goods manufactured by the enterprise are released for sale
Section 4E	No industry related to liquor, beer, or tobacco products, nor the importers and retailers of such goods, shall operate any kind of gift program, or such industries other than to buyers registered for Value Added Tax shall not be permitted to give discounts when selling such products. If such an act is found to have been committed, it shall be deemed a violation of the conditions of the license.	No industry related to liquor, beer, or tobacco products, nor the importers and retailers of such goods, shall operate any kind of gift program, or such industries shall not be permitted to give discounts when selling such products. If such an act is found to have been committed, it shall be deemed a violation of the conditions of the license.

Excise Duty Act, 2058

Section	Amended Provision	Existing Provision
Section 9(5)(b)	Licensees producing, exporting, importing, selling or storing liquor, tobacco-related and nicotine-containing products, and those operating khandsari industries, as well as importers of khundo and jaggery, shall renew their license by submitting the renewal fee as prescribed.	Licensees manufacturing bidi, tobacco, khaini, pan masala, gutkha, and those operating khandsari industries, as well as importers of khundo and jaggery, shall renew their license by submitting the renewal fee as prescribed.
Section 9B(1)	Licensees producing excisable liquor, cigarettes, or tobacco-related goods who produce, remove, or sell and distribute such goods without affixing excise stickers, or by reusing fake or used stickers, or who evade excise duty by producing and storing goods without maintaining records of raw materials required for production --- if such evasion is revealed through preliminary investigation, the excise officer may suspend the license of such licensee for up to three months. Provided that, if the time limit for renewing the excise license falls due during the suspension period, it shall not be deemed an obstacle to renewing the license.	Licensees producing excisable liquor, cigarettes, or tobacco-related goods who produce, remove, or sell and distribute such goods without affixing excise stickers, or by reusing fake or used stickers, or who evade excise duty by producing and storing goods without maintaining records of raw materials required for production --- if such evasion is revealed through preliminary investigation, the excise officer may suspend the license of such licensee for up to three months.
Section 10B(2)	The accounts related to purchase, production, removal, sales and stock as per sub-section (1) shall be maintained for the purpose of record-keeping after being certified by the concerned excise officer. Provided that, except for tobacco-related and nicotine-containing goods subject to the self-removal system, the accounts for other goods shall be certified by an authorized person of the licensee.	The accounts related to purchase, production, removal, sales and stock as per sub-section (1) shall be maintained for the purpose of record-keeping after being certified by the concerned excise officer.
Section 10D(1)(g)	If the alcohol content of raw materials of liquor, substances in the spirit production process, liquor ready for removal, and removed liquor differs by more or less than zero point five (0.5) percent from the declared alcohol capacity.	If the alcohol content of removed liquor and the substance going into distillation differs by more than one percent.

P.D.S. & ASSOCIATES

Excise Duty Act, 2058

Section	Amended Provision	Existing Provision
Section 10G	The excise officer may, at any time, with raw materials of liquor, substances in the spirit production process, and liquor ready for removal, with approval, test the alcohol content or quality of removed liquor and substances going into distillation from the laboratory of the Department or a laboratory designated by the Department. The alcohol content from the declared alcohol capacity shall not differ by more or less than zero point five percent or differ significantly in quality.	The excise officer may, at any time, with approval, test the alcohol content or quality of removed liquor and substances going into distillation from the laboratory of the Department or a laboratory designated by the Department. The alcohol content shall not be found to differ by more than one percent or differ significantly in quality.
Section 10J1(3)	The use of digital excise stamps shall be as prescribed by the Department.	No Existing Provision
Section 10K1	Use of Track and Trace System: 1) The Department may implement a Track and Trace System to electronically regulate and monitor the production, storage, stockpiling, clearance, distribution, sale, and transportation of alcohol and tobacco products. 2) The operation, management, and compliance procedures of the Track and Trace System shall be as prescribed by the Department.	No Existing Provision
Section 16(2)(B1)	Failure to comply with conditions prescribed by the Department regarding Track and Trace compliance, or unauthorized access to the Track and Trace System.	No Existing Provision

Excise Duty Act, 2058

Section	Amended Provision	Existing Provision
Section 16(4)(h)	If, during inspection as per Section 10Chha, the alcohol content from the declared alcohol capacity differs by more or less than zero point five percent, one hundred percent of the amount of revenue leaked.	If, during inspection as per Section 10 Chha, the alcohol content differs by more than one percent, one hundred percent of the amount of revenue leaked.
Section 16(4)(s3) & (s4)	(s3): If the outstanding excise duty is not paid within the deadline given as per Section 17Ka of the Act, interest at the rate of five percent per annum on the remaining outstanding excise duty amount. (S4): If liquor purchased from a duty-free shop or under excise duty exemption facility is sold, distributed, or used for commercial purposes, such liquor shall be confiscated and a fine as per the case or one hundred thousand rupees, whichever is higher, shall be imposed.	No Existing Provision
Section 16(4)(t)	If, except as mentioned in this Section, this Act or the rules, directives and standards made under this Act are violated, ten thousand rupees per incident.	If, except as mentioned in this Section, this Act or the rules made under this Act are violated, ten thousand rupees per incident.
Section 16(5)	Containers, goods, or services directly or indirectly used in connection with an offense under this Act, as well as looms, machines, equipment, and vehicles used to produce such goods or services, shall be confiscated by the excise officer. Provided that, if the person committing such offense used the vehicle without the permission of the vehicle owner, the vehicle shall not be confiscated, but the vehicle owner shall be fined twenty-five thousand rupees, and the vehicle driver shall, depending on the nature of the offense, be fined up to fifteen thousand rupees or imprisoned for up to three months or both punishments shall be imposed.	Containers, goods, or services directly or indirectly used in connection with an offense under this Act, as well as looms, machines, equipment, and vehicles used to produce such goods or services, shall be confiscated by the excise officer.

P.D.S. & ASSOCIATES

Excise Duty Act, 2058

Section	Amended Provision	Existing Provision
Section 22A	Fees, late charges, or fines and health risk tax payable under the Finance Act payable under this Act shall be treated on par with excise duty payable under this Act.	Fees, late charges, or fines payable under this Act shall be treated on par with excise duty payable under this Act.
Section 25A	Subject to this Act and the rules made under this Act, the Department may formulate necessary directives and standards relating to production, excise quality, and sales distribution for the purpose of regulating and controlling liquor, tobacco-related goods, and other excisable goods.	Subject to this Act and the rules made under this Act, the Department may formulate necessary directives and standards.

P.D.S. & ASSOCIATES

CUSTOMS ACT 2082

Ammendment by Finance Bill 83/84

P.D.S. & ASSOCIATES

Customs Act, 2082

Section	Amended Provision	Existing Provision
Section 5(1)	The Government of Nepal may, by publishing a notice in the Nepal Gazette, establish a customs office as necessary in any customs area. (The words "or a small customs office" have been deleted.)	The Government of Nepal may, by publishing a notice in the Nepal Gazette, establish a customs office or a small customs office as necessary in any customs area.
Section 5(1a)	Small customs offices shall be established under the main customs office as prescribed.	No Existing Provision
Section 20(10)	If the declarant requests in writing to the customs officer to amend the description of the declared goods in a manner not contrary to the documents submitted with the declaration, before the goods are inspected, the customs officer may amend such description. Provided that, if the request for amendment appears fraudulent or in bad faith, the amendment shall not be made.	If the declarant requests in writing to the customs officer to amend the description of the declared goods in a manner not contrary to the documents submitted with the declaration, before the goods are inspected, the customs officer may give permission to amend such description. Provided that, if the request for amendment appears fraudulent or in bad faith, permission for amendment shall not be given.
Section 20(11)	If, after the inspection of goods has commenced but clearance has not yet been completed, the declarant submits an application to the customs officer stating reasons for amending the declaration, and the reasons appear reasonable, the customs officer may give permission to amend such declaration. Provided that, permission for amendment shall not be given in the following circumstances: (Ka) If it affects the duty payable or the regulations to be followed by customs; (Kha) If it appears to obtain exemption from punishment under this Act; (Ga) If it causes unnecessary delay in the clearance process.	If, after the inspection of goods has commenced but clearance has not yet been completed, the declarant submits an application to the customs officer stating reasons for amending the declaration, and the reasons appear reasonable, the customs officer may amend such declaration. Provided that, the amendment shall not be made in the following circumstances: (Ka) If it affects the duty payable or the regulations to be followed by customs; (Kha) If it appears to obtain exemption from punishment under this Act; (Ga) If it causes unnecessary delay in the clearance process.

Customs Act, 2082

Section	Amended Provision	Existing Provision
Section 53	(1) Other goods to be confiscated: If a decision is made to confiscate any goods under this Act or the prevailing law relating to customs duty, the packaging materials including cartons or packets used to pack such goods shall also be confiscated. (2) When confiscating goods as per sub-section (1), the vehicle or means of transport used for transporting such goods shall not be confiscated. Provided that, if the owner of such vehicle or means of transport cannot be found and no claim is filed even after the issuance of a notice of claim in that regard, there shall be no bar to confiscating such vehicle or means of transport.	Other goods to be confiscated: If a decision is made to confiscate any goods under this Act or the prevailing law relating to customs duty, the packaging materials including cartons or packets used to pack such goods shall also be confiscated. Provided that, no aircraft, vessel, train, container, motor vehicle, truck, tractor, bus or other vehicles or means of transport, or trailers attached thereto, shall be confiscated merely on the ground that they were used for transporting such goods.
Section 68(1a)	A fee of three thousand rupees shall be charged when submitting an application as per sub-section (1).	No existing Provision
Section 70(4)(c)	Notwithstanding anything written in clauses (a) and (b), if the following vehicles are used, the following fines shall be imposed: (1) In the case of a cart, tonga, handcart, rickshaw, or bicycle --- up to ten thousand rupees on the vehicle owner or driver; (2) In the case of a scooter or motorcycle --- up to twenty thousand rupees.	No existing provision
Section 71(d)	If the imported goods or their packaging clearly bear identifying details such as brand, company, model, item number or any such description, and the declarant makes a declaration without mentioning such clearly identifying description, the declarant shall be fined twenty-five percent of the duty applicable on the goods, and after recovering the applicable duty, such goods shall be cleared.	If the imported goods or their packaging clearly bear identifying details such as brand, company, model, item number or any such description, and the declarant makes a declaration without mentioning such clearly identifying description, the declarant shall be fined fifty percent of the duty applicable on the goods, and after recovering the applicable duty, such goods shall be cleared.

Customs Act, 2082

Section	Amended Provision	Existing Provision
Section 71(i)	If the declarant, while declaring the description of goods in the computer system through electronic means as per sub-section (3) of Section 20, attaches the prescribed documents required to be attached in a different form, such declarant shall be fined ten percent of the customs duty applicable on such declaration, and after recovering the applicable duty, such goods shall be cleared.	If the declarant, while declaring the description of goods in the computer system through electronic means as per sub-section (3) of Section 20, attaches the documents required to be attached in a different form, such declarant shall be fined ten percent of the customs duty applicable on such declaration, and after recovering the applicable duty, such goods shall be cleared.
Section 93(3)	When submitting an application as per sub-section (1), the application shall be accompanied by proof that an amount equal to the duty and fine, if any, imposed as per the order or decision against which the application is being filed, has been deposited as cash security in the concerned office. (The words "paid or" have been deleted.) Provided that, a person who is unable to pay such duty or fine amount and is in poverty may submit an application for review without depositing security.	When submitting an application as per sub-section (1), the application shall be accompanied by proof that the duty and fine, if any, imposed as per the order or decision against which the application is being filed, has been paid or an amount equal to such duty and fine has been deposited as cash security in the concerned office. Provided that, a person who is unable to pay such duty or fine amount and is in poverty may submit an application for review without depositing security.
Section 95(2)	A person filing an appeal as per sub-section (1) shall pay the undisputed duty amount as per the decision or order against which the appeal is being filed to the concerned customs office or customs clearance inspection office, and deposit one hundred percent of the disputed duty and fine amount as cash security. Provided that, a person who is unable to pay such duty and fine amount and is in poverty may file an appeal without depositing security.	A person filing an appeal as per sub-section (1) shall pay the undisputed duty amount as per the decision or order against which the appeal is being filed to the concerned customs clearance inspection office, and deposit one hundred percent of the disputed duty and fine amount as cash security. Provided that, a person who is unable to pay such duty and fine amount and is in poverty may file an appeal without depositing security.
Section 95(3)	The bank voucher showing deposit of the security amount as per sub-section (2) into the security account at the Office of the Financial Comptroller General in the name of the concerned customs office or customs clearance inspection office shall be submitted along with the appeal.	The bank voucher showing deposit of the security amount as per sub-section (2) into the security account at the Office of the Financial Comptroller General in the name of the concerned customs clearance inspection office shall be submitted along with the appeal.

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Customs Act, 2082

Section	Amended Provision	Existing Provision
Section 109(2)	When re-examining as per sub-section (1), if it is found that the duty required to be collected has been exempted, the customs officer shall collect such exempted duty on the goods from the owner of the goods. Provided that, if it is found from the documents so submitted that government documents have been forged, the matter shall be referred in writing to the concerned body or authority for action as per the prevailing law.	When re-examining as per sub-section (1), if it is found that the duty required to be collected has been exempted, the customs officer shall collect such exempted duty on the goods from the owner of the goods.
Section 114(4)	If a person wishing to cancel their export or import code number submits an application to the Department along with the renewal fee, the Department may cancel such person's export or import code number.	The export or import code number shall be automatically cancelled if not renewed within the stipulated time period.

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