



# **Nepal Budget Highlights Tax Perspective 2080/81 (2023/24)**

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## Table of Contents

<b>1. BUDGET OVERVIEW AND KEY NOTES .....</b>	<b>2</b>
<b>2. VALUE ADDED TAX (VAT).....</b>	<b>5</b>
<b>3. INCOME TAX .....</b>	<b>7</b>
<b>4. EXCISE DUTY ACT, 2002 .....</b>	<b>10</b>
<b>5. CUSTOMS ACT, 2007 .....</b>	<b>12</b>
<b>6. TAX AMNESTY PROVISIONS BY FINANCE ORDINANCE 2080 .....</b>	<b>14</b>
<b>7. TAX RATES APPLICABLE FOR F.Y. 2080/81 (2023/24).....</b>	<b>16</b>
<b>8. TDS RATES APPLICABLE FOR F.Y. 2080/81 (2023/24) .....</b>	<b>21</b>

**1. BUDGET OVERVIEW AND KEY NOTES**

**A. Introduction**

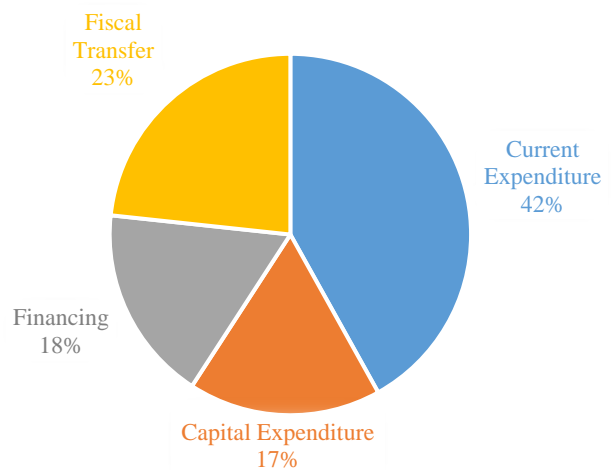
Honorable Finance Minister, Dr. Prakash Sharan Mahat presented budget of the Government of Nepal for fiscal year 2080/81 (2023/24) on 15<sup>th</sup> Jestha 2080 (29<sup>th</sup> May 2023). The budget has been estimated at Nepalese Rupees 1,751 billion, a decrease of 2% from the previous fiscal year.

**B. Budget Summary: Source and Allocation**

**Allocation in Billion (NPR)**

Head	2080/81
Current Expenditure	742
Capital Expenditure	302
Financing	307
Fiscal Transfer	400
<b>Total</b>	<b>1,751</b>

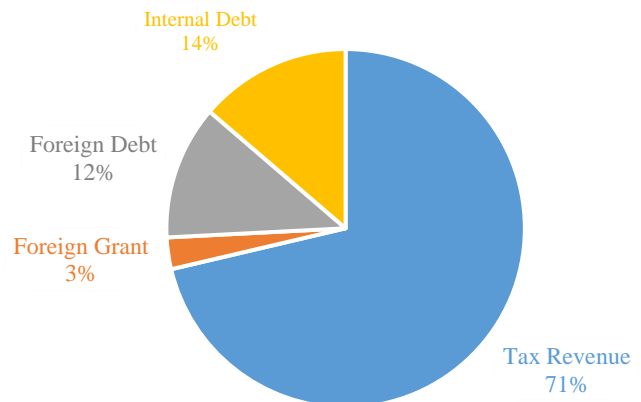
**ALLOCATION OF BUDGET**



**Source in Billion (NPR)**

Head	2080/81
Tax Revenue	1,249
Foreign Grant	50
Foreign Debt	212
Internal Debt	240
<b>Total</b>	<b>1751</b>

**SOURCE OF BUDGET**



### C. Budget Objectives

- ❑ To achieve wider, sustainable, and inclusive economic growth by building dynamic economy.
- ❑ To ensure quality social development, security, and justice.
- ❑ Poverty alleviation through enhancement in private sector confidence by building investment friendly environment and creating opportunities for income and employment.
- ❑ To maintain overall economic stability.
- ❑ To strengthen federalism and maintain good governance.
- ❑ Enhancement in the effectiveness of public expenditure through improvement in budgetary system.

### KEY NOTES

#### a) Luxury Fee

Luxury fee shall be levied at the rate of **2%** on the purchase amount of the following luxury goods and services consumed in Nepal:

- i. Services provided by 5 star and above star hotels and luxury resorts (*to be levied by the service providers at the time of providing service*),
- ii. Imported liquor (*to be levied at the customs point at the time of import*),
- iii. Gold or other precious metals with attached diamond, pearls, stone of value more than NPR 10 lakhs. (*to be levied by the seller at the time of sale of jewelry*).



The Luxury fee collected must be deposited to the respective revenue account within 25 days of the next month along with the details of the same.

Interest on delay deposit of  
Luxury Fee  
**15% per annum**

Penalty on delay filing of  
return  
**2.5% p.a. from the due date  
of submission**

Fee on non collection of  
luxury fee  
**25% of the amount to be  
collected as luxury fee**

#### b) Foreign Tourism Fee

When a travel agency sells a foreign tour package or a firm or company takes its associated persons on a foreign tour for business promotion, 5% of the foreign tourism fee shall be charged on the payment amount while accounting for the travel expenses. The fee shall be collected at following time by following persons:

- a. Travel agency shall collect the fee at the time of sales of tour package.
- b. Firm or company while accounting for the travel expenses.



The foreign tourism fee collected must be deposited to the respective tax office within 25 days of the next month along with the details of the same.

Interest on delay deposit of foreign tourism fee  
**15% per annum.**

Penalty on delay filing of return  
**2.5% p.a. from the due date of submission**

Fee on Non collection of foreign tourism fee  
**25% of the amount to be collected as luxury fee**

### c) Foreign Employment Service Fee

A person licensed to operate a foreign employment service business (Manpower Company) shall deposit 1% of the amount collected from the person going for the foreign employment as foreign employment service fee. The administration of foreign employment service fee shall be as prescribed by the Inland Revenue Department.

The foreign tourism fee collected must be deposited to the respective revenue account within 25 days of the next month along with the details of the same.

In case of delay of Deposit of collected foreign employment service fee, the interest rate of 15% p.a. shall be charged.



### d) Special Provision relating to registration of New Phones

Cellular mobile phones that are in use till 15<sup>th</sup> Jetha, 2080 but could not be registered in Mobile Device Management System (MDMS) may be registered along with its IMEI number till the end of Ashadh 2080 by incurring the following charges:



**Note:** *Nepalese citizen on foreign employment after obtaining labor permit and has stayed for more than 6 months returned from the foreign country submits the proof of such, Nepal Telecommunication Authority shall make arrangements to register his cellular mobile phone for free.*

## 2. VALUE ADDED TAX (VAT)

### 1. Reverse charge introduced for transport services

Now, any person (registered or unregistered) who hires a transport vehicle or receives transport services from an **unregistered person** shall assess and collect the tax at the time of payment or at the time of receipt of the service, whichever is earlier. (Section 8(2ka))

Under Section 17(5Kha), above taxpayer shall be allowed to claim input tax credit for the VAT amount collected and paid as above.



### 2. Refund on payment via electronic medium

If a consumer purchases specific goods or services determined by the Inland Revenue Department by publishing a notice and makes payment via electronic medium in accordance with the prevailing laws, then 10% of the tax amount paid shall be refunded as cash incentive and deposited directly to their bank account as per the procedure prescribed by the Department. (Section 25(1Kha)).

This refund was applicable to all goods or services before this amendment. The list of specific goods or services along with procedures are yet to be prescribed by the Department.



### 3. Penalty on Ineligible Refund of VAT

When obtaining tax refund through automated electronic medium in accordance with Section 25(1) (Ka), (Ka1), and (Ka2) of the Act [refund provisions for Diplomatic Agencies], if it is found that an ineligible refund has been obtained, the tax officer holds the authority to levy a penalty amounting to **25%** of the claimed VAT amount. [Section 29(1Nga)]

### 4. Revision in frequency of VAT returns filing for small taxpayers

Frequency of filing VAT return shall be revised from every month to every four months for those taxpayers who are registered under value added tax and have annual turnover up to NPR 1 crore.

### 5. Key Changes to VAT Schedules

#### Schedule 1: Exempted Goods and Services

The following goods and services have been **added (i.e., now exempt from VAT)** to the exempted list under following group and sub-groups: -

#### Group 5: Medicine, Medical and Similar Health Services

**94.01** Reclining or non-convertible seats (except of Heading 94.02) and their parts



The following goods and services have been **removed (i.e., now VAT is applicable)** from the exempted list under following group and sub-groups.

**Group 1: Basic Agricultural Products**

- Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared.
- Fresh: Roses, Carnations, Orchids, Chrysanthemums, Lilies (Lilium spp.), others



- Potatoes, Onions, Shallots, Peas, Beans, Spinach, Sweetcorn
- Avocado, Apple, Apricots, Strawberries, Raspberries, Blackberries, Mulberries, Loganberries, Gooseberries, Kiwi fruit, Durians
- Coffee (Roasted, unroasted, decaffeinated, and beans), Ginseng roots, Coca Leaf, Poppy Straw, Soyabean Nuggets



**Group 2: Goods of Basic Needs**

- Kerosene (Superior Kerosene Oil)

**Group 3: Live Animals and Animal Products**

- Meat of bovine animals; frozen
- Fish, frozen, excluding fish fillets and other fish meat of Heading 03.04.  
-Salmonidae, excluding edible fish offal of subheadings 0302.91 to 0302.99
- Mollusks, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; smoked mollusks, whether in shell or not, whether or not cooked before or during the smoking process; flours, meals, and pellets of mollusks, fit for human consumption.  
- Live, fresh, chilled, or other cuttle fish and squid

**Group 5: Medicine, Medical and Similar Health Services**

- Other medicine containing vitamins or other medicine produced under heading 29.36

**Group 9: Passengers and Goods Transportation Services**

- Earlier air travel, rent of carrier, carriage service (except carriage related to supply) was also included in this group which has now been removed.



*(~~Air Travel~~, Services from machinery bridge, public transportation carrying passengers (except cable car) ~~rent of carrier, carriage service (except carriage related to supply)~~ and cargo services for export purposes.)*

**Group 11: Other Goods or Services**

- Woolen carpet and woolen carpet weaving, dying, washing, and knitting.
- The following goods to be imported in the name of head office of Nepal Army, Armed Police Force and Nepal Police was previously exempted from value added tax on the

recommendation of concerned Ministry, but now have been removed from Schedule of exempted goods and services:

- Various ammunitions, arms, gunpowder, explosives, and their spare parts
- Various machinery and equipment required for maintaining peace and security, crowd control materials, etc.
- Aircrafts, helicopters and their spare parts, parachute (including bags), tools, lubricants and ground equipment imported in the name of Nepal Army.
- Equipment and tools required for the operation of hospitals, goods required for scientific laboratories, goods used in natural calamity relief works.
- Trekking and tour packaging related services.



### 3. INCOME TAX

#### A. Exemptions and Concessions

❑ **Income Earned from Export Business:**

If a person earns foreign currency by exporting services based on information technology such as business process outsourcing, software programming, cloud computing, etc. up to the financial year 2084/85, then to the extent of fifty percent of the tax levied on income earned in foreign currency shall be exempted. [Section 11(3Ng) (Ga)]

Previously, an additional 50% rebate was allowed to industries on income generated from the export of goods manufactured in Nepal which has been removed by the finance ordinance.



❑ **Agricultural business by any firm, company, partnership firm and other corporate body:**

50% of applicable income tax shall be exempted for agricultural business, business of dehydrating vegetables, and cold storage carried out by a firm, company, partnership firm, and other corporate body. [Sec 11(1)]

Previously, agricultural income earned by such entities was 100% exempt from income tax.



❑ **Energy Sector:**

Industries	Concession
The licensed person starting commercial production and distribution of hydroelectricity, electricity from solar, electricity from wind, and bioelectricity within Chaitra 2084. (Period extended from Chaitra end 2083 to Chaitra end 2084). [Section 11 (3) (Gha)(Ka)]	<ul style="list-style-type: none"> <li>➤ 100 % tax exemption for the first 10 years from the date of starting of commercial transaction and</li> <li>➤ 50 % tax exemption for the next 5 years</li> </ul>
The reservoir-based and semi reservoir-based hydropower projects and those low coastal	➤ 100 % tax exemption for the first 15 years and



Industries	Concession
hydroelectricity projects that operate on regular basis (tandem operation) with those projects with a capacity higher than 40 MW completing financial closure within Chaitra end, 2085. [Section 11 (3) (Gha)(Ka)]	➤ 50 % tax exemption for the next 6 years

**B. Special Provision for a Cooperative Organization registered under the Cooperative Act, 2074**

Operational Area	Applicable Tax Rates for FY 2080/81	
	Transactions except for exempt transactions (Same as the previous year)	Transactions in the Saving & Credit (Newly added provision)
Municipality Level	5%	10%
Sub-Metropolitan Level	7%	15%
Metropolitan Level	10%	20%

**C. Tax Deduction at Source (TDS) and Advance Tax**

**1. TDS on carriage service (Dhuwani Sewa):**

TDS at the rate of **1.5%** (Previously 2.5%) shall be deducted on payment in case of carriage service provider and vehicle rent for a carriage service provider who is **registered in value-added tax**. [Section 88(1)(8)]

**Note:** Refer Page 5 for the relevant amendment in VAT Act

**2. TDS on savings of natural person:**

TDS at the rate of **6%** (Previously 5%) shall be deducted in case of making payment to any natural person against interest on deposits, bonds, debentures and government bonds by a resident bank, financial institution, cooperative organization, or any other body issuing bonds or company enlisted under the prevailing law. [Section 88(3)]



**3. TDS on arms and ammunitions:**

TDS at the rate of 5% (Previously not required) shall be applicable on payment made to non-residents for the purchase of arms and ammunitions, weapons, and communication equipment for self-use by Nepal Army, Nepal Police and Armed Police Force.

**4. Payment of interest by reservoir and semi-reservoir hydroelectric projects:**

Payment of **interest on the loans** obtained in foreign currency from foreign banks or other foreign financial institutions by reservoir and semi-reservoir hydroelectric projects of with a capacity of more than 200 megawatts, whose financial management (financial closure) will be completed by the month of Chaitra 2082 at the rate of **five percent**. [Section 88(1) (9Ka)]



**5. Advance tax on payment in foreign currency:**

Advance Tax at the rate of **5 %** (*Previously 1%*) shall be deducted by the bank, financial institution, or money transfer on payment received by:

- a) A resident natural person not involved in business receiving payment in foreign currency by providing software or similar electronic service outside Nepal. [Section 95 KA (6) (Kha)].
- b) A resident natural person who is not involved in business operations personally receives any payment in foreign currency for providing consulting services outside Nepal. [Section 95Ka (6Ga)]
- c) A resident natural person who is not involved in business operations in foreign currency for uploading audio-visual content on social media. [Section 95Ka (6Gha)].

**6. Advance tax on resident e-commerce operator:**

A resident e-commerce operator shall collect an advance tax at the rate of 1% at the time of payment against the sale of goods, services, or goods and services to the person who makes such sale through the e-commerce platform. [Section 95Ka (6Nga), newly added provision].

**7. TDS on lumpsum salary payment after settlement of court case:**

In case, a natural person has received a lump sum payment of salary/ wages for employment for past income years after the settlement of court case, the accounting shall be done on the **accrual basis in the relevant income year for tax purposes**. [Section 22(2)]. Hence, TDS should be computed according to the tax slab rates of relevant income years rather than the rate of the actual payment year.



**NOTE: Please refer to “Tax and TDS rates” applicable for FY 2080/81 (2023/24) at the end of this document.**

#### 4. EXCISE DUTY ACT, 2002

##### A. Cash deposit or bank guarantee for goods manufactured within Nepal

Cash deposit or bank guarantee equivalent to excise duty shall be furnished by the bonded warehouse for purchasing the goods subject to excise duty manufactured within Nepal. [Section 3 Kha (1) clause Kha (2)]  
Previously such a deposit/ guarantee was required only in the case of importing goods.



Excise taxes

##### B. Key changes in Excise Duty Schedule.

###### 1. Excise duty Imposed:

- Excise duty of Perfumes (Scent Sprays), cosmetic powders and makeup powders (face powders) and their respective applicators; cosmetic or hygiene products such as powder puffs and pads set to be 5% of their market value.
- Excise duty of prepared vacuum flasks and other vacuum container vessels (Vacuum bottles; parts and accessories excluding inner glass is set to be 5% of their Market Values.
- Excise duty of 5% on beard trimmer and razor blades.
- Excise duty to be 5% on cutlery items (knives, scissors, forks, hairclips, paper cutter, spoons, forks, ladles, skimmers, cake tong).
- Excise duty of 15% on charcoal used in Hukkah.
- There will be a 60% discount on excise duty levied on respective products under heading 72.13, 72.14 & 72.15.
- There will be a 50% discount on excise duty on Aerated milk falling under Sub heading 2202.99.30 & domestic products falling under 72.17.



###### 2. Changes in Excise rates as compared to existing rates:

###### 2a. Increase in Excise Duty Rates:

Particulars	Revised Rate (F.Y. 2080/81)	Existing Rate (F.Y. 2079/80)
Pasta (Containing eggs or others), whether or not cooked or stuffed (with meat or other Substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagna, gnocchi, ravioli, cannelloni; couscous, whether or not prepared; Uncooked pasta, not stuffed or otherwise prepared	20 per Kg	17 per Kg
Kurkure, kurmure, lays, cheeseball	20 per Kg	17 per Kg
Potato chips	18 per Kg	17 per Kg

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

Particulars	Revised Rate (F.Y. 2080/81)	Existing Rate (F.Y. 2079/80)
Unripen fruit or dried fruit juices (including raw grape juice and coconut water) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	13 per liter	11 per liter
Pan Masala without Tobacco	850 per Kg	821 per Kg
Scented areca nuts without Tobacco	365 per kg	350 per Kg
Non-alcoholic beer	35 per liter	30 per liter
Beer made from malt	235 per liter	228 per liter
E.N.A. (extra neutral alcohol)	90 per liter	86 per liter
Denatured spirit (having alcohol of 80 to 99 percent)	35 per liter	30 per liter
All kinds of alcoholic fluids including spirits used as raw material of wine or brandy	235 per liter	228 per liter
Hukkah other than flavors	475 per kg	460 per Kg
Molasses resulting from the extraction or refining of sugar	105 per quintal	96 per quintal
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs, and other spirituous beverages; Spirits obtained by distilling grape wine or grape marc:	235 per liter	228 per liter
Cigarettes containing tobacco without a filter	730 per M	710 per M
Products containing tobacco and nicotine or nicotine substitutes that can be inhaled without burning or consumption	475 per liter	460 per liter
Telephones used for cellular networks or other wireless networks	5% of M.V.	2.5% of M.V.
Microphones, stands and optical fibers	15% of M.V.	10% of M.V.
Steel, Irons, Volt, Nut, Coach screw, Screw Hook, River Cutter, Cotter Pin, wrench (both threaded and non-threaded)	2500 per Metric ton	-
Memory cards, SIM cards, Non-volatile storage devices optical media	10% of M.V.	5% of M.V.
Card with Magnetic strips	5% of M.V.	-

**2b. Decrease in Excise Duty rates:**

- Decrease in ED of Motorcycles (including mopeds) and cycles fitted with an auxiliary motor with or without sidecars; sidecar with reciprocating internal combustion piston engine of a cylinder capacity exceeding 200 cc but not 250 cc from 80% to 60%.
- Decrease in Excise Duty of Motorcycles (including mopeds) and cycles fitted with an auxiliary motor with or without sidecars; sidecar with reciprocating internal combustion piston engine of a cylinder capacity exceeding 250 cc but not exceeding 400 cc (Unassembled as well as other) set to 60 % of M.V.

- Decrease in Excise Duty of Motorcycles (including mopeds) and cycles fitted with an auxiliary motor with or without sidecars; sidecar with reciprocating internal combustion piston engine of a cylinder capacity exceeding 500 cc but not exceeding 500 cc to 60 % of MV for unassembled and 80% for other.
- Decrease in Excise duty of cashew nuts (including peels) from 15% to 10%.
- Decrease in excise duty of vehicles (Car, Jeep, Van) with electric motor:



Headings	Revised Rate (F.Y. 2080/81)	Existing Rate (F.Y. 2079/80)
Car, Jeep, Van with pickup power 50-100 KW	10%	30%
Car, Jeep, Van with pickup power 100-200 KW	20%	45%
Car, Jeep, Van with pickup power 200-300 KW	45%	60%

## 5. CUSTOMS ACT, 2007

### A. Additional fee or excise duty on under declared goods

If the importer declares less amount than the amount determined/assessed by Customs Officer (Authorized person) for the imported goods, then Custom officer shall charge for:

- Custom duty chargeable goods:** 50% additional custom duty to the extent of decrease in amount,
- Custom duty exempted goods but attracting agricultural development duty or Excise duty:** Additional 50% agriculture development duty or excise duty on such difference value. (Newly Added Provision)



Also, Custom officer may purchase such goods by adding five percent amount to the value so declared by the importer. [ Section 13(15)]

### B. Key changes in Customs Act Schedule.

#### 1. Customs Duty Imposed for Current F.Y.

Particulars	Rate Imposed (Amount in NPR)
Chhurpi	15%
Soft Drink	40 per liter
Scented Flavored Drink	40 per liter
Cashew Nuts and Husks	10%
Electronic Hot Bag	10%

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

Particulars	Rate Imposed (Amount in NPR)
Quilts, Bedspread to cover bed, under-down quilts, or light quilts made from bird's feathers	20%
Three-Wheeler Electric Motor Vehicle	10%
Car, Jeep, Van with Peak Power of motor Up To 50 Kw	10%
Car, Jeep, Van with Peak Power of motor Exceeding 50 Kw but Not Exceeding 100Kw	15%
Car, Jeep, Van with Peak Power of motor Exceeding 100 Kw but Not Exceeding 200Kw	20%
Car, Jeep, Van with Peak Power of motor Exceeding 200 Kw but Not Exceeding 300Kw	40%
Car, Jeep, Van with Peak Power of motor Exceeding 300 Kw	60%

**2. Change in Customs Duty as compared to Previous years.**

**2a. Increase in Customs Duty**

Particulars	Revised Rate (F.Y. 2080/81)	Existing Rate (F.Y. 2079/80)
Cardamoms (Elaichi and Sukumel)	20%	10%
Poppy seeds	30%	10%
Protein Concentrates and Textured Protein Substances	30%	20%
White Oil	20%	15%
Granite	30%	20%
Tapioca And Substitutes Therefor Prepared from Starch, In the Form of Flakes, Grains, Pearls, Siftings or In Similar Forms.	10%	5%
Tobacco, Not Stemmed/Stripped	30%	20%
Tobacco, Partly or wholly Stemmed/Stripped	30%	20%
Tobacco, Residue	30%	20%
Silver (Including Silver Plated with Gold or Platinum), Unwrought or In Semi- Manufactured Forms, Or in Powder Form.	15%	Rs. 107 per 10 grams
Gold (Including Gold Plated with Platinum) Unwrought or in Semi-Manufactured Forms, Or in Powder Form (Non-Monetary)	15%	Rs. 8,500 per gram
Gold (Including Gold Plated with Platinum) Unwrought or in Semi-Manufactured Forms, Or in Powder Form (Monetary)	15%	5%
Electric lights made up of Lead/Plastic or Other Lights made up of Lead/plastic	10%	5%
Completely Designed for Use with Light Emitting Diode (Led) Light Sources	20%	15%
Brooms And Brushes, Consisting of Twigs or Other; Vegetable Materials, Bound Together, With or Without Handles	10%	5%
Photograph, Picture, or Similar Frames; Mirrors	20%	10%

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

Particulars	Revised Rate (F.Y. 2080/81)	Existing Rate (F.Y. 2079/80)
Registers, Account Books, Notebooks, Order Books, Receipt; Books, Letter Pads, Memorandum Pads, Diaries and Similar Articles	30%	20%
Binders (Other Than Book Covers), Folders and File Covers	30%	15%
Manifold Business Forms and Interleaved Carbon Sets	30%	15%
Other-Registers, Notebooks	30%	20%
Sheet piling of iron steel	30%	10%
Savel	10%	5%
Combs, Hair-Slides and The Like; Hairpins, Curling Pins, Curling Grips, Hair-Curlers, and The Like, Other Than Those of Heading 85.16, And Parts Thereof.	20%	15%

**2b. Decrease in Customs Duty rates:**

Particulars	Revised Rate (F.Y. 2080/81)	Existing Rate (F.Y. 2079/80)
Beet Sugar, Sakhhar (Gud), Khanda Sugar, Other Cane Sugar, Khandasari Suga, Containing Added Flavoring or Coloring Matter, Rock Sugar or Rock Candy or Sugar Candy (Mishri), Sugar Cube, Composite LPG Gas Cylinder	30%	40%
Sanitary Towels (Pads)	5%	15%

**6. TAX AMNESTY PROVISIONS BY FINANCE ORDINANCE 2080**

Applicable Acts	Tax amnesty provided	Conditions
Income Tax	Waiver of arrears of tax and interest on pending income tax.  <i>[Section 25 of Finance Ordinance, 2080]</i>	<ul style="list-style-type: none"> <li>Out of the pending cases of income tax up to the F.Y. 2063/64 that have not been assessed and recovered till the end of Ashadh 2065, the tax amount up to Rs.50,000 and the interest on the same have been waived off.</li> </ul>
Income Tax	Waiver of fees and interest for entities that didn't include the amount of bonus shares distributed as dividends from the proceeds of Further Public Offering (FPO) in their income.  <i>[Section 26 of Finance Ordinance, 2080]</i> <i>[Section 56(3)]</i>	<ul style="list-style-type: none"> <li>In case an entity has not filed tax by including the dividend amount distributed as bonus shares to the beneficiaries up to the financial year 2078/79 from the amount received by issuing shares at a premium price from the Further Public Offering (FPO) in accordance with subsection (3) of section 56 of the Income Tax Act, 2058, if the tax on such income is filed before the end of Mangsir 2080, the fee and interest will be waived.</li> </ul>

Applicable Acts	Tax amnesty provided	Conditions
Income Tax	Waiver of fees and charges on tax due to merger or acquisition.  <i>[Section 27 of Finance Ordinance, 2080]</i>	<ul style="list-style-type: none"> <li>In case an entity has not filed the tax by including the profit (bargain purchase gain) received during the merger or acquisition as the income for tax purposes up to the financial year 2078/79, if the tax on such income is filed before the end of Mangsir 2080, the fees and interest will be waived.</li> </ul>
Income Tax	Waiver of 25% on the tax rate in the business of Media House.  <i>[Section 28 of Finance Ordinance, 2080]</i>	<ul style="list-style-type: none"> <li>Resident persons who do business in Media House will get a twenty-five percent discount in the income year 2079/80 for the tax levied on the income as per their business objective.</li> </ul>
Income Tax	Waiver of tax, fines, and interest for business dealings in securities, land, and real estate.  <i>[Section 29 of Finance Ordinance, 2080]</i>	<ul style="list-style-type: none"> <li>If a natural person is engaged in securities, land, and real estate transactions as a regular business and has not filled the income statement and tax return for the year 2076/77 to 2078/79, then deposit fifty percent of the amount of tax to be levied for such years by the end of Chaitra 2080 then the remaining taxes, fees and interest will be waived.</li> </ul>
Income Tax	Waiver of interest and fees for people engaged in foreign employment or educational consulting services business.  <i>[Section 30 of Finance Ordinance, 2080]</i>	<ul style="list-style-type: none"> <li>If a person engaged in foreign employment or educational consulting services business who has not declared the actual domestic and foreign income received in the previous financial years or has not deposited the actual tax then declares such income and files the tax return for the same before the end of Chaitra 2080, the fees and interest admissible on such income shall be waived off.</li> </ul>
Value Added Tax (VAT)	Waiver from assessed VAT on Donation/ Grant, additional charges, interest, and fines to NGOs.  <i>[Section 35 of Finance Ordinance, 2080]</i>	<ul style="list-style-type: none"> <li>Non-governmental organizations (NGOs) registered under the provisions of the Association Registration Act, 2034, and have received grants or donations from donor agencies or international non-governmental organizations are eligible for waiver from assessed value-added tax, additional charges, interest, and fines.</li> <li>NGOs must apply to the relevant Internal Revenue Office no later than end of Mangsir, 2080.</li> </ul>
Value Added Tax (VAT)	Waiver from remaining interest fines and additional charges under VAT for the construction business.  <i>[Section 36 of Finance Ordinance, 2080]</i>	<ul style="list-style-type: none"> <li>VAT return not filed, incorrectly filed, or VAT return filed without depositing the VAT till Chaitra end 2079.</li> <li>File the complete return and pay applicable VAT and 50% interest up to the end of Poush 2080.</li> </ul>



Applicable Acts	Tax amnesty provided	Conditions
Value Added Tax (VAT)	Waiver of VAT, additional charges, interest and fine for carriage/transportation business.  [Section 37 of Finance Ordinance,2080]	<ul style="list-style-type: none"> <li>Carriage/transportation business requiring registration but have not paid the VAT amount due to non-registration. Then, pay five percent of the transaction/turnover amount for the period in which VAT is applicable within Poush end 2080.</li> <li>Also, if a tax assessment is made and the case is pending at various levels courts can withdraw the case and pay tax accordingly.</li> </ul>
Excise Duty	Special arrangements related to waiver of additional charges, interest, and fines under Excise duty for industries producing milk-based beverages.  [Section 39 of Finance Ordinance,2080]	<ul style="list-style-type: none"> <li>Industries producing milk-based beverages not registered under Excise: Register in Excise and pay the excise duty payable up to the end of Chaitra 2079 within Ashoj 2080.</li> <li>Also, if a tax assessment is made and the case is pending at various levels courts can withdraw the case and pay tax accordingly.</li> </ul>

#### 7. TAX RATES APPLICABLE FOR F.Y. 2080/81 (2023/24)

<i>Amendments are highlighted in Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount	Tax Rates/Amount
		FY 80-81	FY 79-80
<b>FOR NATURAL PERSON</b>			
(1)(1)	<b><u>Resident natural person:</u></b>		
	up to 500,000 (employment income except pension)	1%	1%
	up to 500,000 (business and investment income)	0%	0%
	next 200,000	10%	10%
	next 300,000	20%	20%
	next 1,000,000	30%	30%
	next 3,000,000	36%	-
	balance above 20 lakhs	-	36%*
	balance above 50 lakhs	39%	N.A
	1% tax shall not be imposed on natural person contributing to pension fund and contribution based Social Security Fund.		
(1)(2)	<b><u>Resident natural person (elected as couple):</u></b>		
	up to 600,000 (employment income except pension)	1%	1%
	up to 600,000 (business and investment income)	0%	0%
	next 200,000	10%	10%
	next 300,000	20%	20%
	next 900,000	30%	30%

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

<i>Amendments are highlighted in Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount	Tax Rates/Amount
		FY 80-81	FY 79-80
	next 3,000,000	36%	-
	balance above 20 lakhs	-	36%*
	balance above 50 lakhs	39%	-
	1% tax shall not be imposed on natural person contributing to pension fund and contribution based Social Security Fund.		
(1)(3)	<b><u>Applicability of Section 1(4) of Schedule 1.</u></b>		
	a) Having taxable income of more than <b>500,000</b> in case of Resident Natural Person and more than Rs <b>600,000</b> in case of Resident Couple (opted u/s 50)		
	b) Net gains made through the disposal of <b>NBCA (Non-Business Chargeable Assets)</b> are included in the calculation of the income and taxable income of the Natural Person or Couple.		
	<b><u>Gain on disposal of NBCA</u></b>		
	Step 1: slab rate on higher of (taxable income - gain on NBCA) or <b>(500,000 or 600,000)</b>		
	Step 2: flat rate on (Taxable income - Higher of step 1)		
	<b><u>Flat rates</u></b>		
(1)(4)	Land and building owned less than 5 yrs.	No change	<b>7.50%</b>
	Land and building owned more than or equal to 5 yrs.	No change	<b>5%</b>
	Gain on disposal of listed shares holding less than or equal to 365 days	No change	<b>7.50%</b>
	Gain on disposal of listed shares holding more than 365 days	No change	<b>5%</b>
	Others	No change	10%
(1)(4ka)	Notwithstanding anything mentioned in this provision, for a resident natural person who is not involved in business, tax shall be charged on the income as per section 95ka sub-section (6kha), (6ga),(6gha) at the rate of 1%.	5%	1%
(1)(5)	Remote Allowance	No change	Maximum deduction of Rs 50,000 as per grade A,B,C,D and E
(1)(6)	Foreign Diplomatic Allowance	No change	75% of foreign allowance received can be deducted from Taxable Income
(1)(7)	<b><u>Tax for businesses u/s 4(4)</u></b>		

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

<i>Amendments are highlighted in Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount	Tax Rates/Amount
		FY 80-81	FY 79-80
	Metropolitan and Sub-Metropolitan City	No change	Rs 7,500
	Municipality area	No change	Rs 4,000
	Others	No change	Rs 2,500
	<b>Provision of Section 4(4)</b>		
	Resident Natural person who has met all the following conditions shall pay tax as per Schedule 1(1)(7):		
	a) Income from business only having source in Nepal		
	b) Not claimed medical tax credit u/s 51 and adjustment of withholding tax u/s 93		
	c) Income from business does not exceed Rs 3 lakhs		
	d) Turnover from business does not exceed Rs 30 lakhs		
(1)(8)	<b>Nonresident natural person</b>		
	(If withholding tax u/s 88, 88Ka, 89 are not applicable)	No change	25%
(1)(9A)	<b>Pension Income</b>		
	For calculating Tax Liability of a person having pension income, he/she can deduct up to 25% of basic slab exemption. (i.e., 5L for resident single person and 6L for resident Couple). While deducting, maximum limit shall be as prescribed.	No change	25% [2]
(1)(10)	<b>Disability Allowance</b>		50% of basic exemption limit (5L or 6L)
	Maximum deduction allowed as disability allowance is:	No change	
(1)(11)	<b>Female Tax Rebate</b>		10% on Tax Amount
	If a Resident Natural Person is a female having only employment income, then a rebate of 10% is given on the amount of tax to be paid by such natural person	No change	
(1)(12)	<b>Investment Insurance</b>		Rs. 40,000 or Actual premium, whichever is lower.
	Resident Natural Person doing Investment Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation	No change	
(1)(13)	<b>Presumptive tax to owners of vehicles on hire:</b>		
	1) Car, jeep, van, micro bus		
	Ka) up to 1300 C.C	Rs 5,500	Rs 4,000
	Kha) 1301 to 2000 C.C	Rs 6,000	Rs 4,500
	Ga) 2001 to 2900 C.C	Rs 6,500	Rs 5,000
	Gha) 2901 to 4000 C.C	Rs 8,000	Rs 6,000
	Nga) 4001 and above C.C	Rs 9,000	Rs 7,000
	2) Mini truck, minibus, water tanker	Rs 8,000	Rs 6,000
	3) Mini tipper	Rs 9,000	Rs 7,000

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

<i>Amendments are highlighted in Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount	Tax Rates/Amount
		FY 80-81	FY 79-80
	4) Truck, Bus	Rs 10,500	Rs 8,000
	5) Dozer, Excavator, Loader, Roller, Crane, similar machinery equipment	Rs 15,500	Rs 12,000
	6) Oil Tanker, Gas Bullet, Tipper	Rs 15,500	Rs 12,000
	7) Tractor	Rs 2,500	Rs 2,000
	8) Power Tiller	Rs 2,000	Rs 1,500
	9) Auto Rickshaw, Three-wheeler, Tempo	Rs 2,500	Rs 2,000
	Note: Collected at the time of registration or renewal of vehicles through Office of Transport Management.		
	Introduction of Presumptive tax on Electronic Vehicle from FY 2023-24:		
	(a) Up to 50 kW	Rs 3,000	N.A
	(b) 50 kW to 125 kW	Rs 4,000	
	(c) 125 kW to 200 kW	Rs 6,000	
	(d) All above 200 KW	Rs 7,500	
(1)(16)	<b>Health Insurance</b>	No change	Rs 20,000 or Actual Premium
	Resident Natural Person doing Health Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation		whichever is lower
(1)(16A)	<b>Building Insurance Premium</b>	No change	Rs 5,000 or Actual Premium
	If a Resident Natural Person insures his/her private building can deduct the mentioned amount from his/her taxable income for the purpose of tax calculation		whichever is lower
(1)(17)	<b>Transaction based tax to business u/s 4(4ka)</b>		
	<b>Turnover (for FY 2079/80) above Rs 30 lakhs up to Rs 1 Crore</b>		
	Transaction of gas, cigarette with up to 3% commission or value addition	No change	0.25%
	Transactions other than mentioned above	No change	1.00%
	Service	No change	2%
	<b>Provision of Section 4(4Ka)</b>		
	Resident Natural person who has met all the following conditions shall pay tax as per Schedule 1(1)(17):		
	a) Income only having source in Nepal		
	b) Annual turnover above Rs 30 lakhs but less than up to Rs 1 crore and profit not more than 10 lakhs		
	d) Income does not include income from consultancy and expert services		

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

<i>Amendments are highlighted in Amber</i>					
Schedule 1	Particulars	Tax Rates/Amount	Tax Rates/Amount		
		FY 80-81	FY 79-80		
<b>FOR ENTITY</b>					
(2)(1)	<b>Normal Rate</b>	No change	25%		
(2)(2)	<b><u>Increased Rate</u></b>	No change	30%		
	Bank and Financial Institutions				
	General Insurance				
	Telecommunication and Internet Service provider				
	Money Transfer				
	Capital Market Business				
	Securities Business				
	Merchant Banking Business				
	Commodity Future Market				
	Securities and Commodity Broker Business				
(2)(3)	Entities engaged in business of cigarette, bidi, cigar, surti, khaini, panmasala, alcohol	No change	30%		
	Entities engaged in petroleum operations under Nepal Petroleum Act 2040				
	Cooperative registered as per Cooperatives Act 2074 operated in following areas except cooperative carrying out exempt transactions:				
	In Municipality area			No change	5%
	In Sub Metropolitan cities area			No change	7%
	In Metropolitan cities area			No change	10%
	<b>Cooperative registered as per Cooperatives Act 2074 engaged in transactions of Saving &amp; Credit:</b>				
	In Municipality area			10%	-
	In Sub Metropolitan cities area			15%	-
In Metropolitan cities area	20%	-			
(2)(5)	Trust taking care of the property of a deceased natural person or an incapacitated natural person (such trust shall be considered a resident natural person)	No change	Taxed as per Schedule 1(1)(4)		
(2)(6)	Repatriated income of a Foreign Permanent Establishment of a non-resident person situated in Nepal	No change	5%		
(2)(7)	Income of a nonresident person u/s 70 embark from Nepal	No change	5%		
(2)(7)	Nonresident person providing telecommunication, water transport or air transport service which do not embark from Nepal	No change	2%		

**8. TDS RATES APPLICABLE FOR F.Y. 2080/81 (2023/24)**

<i>Amendments are highlighted in Amber</i>			
Section	Particulars	TDS rate 80-81	TDS rate 79-80
<b>Section 87: TDS on Income from Employment</b>			
87(1)	Income From employment having source in Nepal	As per Schedule 1	As per Schedule 1
87(2)	Employer's liability to deduct TDS not reduced by:		
	1. Right or obligation of the employer to deduct any amount		
	2. Any law requires reduction of income from employment		
Rule 31	Tax to be paid by an employee in an income year shall be deducted proportionately on monthly basis		
<b>Section 88: TDS on Payments of Investment Returns or Service Fees</b>			
88(1)	Normal interest payment having source in Nepal	No change	15%
88(1)	Royalty, service fee, commission, sales bonus, natural resource payments having source in Nepal	No change	15%
88(1)	Meeting allowances, payment for occasional teaching having source in Nepal	No change	15%
92(1)(Ja)		No change	
88(1)(1)	Payment made by GON or ARF after deducting higher of 5,00,000 or 50%	No change	5%
92(1)(Chha)		No change	
88(1)(2)	Commission paid by resident employment company to non-resident	No change	5%
92(1)(Cha)		No change	
88(1)(3)	Payment for aircraft lease	No change	10%
88(1)(4)	Payment of service fee to service provider registered in VAT or person carrying out VAT exempt transaction	No change	1.50%
88(1)(5)	Rent paid by a resident person having source in Nepal	No change	10%
88(1)(5)	Rent paid to person conducting business of vehicle leasing registered in VAT	No change	1.50%
88(1)(5)	House Rent paid to a natural person	No change	no TDS
88(1)(6)	Dividend by mutual fund to:	No change	
92(1)(yah)	natural person	No change	5%
	Others	No change	15%

**Nepal Budget Highlights – Tax Perspective  
2080/81 (2023/24)**

<i>Amendments are highlighted in Amber</i>			
Section	Particulars	TDS rate 80-81	TDS rate 79-80
88(1)(7)	Payment for use of satellite, bandwidth, optical fiber, equipment relating to telecommunications or electric transmission cable by a resident person	No change	10%
88(1)(8)	Dhuwani services and Rent paid for means used in Dhuwani services	2.50%	2.50%
	If Dhuwani service provider or person providing means used in Dhuwani services on rent is registered in VAT	1.50%	
88(1)(9)	Interest payment on loan taken in foreign currency from foreign banks and Financial Institution [2] by Resident Banks and Financial Institution to make investment in sectors prescribed by Nepal Rastra Bank.	No change	10%
92(1)(Chha)			
88(1)(10)	Encouragement amount paid to customers if a consumer pays for goods or services using card, e-wallet, mobile banking, and other digital payment systems.	No change	no TDS
88(1)(11)	While making payment to Foreign Colleges or University for Registration Fee, Tuition Fee, and Exam Fee	No change	5%
88(1)(12)	Interest payment by Resident Banks and Financial Institution to Life Insurance Companies against their deposits	No change	5%
88(1)(13)	Payment of royalty income for literary writings and creations to resident person	No change	1.50%
88(2)(Ka)	Dividend	No change	5%
92(1)(Ka)		No change	
88(2)(Kha)	Gain on investment insurance	No change	5%
92(1)(Ga)		No change	
88(2)(Ga)	Gain from payment from resident Unapproved Retirement Fund.	No change	5%
92(1)(Gha)		No change	
88(3)	Interest from BFI, entity issuing debenture, cooperatives, or listed company to:	No change	
92(1)(Nga)	natural person other than in conducting business	6%	5%
	tax exempt entity	No change	15%
	Other Entity	No change	15%
88(4)(Ka)	Payment by natural person other than in conducting business	No change	No TDS
88(4)(Ka1)	Payment for articles in newspaper	No change	No TDS
88(4)(Kha)	Payment of interest to BFI	No change	No TDS

<i>Amendments are highlighted in Amber</i>			
Section	Particulars	TDS rate 80-81	TDS rate 79-80
88(4)(Kha1)	Interest paid by cooperative banks and cooperatives on loan investments	No change	No TDS
8(4)(Ga)	Exempted payments or payments subject to tax deduction u/s 87	No change	No TDS
88(4)(Gha)	Payment of interchange charge by banks issuing credit cards	No change	No TDS
88(4)(Nga)	Payment of dividend and interest to mutual fund	No change	Not applicable
<b>Section 88Ka: TDS on Windfall Gains</b>			
88Ka(1)	Windfall gain	No change	25%
92(1)(Jha)			
88Ka(2)	National and international prize up to 5,00,000 for contribution in literature, arts, culture, sports, journalism, science, technology	No change	no TDS (if govt declare)
92(1)(Jha)			
<b>Section 89: TDS on Payment of Contracts and Agreements</b>			
89(1)	Contract for 50,000 or more		1.50%
89(3)(Ka)	Payment to Non-resident person for any agreement or contract- <b>including the purchase of arms and ammunitions, weapons, and communication equipment for self-use by Nepal Army, Nepal Police and Armed Police Force.</b>	No change	5%
89(3)(Kha)	On payment of Premium or while paying commission to Non-resident Insurance company for the Reinsurance Premium Received	No change	1.50%
89(3)(Ga)	Other payments to Non-resident prescribed by department	No change	as prescribed
89(3Ka)	Payment made for work to be done through User Committee (Upabhokta Samitee) above Rs 50 lakh	No change	1.50%



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